CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Annual Consolidated Financial Statements for the year ended December 31, 2015, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, February 17, 2016. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITA, Adjusted EBITA margin, Adjusted net income, Adjusted net income margin, Average Invested Capital, ROIC, and Net Revenue.

The term ''Adjusted EBITA'' refers to net income before adjusting for finance and other income, bargain purchase gain, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, TSS membership liability revaluation charge, and foreign exchange gain or loss. The Company believes that Adjusted EBITA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities

are financed and taxed and also prior to taking into consideration intangible asset amortization and the other items listed above. ‘‘Adjusted EBITA margin’’ refers to the percentage that Adjusted EBITA for any period represents as a portion of total revenue for that period. Prior to December 2013, the Company had reported “Adjusted EBITDA” in its MD&A. Adjusted EBITDA refers to Adjusted EBITA as defined above then further excludes depreciation. The Company uses depreciation as a proxy for the cash flows used to purchase property and equipment required to support the Company’s main business activities. As such, the Company believes Adjusted EBITA is a more useful measure then Adjusted EBITDA.

‘‘Adjusted net income’’ means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, the TSS membership liability revaluation charge, and certain other expenses (income), and excludes the portion of the adjusted net income of Total Specific Solutions (TSS) B.V. (“TSS”) attributable to the minority owners of TSS (see “Capital Resources and Commitments” section). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, the TSS membership liability revaluation charge, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time, and adjusts for the portion of TSS’ Adjusted net income not attributable to shareholders of Constellation. ‘‘Adjusted net income margin’’ refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

Adjusted EBITA and Adjusted net income are not recognized measures under IFRS and, accordingly, readers are cautioned that Adjusted EBITA and Adjusted net income should not be construed as alternatives to net income determined in accordance with IFRS. The Company’s method of calculating Adjusted EBITA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITA and Adjusted net income may not be comparable to similar measures presented by other issuers. See ‘‘Results of Operations —Adjusted EBITA’’ and ‘‘— Adjusted net income’’ for a reconciliation of Adjusted EBITA and Adjusted net income to Net income. Adjusted EBITA includes 100% of the Adjusted EBITA of TSS.

“Average Invested Capital” represents the average equity capital of the Company, and is based on the Company’s estimate of the amount of money that its common shareholders had invested in CSI. Subsequent to that estimate, each period the Company has kept a running tally, adding Adjusted net income, subtracting any dividends, adding any amounts related to share issuances and making some minor adjustments, including adjustments relating to our use of certain incentive programs and the amortization of impaired intangibles. The Company believes that Average Invested Capital is a useful measure as it approximates the retained earnings of the Company prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time.

“ROIC” means Return on Invested Capital and represents a ratio of Adjusted net income to Average Invested Capital. The Company believes this is a useful profitability measure as it excludes non-cash expenses (income) from both the numerator and denominator.

“Net Revenue”. Net Revenue is gross revenue for IFRS purposes less any third party and flow-through expenses. The Company believes Net Revenue is a useful measure since it captures 100% of the license, maintenance and services revenues associated with Constellation’s own products, and only the margin on the lower value-added revenues such as commodity hardware or third party software.

Overview

We acquire, manage and build vertical market software ("VMS") businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flows and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates "when and if available" and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs and other general operating expenses.

Results of Operations

(In millions of dollars, except percentages and per share amounts)

	Three months ended December 31, 2015	Three months ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2013
	(Unaudited)				(Unaudited)				
Revenue	**511.6**	**439.8**	**71.8**	**16%**	**1,838.3**	**1,669.3**	**169.0**	**10%**	**1,210.8**
Expenses	378.7	335.8	42.9	13%	1,392.8	1,321.3	71.5	5%	977.0
Adjusted EBITA	**132.8**	**103.9**	**28.9**	**28%**	**445.5**	**348.1**	**97.5**	**28%**	**233.8**
Adjusted EBITA margin	26%	24%			24%	21%			19%
Amortization of intangible assets	47.9	43.2	4.7	11%	180.5	173.2	7.3	4%	119.1
Foreign exchange (gain) loss	(7.3)	1.8	(9.1)	NM	(15.7)	10.5	(26.3)	NM	(0.8)
TSS membership liability revaluation charge	7.1	-	7.1	NM	22.2	-	22.2	NM	-
Share in net (income) loss of equity investees	(0.2)	(0.1)	(0.0)	10%	(1.1)	(0.8)	(0.2)	29%	(0.8)
Finance and other income	(1.5)	(1.4)	(0.1)	10%	(4.8)	(4.1)	(0.7)	16%	(1.0)
Bargain purchase gain	-	(2.2)	2.2	NM	-	(2.2)	2.2	NM	(8.1)
Finance costs	5.1	5.8	(0.6)	-11%	20.1	16.7	3.4	21%	7.1
Income before income taxes	81.7	56.9	24.8	44%	244.3	154.9	89.4	58%	118.3
Income taxes expense (recovery)									
Current income tax expense (recovery)	15.9	11.3	4.6	40%	63.5	51.5	11.9	23%	22.5
Deferred income tax expense (recovery)	(0.1)	6.3	(6.4)	NM	3.6	0.2	3.4	NM	2.6
Income tax expense (recovery)	15.8	17.6	(1.8)	-10%	67.1	51.8	15.3	30%	25.1
Net income	**66.0**	**39.3**	**26.6**	**68%**	**177.2**	**103.1**	**74.2**	**72%**	**93.1**
Adjusted net income	**117.7**	**86.6**	**31.1**	**36%**	**371.0**	**274.3**	**96.7**	**35%**	**206.8**
Adjusted net income margin	23%	20%			20%	16%			17%
Weighted average number of shares outstanding (000's)									
Basic and diluted	21,192	21,192			21,192	21,192			21,192
Net income per share									
Basic and diluted	$ 3.11	$ 1.86	$ 1.26	68%	$ 8.36	$ 4.87	$ 3.50	72%	$ 4.39
Adjusted EBITA per share									
Basic and diluted	$ 6.27	$ 4.90	$ 1.36	28%	$ 21.02	$ 16.43	$ 4.60	28%	$ 11.03
Adjusted net income per share									
Basic and diluted	$ 5.55	$ 4.09	$ 1.47	36%	$ 17.51	$ 12.94	$ 4.56	35%	$ 9.76
Cash dividends declared per share									
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 4.00	$ 4.00	$ -	0%	$ 4.00
Total assets					1,639.3	1,433.1	206.2	14%	1,537.7
Total long-term liabilities					532.3	414.4	117.8	28%	162.8

NM - Not meaningful

Comparison of the three and twelve months ended December 31, 2015 and 2014

Revenue:

Total revenue for the quarter ended December 31, 2015 was $511.6 million, an increase of 16%, or $71.8 million, compared to $439.8 million for the comparable period in 2014. For the 2015 fiscal year total revenues were $1,838.3 million, an increase of 10%, or $169.0 million, compared to $1,669.3 million for the comparable period in 2014. The increase for both the three and twelve month periods compared to the same periods in the prior year is attributable to growth from acquisitions as the Company experienced negative organic growth of 1% and 3% respectively. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. For the three and twelve months ended December 31, 2015, the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in an approximate 5% and 6% respective reduction in the Company's organic growth rate compared to the comparable periods of 2014. The negative impact of foreign exchange on the Company's Q4 organic growth rate was partially offset by an increase in hardware sales recorded in our public sector relating to various large projects in our transit vertical. Hardware revenue is primarily recognized on delivery and as such can result in temporary spikes in revenue. Organic growth in Q4 was positive 1% after adjusting for both factors.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Licenses	34.4	33.7	0.7	2%	131.0	118.9	12.2	10%
Professional services	103.5	105.4	(1.9)	-2%	384.6	396.1	(11.5)	-3%
Hardware and other	53.3	37.5	15.8	42%	152.9	139.3	13.6	10%
Maintenance and other recurring	320.4	263.1	57.3	22%	1,169.8	1,015.0	154.8	15%
	511.6	439.8	71.8	16%	1,838.3	1,669.3	169.0	10%

$M - Millions of dollars

We aggregate our business into two distinct segments for financial reporting purposes: (i) the public sector reportable segment, which includes business units focused primarily on government and government-related customers, and (ii) the private sector reportable segment, which includes business units focused primarily on commercial customers.

The following table displays our revenue by reportable segment and the percentage change for the three and twelve months ended December 31, 2015 compared to the same periods in 2014:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	22.0	22.1	(0.1)	-1%	85.8	77.5	8.3	11%
Professional services	83.1	87.4	(4.3)	-5%	310.6	327.0	(16.4)	-5%
Hardware and other	46.4	30.5	15.9	52%	126.3	116.3	10.0	9%
Maintenance and other recurring	196.6	165.3	31.3	19%	740.8	650.7	90.1	14%
	348.1	305.3	42.8	14%	1,263.6	1,171.6	92.0	8%
Private Sector								
Licenses	12.4	11.5	0.8	7%	45.2	41.3	3.8	9%
Professional services	20.4	18.0	2.3	13%	74.0	69.1	4.8	7%
Hardware and other	6.9	7.1	(0.1)	-2%	26.6	23.0	3.6	15%
Maintenance and other recurring	123.8	97.8	26.0	27%	429.0	364.3	64.7	18%
	163.5	134.5	29.0	22%	574.7	497.7	76.9	15%

Public Sector

For the quarter ended December 31, 2015, total revenue in the public sector reportable segment increased 14%, or $42.8 million to $348.1 million, compared to $305.3 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015, total revenue increased by 8%, or $92.0 million to $1,263.6 million, compared to $1,171.6 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $44 million to our Q4 2015 revenues and $134 million to our fiscal year ended December 31, 2015 revenues compared to the same periods in 2014, as we completed 27 acquisitions since the beginning of 2014. Organic revenue growth was 0% in Q4 2015 and negative 3% for the fiscal year ended December 31, 2015 compared to the same periods in 2014. For the three and twelve months ended December 31, 2015, the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in approximate 5% and 6% respective reductions in the public sector revenue organic growth rates compared to the comparable periods of 2014. The negative impact of foreign exchange on the public sector Q4 organic growth rate was offset by an increase in hardware sales relating to various large projects in our transit vertical. Hardware revenue is primarily recognized on delivery and as such can result in temporary spikes in revenue. Organic growth for the public sector in Q4 was 0% after adjusting for both factors.

Private Sector

For the quarter ended December 31, 2015, total revenue in the private sector reportable segment increased 22%, or $29.0 million to $163.5 million, compared to $134.5 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015, total revenue increased by 15%, or $76.9 million to $574.7 million, compared to $497.7 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $32 million to our Q4 2015 revenues and $88 million to our fiscal year ended December 31, 2015 revenues compared to the same periods in 2014, as we completed 27 acquisitions since the beginning of 2014. Organic revenue growth was negative 2% for both the three and twelve months ended December 31, 2015 compared to the same periods in 2014. For the three and twelve months ended December 31, 2015, the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in approximate 4% and 5% respective reductions in the private sector revenue organic growth rates compared to the comparable periods of 2014.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	241.3	218.3	23.0	11%	912.4	881.6	30.8	3%
Hardware	32.1	22.8	9.3	41%	90.3	79.5	10.8	14%
Third party license, maintenance and professional services	46.5	39.7	6.8	17%	163.7	152.2	11.5	8%
Occupancy	11.8	10.6	1.1	11%	43.2	41.0	2.2	5%
Travel	16.2	13.9	2.2	16%	54.6	50.1	4.5	9%
Telecommunications	4.8	4.2	0.6	14%	17.9	16.4	1.6	9%
Supplies	3.4	3.0	0.4	12%	11.0	9.8	1.1	11%
Software and equipment	8.7	7.7	1.0	13%	31.0	27.0	4.0	15%
Professional fees	6.7	6.3	0.4	6%	22.6	22.8	(0.2)	-1%
Other, net	2.4	5.0	(2.6)	-53%	29.0	24.3	4.8	20%
Depreciation	5.0	4.2	0.7	17%	17.0	16.5	0.6	3%
	378.7	335.8	42.9	13%	1,392.8	1,321.3	71.5	5%

Overall expenses for the quarter ended December 31, 2015 increased 13%, or $42.9 million to $378.7 million, compared to $335.8 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 74% for the quarter ended December 31, 2015 from 76% for the same period in 2014. During the fiscal year ended December 31, 2015, expenses increased 5%, or $71.5 million to $1,392.8 million, compared to $1,321.3 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 76% for the fiscal year ended December 31, 2015 from 79% for the same period in 2014. Our average employee headcount grew 13% in 2015 from 9,251 for the quarter ended December 31, 2014 to 10,420 for the quarter ended December 31, 2015 primarily due to acquisitions. For the three and twelve months ended December 31, 2015 the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in an approximate 7% and 8% respective reduction in expenses compared to the comparable periods of 2014.

Staff expense – Staff expenses increased 11% or $23.0 million for the quarter ended December 31, 2015 and 3% or $30.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Professional services	54.4	54.2	0.2	0%	213.6	221.9	(8.3)	-4%
Maintenance	48.6	39.6	9.0	23%	176.5	157.2	19.4	12%
Research and development	69.0	61.0	8.1	13%	259.2	248.8	10.4	4%
Sales and marketing	32.5	31.3	1.2	4%	124.4	119.3	5.1	4%
General and administration	36.8	32.2	4.6	14%	138.6	134.4	4.3	3%
	241.3	218.3	23.0	11%	912.4	881.6	30.8	3%

The increase in staff expenses for both the three and twelve month periods ended December 31, 2015 was primarily due to the growth in the number of employees compared to the same periods in 2014 primarily due to acquisitions. Offsetting the increase from acquisitions was the impact of the appreciation of the US dollar against most other major currencies in which the Company transacts business, and the reduction in expenses incurred by Total Specific Solutions (TSS) B.V. ("TSS"). Excluding the approximate 7% and 8% overall reduction in the Company's expenses as a result of foreign exchange for the three and twelve month periods respectively, staff expenses at TSS for the three and twelve months ended December 31, 2015 decreased by 3% and 9% respectively or approximately $1 million and $11 million respectively compared to the same periods in 2014. Severance of approximately $2.4 and $3.9 million relating to a headcount transformation program at TSS was recorded in the three and twelve months ended December 31, 2015 respectively, versus approximately $6.5 million and $13.1 million during the comparable periods of 2014.

Hardware expenses – Hardware expenses increased 41% or $9.3 million for the quarter ended December 31, 2015 and 14% or $10.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. Hardware margins for the three and twelve months ended December 31, 2015 were 40% and 41% respectively as compared to 39% and 43% for the comparable periods in 2014.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 17% or $6.8 million for the quarter ended December 31, 2015 and 8% or $11.5 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase is primarily due to an increase in maintenance and other recurring revenue for the three and twelve months ended December 31, 2015 compared to the same periods in 2014.

Occupancy expenses – Occupancy expenses increased 11% or $1.1 million for the quarter ended December 31, 2015 and 5% or $2.2 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase in occupancy expenses is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 14% or $4.2 million for the quarter ended December 31, 2015 and 11% or $11.1 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 6% or $0.4 million for the quarter ended December 31, 2015 and decreased 1% or $0.2 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The variance in professional fees for the three and twelve month periods is primarily the result of the timing of various structuring and capital initiatives undertaken throughout the organization in 2014 and 2015.

Other, net – Other expenses decreased 53% or $2.6 million for the quarter ended December 31, 2015 and increased 20% or $4.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Advertising and promotion	5.6	6.1	(0.5)	-9%	21.4	23.1	(1.7)	-7%
Recruitment and training	2.7	3.2	(0.5)	-17%	9.1	9.9	(0.8)	-9%
Bad debt expense	0.2	(0.2)	0.3	NM	1.7	0.6	1.1	176%
R&D tax credits	(7.2)	(3.6)	(3.7)	103%	(14.8)	(14.5)	(0.3)	2%
Contingent consideration	(0.4)	(1.8)	1.3	NM	6.7	(1.1)	7.8	NM
Other expense, net	1.6	1.2	0.4	37%	5.0	6.3	(1.3)	-21%
	2.4	5.0	(2.6)	-53%	29.0	24.3	4.8	20%

NM - Not meaningful

The primary reason for the decrease in other expenses for the three months ended December 31, 2015 was an increase in R&D tax credit claims of $3.7 million. The R&D tax credit claim for the fiscal year ended December 31, 2015 was in line with the claim made in 2014, so the quarter variance relates to the timing of when claims were made throughout the year. Other expenses for the fiscal year ended December 31, 2015 primarily increased as a result of a $7.8 million increase to contingent consideration expense. The expense primarily relates to expected earnout payment adjustments associated with two acquisitions made in the public sector, one in Q3 2013 and the other in Q3 2014. The expected earnout payments have increased primarily as a result of an increase to the revenue forecasts for these two acquisitions. Forecasts are updated on a quarterly basis and related earnout payments are updated accordingly.

Depreciation – Depreciation of property and equipment increased 17% or $0.7 million for the quarter ended December 31, 2015 and increased 3% or $0.6 million for the fiscal year ended December 31, 2015 over the same periods in 2014.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Amortization of intangible assets	47.9	43.2	4.7	11%	180.5	173.2	7.3	4%
Foreign exchange (gain) loss	(7.3)	1.8	(9.1)	NM	(15.7)	10.5	(26.3)	NM
TSS membership liability revaluation charge	7.1	-	7.1	NM	22.2		22.2	NM
Share in net (income) loss of equity investees	(0.2)	(0.1)	(0.0)	10%	(1.1)	(0.8)	(0.2)	29%
Finance and other income	(1.5)	(1.4)	(0.1)	10%	(4.8)	(4.1)	(0.7)	16%
Bargain purchase gain	-	(2.2)	2.2	NM	-	(2.2)	2.2	NM
Finance costs	5.1	5.8	(0.6)	-11%	20.1	16.7	3.4	21%
Income tax expense (recovery)	15.8	17.6	(1.8)	-10%	67.1	51.8	15.3	30%
	66.9	64.6	2.3	3%	268.3	245.0	23.3	10%

NM - Not meaningful

Amortization of intangible assets – Amortization of intangible assets increased 11% or $4.7 million for the quarter ended December 31, 2015 and 4% or $7.3 million for the fiscal year ended December 31, 2015 over the

same periods in 2014. The increase in amortization expense is attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended December 31, 2015 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended December 31, 2015, we realized a foreign exchange gain of $7.3 million compared to a loss of $1.8 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015 the foreign exchange gain was $15.7 million compared to a foreign exchange loss of $10.5 million for the same period in 2014. Unrealized foreign exchange gains of $7.6 million and $2.6 million were recorded in Q4 2015 relating to the Company's unsecured subordinated floating rate debentures that were issued in Q3 2014 and Q3 2015 and are denominated in Canadian dollars, and intercompany loans, respectively. The $2.6 million foreign exchange gain related to intercompany loans was recorded in other comprehensive income for the period but is not included in net income for the period in accordance with IFRS. The gain relating to the Company's unsecured subordinated floating rate debentures was partially offset by the counter balancing $2.6 million unrealized foreign exchange loss on these intercompany loans that is included in net income for the period in accordance with IFRS. For the fiscal year ended December 31, 2015 amounts recorded were as follows; unrealized foreign exchange gains relating to the Company's unsecured subordinated floating rate debentures of $18.0 million, unrealized gains on intercompany loans recorded to other comprehensive income of $4.9 million, and the counter balancing unrealized loss on intercompany loans included in net income of $4.9 million.

TSS membership liability revaluation charge – In Q4 2015 TSS made a cash distribution payment to the Company in the amount of $21.8 million, and to the minority shareholders in the amount of $10.9 million. The $10.9 million distribution was recorded as part of the TSS membership liability revaluation charge in Q4 2015. Offsetting the $10.9 million charge was a credit of $3.8 million relating to the approximate 7% reduction in the valuation of the TSS membership liability in the quarter ended December 31, 2015. For the fiscal year ended December 31, 2015 the valuation of the TSS membership liability increased by 26% resulting in a TSS membership liability revaluation charge of $11.3 million. This revaluation amount plus the $10.9 million distribution equates to the $22.2 million expense recorded for the fiscal year ended December 31, 2015. The growth in TSS' maintenance revenue resulted in an increase to the liability for the three and twelve months ended December 31, 2015, however the $10.9 million distribution was deducted from the liability resulting in the decline for Q4 2015. The liability recorded on the balance sheet increased by only 13% or $6.2 million over the twelve month period as a result of a foreign exchange gain that was recorded through other comprehensive income. The TSS membership liability is denominated in Euros and the Euro declined approximately 11% versus the US dollar during the 2015 fiscal year.

Share in net (income) loss of equity investees – Share in the net (income) loss of equity investees was income of $0.2 million and $1.1 million for the three and twelve months ended December 31, 2015 respectively, compared to income of $0.1 million and $0.8 million for the same periods in 2014 in line with the increased profitability of equity investees.

Finance and other income – Finance and other income for the quarter ended December 31, 2015 was $1.5 million compared to $1.4 million for the same period in 2014. During the fiscal year ended December 31, 2015, finance and other income was $4.8 million compared to $4.1 million for the same period in 2014. A gain of $0.6 million relating to the sale of equity securities available-for-sale was recorded during the fiscal year ended December 31, 2014 and no similar gain was recorded in 2015. The remaining other income amounts relate to acquired net tangible asset adjustments for acquisitions that had been owned for greater than twelve months in accordance with IFRS.

Bargain purchase gain – A bargain purchase gain totalling $2.2 million in Q4 2014 arose on one of the acquisitions made during Q4 2014 because the fair value of the separately identifiable assets and liabilities exceeded the total consideration paid, principally due to the acquisition of certain assets that will benefit the Company that had limited value to the seller. No similar gain was incurred in 2015.

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	22.0	22.1	(0.1)	-1%	85.8	77.5	8.3	11%
Professional services	83.1	87.4	(4.3)	-5%	310.6	327.0	(16.4)	-5%
Hardware and other	46.4	30.5	15.9	52%	126.3	116.3	10.0	9%
Maintenance and other recurring	196.6	165.3	31.3	19%	740.8	650.7	90.1	14%
	348.1	305.3	42.8	14%	1,263.6	1,171.6	92.0	8%
Private Sector								
Licenses	12.4	11.5	0.8	7%	45.2	41.3	3.8	9%
Professional services	20.4	18.0	2.3	13%	74.0	69.1	4.8	7%
Hardware and other	6.9	7.1	(0.1)	-2%	26.6	23.0	3.6	15%
Maintenance and other recurring	123.8	97.8	26.0	27%	429.0	364.3	64.7	18%
	163.5	134.5	29.0	22%	574.7	497.7	76.9	15%

Public Sector

For the quarter ended December 31, 2015, total revenue in the public sector reportable segment increased 14%, or $42.8 million to $348.1 million, compared to $305.3 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015, total revenue increased by 8%, or $92.0 million to $1,263.6 million, compared to $1,171.6 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $44 million to our Q4 2015 revenues and $134 million to our fiscal year ended December 31, 2015 revenues compared to the same periods in 2014, as we completed 27 acquisitions since the beginning of 2014. Organic revenue growth was 0% in Q4 2015 and negative 3% for the fiscal year ended December 31, 2015 compared to the same periods in 2014. For the three and twelve months ended December 31, 2015, the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in approximate 5% and 6% respective reductions in the public sector revenue organic growth rates compared to the comparable periods of 2014. The negative impact of foreign exchange on the public sector Q4 organic growth rate was offset by an increase in hardware sales relating to various large projects in our transit vertical. Hardware revenue is primarily recognized on delivery and as such can result in temporary spikes in revenue. Organic growth for the public sector in Q4 was 0% after adjusting for both factors.

Private Sector

For the quarter ended December 31, 2015, total revenue in the private sector reportable segment increased 22%, or $29.0 million to $163.5 million, compared to $134.5 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015, total revenue increased by 15%, or $76.9 million to $574.7 million, compared to $497.7 million for the comparable period in 2014. Total revenue growth from acquired businesses contributed approximately $32 million to our Q4 2015 revenues and $88 million to our fiscal year ended December 31, 2015 revenues compared to the same periods in 2014, as we completed 27 acquisitions since the beginning of 2014. Organic revenue growth was negative 2% for both the three and twelve months ended December 31, 2015 compared to the same periods in 2014. For the three and twelve months ended December 31, 2015, the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in approximate 4% and 5% respective reductions in the private sector revenue organic growth rates compared to the comparable periods of 2014.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	241.3	218.3	23.0	11%	912.4	881.6	30.8	3%
Hardware	32.1	22.8	9.3	41%	90.3	79.5	10.8	14%
Third party license, maintenance and professional services	46.5	39.7	6.8	17%	163.7	152.2	11.5	8%
Occupancy	11.8	10.6	1.1	11%	43.2	41.0	2.2	5%
Travel	16.2	13.9	2.2	16%	54.6	50.1	4.5	9%
Telecommunications	4.8	4.2	0.6	14%	17.9	16.4	1.6	9%
Supplies	3.4	3.0	0.4	12%	11.0	9.8	1.1	11%
Software and equipment	8.7	7.7	1.0	13%	31.0	27.0	4.0	15%
Professional fees	6.7	6.3	0.4	6%	22.6	22.8	(0.2)	-1%
Other, net	2.4	5.0	(2.6)	-53%	29.0	24.3	4.8	20%
Depreciation	5.0	4.2	0.7	17%	17.0	16.5	0.6	3%
	378.7	335.8	42.9	13%	1,392.8	1,321.3	71.5	5%

Overall expenses for the quarter ended December 31, 2015 increased 13%, or $42.9 million to $378.7 million, compared to $335.8 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 74% for the quarter ended December 31, 2015 from 76% for the same period in 2014. During the fiscal year ended December 31, 2015, expenses increased 5%, or $71.5 million to $1,392.8 million, compared to $1,321.3 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 76% for the fiscal year ended December 31, 2015 from 79% for the same period in 2014. Our average employee headcount grew 13% in 2015 from 9,251 for the quarter ended December 31, 2014 to 10,420 for the quarter ended December 31, 2015 primarily due to acquisitions. For the three and twelve months ended December 31, 2015 the appreciation of the US dollar against most other major currencies in which the Company transacts business resulted in an approximate 7% and 8% respective reduction in expenses compared to the comparable periods of 2014.

Staff expense – Staff expenses increased 11% or $23.0 million for the quarter ended December 31, 2015 and 3% or $30.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended December 31, 2015	Three months ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %
	($M, except percentages)				($M, except percentages)			
Professional services	54.4	54.2	0.2	0%	213.6	221.9	(8.3)	-4%
Maintenance	48.6	39.6	9.0	23%	176.5	157.2	19.4	12%
Research and development	69.0	61.0	8.1	13%	259.2	248.8	10.4	4%
Sales and marketing	32.5	31.3	1.2	4%	124.4	119.3	5.1	4%
General and administration	36.8	32.2	4.6	14%	138.6	134.4	4.3	3%
	241.3	218.3	23.0	11%	912.4	881.6	30.8	3%

The increase in staff expenses for both the three and twelve month periods ended December 31, 2015 was primarily due to the growth in the number of employees compared to the same periods in 2014 primarily due to acquisitions. Offsetting the increase from acquisitions was the impact of the appreciation of the US dollar against most other major currencies in which the Company transacts business, and the reduction in expenses incurred by Total Specific Solutions (TSS) B.V. ("TSS"). Excluding the approximate 7% and 8% overall reduction in the Company's expenses as a result of foreign exchange for the three and twelve month periods respectively, staff expenses at TSS for the three and twelve months ended December 31, 2015 decreased by 3% and 9% respectively or approximately $1 million and $11 million respectively compared to the same periods in 2014. Severance of approximately $2.4 and $3.9 million relating to a headcount transformation program at TSS was recorded in the three and twelve months ended December 31, 2015 respectively, versus approximately $6.5 million and $13.1 million during the comparable periods of 2014.

Hardware expenses – Hardware expenses increased 41% or $9.3 million for the quarter ended December 31, 2015 and 14% or $10.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. Hardware margins for the three and twelve months ended December 31, 2015 were 40% and 41% respectively as compared to 39% and 43% for the comparable periods in 2014.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 17% or $6.8 million for the quarter ended December 31, 2015 and 8% or $11.5 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase is primarily due to an increase in maintenance and other recurring revenue for the three and twelve months ended December 31, 2015 compared to the same periods in 2014.

Occupancy expenses – Occupancy expenses increased 11% or $1.1 million for the quarter ended December 31, 2015 and 5% or $2.2 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase in occupancy expenses is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 14% or $4.2 million for the quarter ended December 31, 2015 and 11% or $11.1 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 6% or $0.4 million for the quarter ended December 31, 2015 and decreased 1% or $0.2 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The variance in professional fees for the three and twelve month periods is primarily the result of the timing of various structuring and capital initiatives undertaken throughout the organization in 2014 and 2015.

Other, net – Other expenses decreased 53% or $2.6 million for the quarter ended December 31, 2015 and increased 20% or $4.8 million for the fiscal year ended December 31, 2015 over the same periods in 2014. The following table provides a further breakdown of expenses within this category.

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Advertising and promotion	5.6	6.1	(0.5)	-9%	21.4	23.1	(1.7)	-7%
Recruitment and training	2.7	3.2	(0.5)	-17%	9.1	9.9	(0.8)	-9%
Bad debt expense	0.2	(0.2)	0.3	NM	1.7	0.6	1.1	176%
R&D tax credits	(7.2)	(3.6)	(3.7)	103%	(14.8)	(14.5)	(0.3)	2%
Contingent consideration	(0.4)	(1.8)	1.3	NM	6.7	(1.1)	7.8	NM
Other expense, net	1.6	1.2	0.4	37%	5.0	6.3	(1.3)	-21%
	2.4	5.0	(2.6)	-53%	29.0	24.3	4.8	20%

NM - Not meaningful

The primary reason for the decrease in other expenses for the three months ended December 31, 2015 was an increase in R&D tax credit claims of $3.7 million. The R&D tax credit claim for the fiscal year ended December 31, 2015 was in line with the claim made in 2014, so the quarter variance relates to the timing of when claims were made throughout the year. Other expenses for the fiscal year ended December 31, 2015 primarily increased as a result of a $7.8 million increase to contingent consideration expense. The expense primarily relates to expected earnout payment adjustments associated with two acquisitions made in the public sector, one in Q3 2013 and the other in Q3 2014. The expected earnout payments have increased primarily as a result of an increase to the revenue forecasts for these two acquisitions. Forecasts are updated on a quarterly basis and related earnout payments are updated accordingly.

Depreciation – Depreciation of property and equipment increased 17% or $0.7 million for the quarter ended December 31, 2015 and increased 3% or $0.6 million for the fiscal year ended December 31, 2015 over the same periods in 2014.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended December 31,		Period-Over-Period Change		Fiscal year ended December 31,		Period-Over-Period Change	
	2015	2014	$	%	2015	2014	$	%
	($M, except percentages)				($M, except percentages)			
Amortization of intangible assets	47.9	43.2	4.7	11%	180.5	173.2	7.3	4%
Foreign exchange (gain) loss	(7.3)	1.8	(9.1)	NM	(15.7)	10.5	(26.3)	NM
TSS membership liability revaluation charge	7.1	-	7.1	NM	22.2		22.2	NM
Share in net (income) loss of equity investees	(0.2)	(0.1)	(0.0)	10%	(1.1)	(0.8)	(0.2)	29%
Finance and other income	(1.5)	(1.4)	(0.1)	10%	(4.8)	(4.1)	(0.7)	16%
Bargain purchase gain	-	(2.2)	2.2	NM	-	(2.2)	2.2	NM
Finance costs	5.1	5.8	(0.6)	-11%	20.1	16.7	3.4	21%
Income tax expense (recovery)	15.8	17.6	(1.8)	-10%	67.1	51.8	15.3	30%
	66.9	64.6	2.3	3%	268.3	245.0	23.3	10%

NM - Not meaningful

Amortization of intangible assets – Amortization of intangible assets increased 11% or $4.7 million for the quarter ended December 31, 2015 and 4% or $7.3 million for the fiscal year ended December 31, 2015 over the

same periods in 2014. The increase in amortization expense is attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended December 31, 2015 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended December 31, 2015, we realized a foreign exchange gain of $7.3 million compared to a loss of $1.8 million for the quarter ended December 31, 2014. For the fiscal year ended December 31, 2015 the foreign exchange gain was $15.7 million compared to a foreign exchange loss of $10.5 million for the same period in 2014. Unrealized foreign exchange gains of $7.6 million and $2.6 million were recorded in Q4 2015 relating to the Company's unsecured subordinated floating rate debentures that were issued in Q3 2014 and Q3 2015 and are denominated in Canadian dollars, and intercompany loans, respectively. The $2.6 million foreign exchange gain related to intercompany loans was recorded in other comprehensive income for the period but is not included in net income for the period in accordance with IFRS. The gain relating to the Company's unsecured subordinated floating rate debentures was partially offset by the counter balancing $2.6 million unrealized foreign exchange loss on these intercompany loans that is included in net income for the period in accordance with IFRS. For the fiscal year ended December 31, 2015 amounts recorded were as follows; unrealized foreign exchange gains relating to the Company's unsecured subordinated floating rate debentures of $18.0 million, unrealized gains on intercompany loans recorded to other comprehensive income of $4.9 million, and the counter balancing unrealized loss on intercompany loans included in net income of $4.9 million.

TSS membership liability revaluation charge – In Q4 2015 TSS made a cash distribution payment to the Company in the amount of $21.8 million, and to the minority shareholders in the amount of $10.9 million. The $10.9 million distribution was recorded as part of the TSS membership liability revaluation charge in Q4 2015. Offsetting the $10.9 million charge was a credit of $3.8 million relating to the approximate 7% reduction in the valuation of the TSS membership liability in the quarter ended December 31, 2015. For the fiscal year ended December 31, 2015 the valuation of the TSS membership liability increased by 26% resulting in a TSS membership liability revaluation charge of $11.3 million. This revaluation amount plus the $10.9 million distribution equates to the $22.2 million expense recorded for the fiscal year ended December 31, 2015. The growth in TSS' maintenance revenue resulted in an increase to the liability for the three and twelve months ended December 31, 2015, however the $10.9 million distribution was deducted from the liability resulting in the decline for Q4 2015. The liability recorded on the balance sheet increased by only 13% or $6.2 million over the twelve month period as a result of a foreign exchange gain that was recorded through other comprehensive income. The TSS membership liability is denominated in Euros and the Euro declined approximately 11% versus the US dollar during the 2015 fiscal year.

Share in net (income) loss of equity investees – Share in the net (income) loss of equity investees was income of $0.2 million and $1.1 million for the three and twelve months ended December 31, 2015 respectively, compared to income of $0.1 million and $0.8 million for the same periods in 2014 in line with the increased profitability of equity investees.

Finance and other income – Finance and other income for the quarter ended December 31, 2015 was $1.5 million compared to $1.4 million for the same period in 2014. During the fiscal year ended December 31, 2015, finance and other income was $4.8 million compared to $4.1 million for the same period in 2014. A gain of $0.6 million relating to the sale of equity securities available-for-sale was recorded during the fiscal year ended December 31, 2014 and no similar gain was recorded in 2015. The remaining other income amounts relate to acquired net tangible asset adjustments for acquisitions that had been owned for greater than twelve months in accordance with IFRS.

Bargain purchase gain – A bargain purchase gain totalling $2.2 million in Q4 2014 arose on one of the acquisitions made during Q4 2014 because the fair value of the separately identifiable assets and liabilities exceeded the total consideration paid, principally due to the acquisition of certain assets that will benefit the Company that had limited value to the seller. No similar gain was incurred in 2015.

Finance costs – Finance costs for the quarter ended December 31, 2015 decreased $0.6 million to $5.1 million, compared to $5.8 million for the same period in 2014. The decline primarily relates to a reduction in interest expense at TSS. As a result of the increased EBITDA at TSS the interest rate applied to outstanding advances on the TSS bank facility has been reduced. During the fiscal year ended December 31, 2015, finance costs increased $3.4 million to $20.1 million, from $16.7 million over the same period in 2014. The increase in finance costs primarily relates to interest paid on the Company's unsecured subordinated floating rate debentures that were issued in Q4 2014 and Q3 2015 and the TSS bank facility entered into in Q2 2014. In addition, during the fiscal year ending December 31, 2015 the Company recorded interest expense of $0.8 million relating to an assessment from the Canada Revenue Agency. (See "Canada Revenue Agency Reassessment and Other Tax Uncertainties" section below.) These increases were partially offset by reduced interest expense on our credit facilities resulting from decreased average borrowings for the fiscal year ended December 31, 2015 compared to the same periods in 2014.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended December 31, 2015, income tax expense decreased $1.8 million to $15.8 million compared to $17.6 million for the same period in 2014. During the fiscal year ended December 31, 2015, income tax expense increased $15.3 million to $67.1 million compared to $51.8 million for the same period in 2014. Current tax expense as a percentage of adjusted net income before tax for the three and twelve months ended December 31, 2015 was 12% and 15% respectively, versus 12% and 16% for the comparable periods in 2014. This rate, which has historically approximated our cash tax rate, has ranged between 10% and 12% annually from 2011 to 2013. The quarterly rate can sometimes fall outside of the annual range due to out of period adjustments. As a result of the depletion of tax credits available to certain Canadian entities and a proportionately higher level of profitability in the US, the rate has gradually increased and was 16% for the fiscal year ended December 31, 2014. During the three month period ending December 31, 2015 the Company recorded a tax recovery of $3 million relating to a tax asset identified on a recent acquisition. During the fiscal year ended December 31, 2015 the Company recorded a current tax expense of $2.7 million relating to an assessment from the Canada Revenue Agency. (See "Canada Revenue Agency Reassessment and Other Tax Uncertainties" section below.) The deferred income tax expense decrease of $6.4 million and increase of $3.4 million for the three and twelve months ended December 31, 2015 respectively, relates to various items including changes in recognition of certain deferred income tax assets.

Net Income and Earnings per Share:

Net income for the quarter ended December 31, 2015 was $66.0 million compared to net income of $39.3 million for the same period in 2014 representing an increase of 68%. On a per share basis this translated into a net income per diluted share of $3.11 in the quarter ended December 31, 2015 compared to net income per diluted share of $1.86 for the same period in 2014. For the fiscal year ended December 31, 2015, net income was $177.2 million or $8.36 per diluted share compared to $103.1 million or $4.87 per diluted share for the same period in 2014, representing an increase of 72%.

There were no changes in the number of shares outstanding.

Adjusted EBITA:

For the quarter ended December 31, 2015, Adjusted EBITA increased to $132.8 million compared to $103.9 million for the same period in 2014 representing an increase of 28%. Adjusted EBITA margin was 26% for the quarter ended December 31, 2015 and 24% for the same period in 2014. For the 2015 fiscal year, Adjusted EBITA increased to $445.5 million compared to $348.1 million during the same period in 2014, representing an increase of 28%. Adjusted EBITA margin was 24% in the 2015 fiscal year and 21% for the same period in 2014. See "Non-IFRS Measures" for a description of Adjusted EBITA and Adjusted EBITA margin.

The following table reconciles Adjusted EBITA to net income:

	Three months ended December 31,		Fiscal year ended December 31,	
	2015	2014	2015	2014
	($M, except percentages)		($M, except percentages)	
Total revenue	511.6	439.8	1,838.3	1,669.3
Net income	66.0	39.3	177.2	103.1
Adjusted for:				
Income tax expense (recovery)	15.8	17.6	67.1	51.8
Foreign exchange (gain) loss	(7.3)	1.8	(15.7)	10.5
TSS membership liability revaluation charge	7.1	-	22.2	-
Share in net (income) loss of equity investees	(0.2)	(0.1)	(1.1)	(0.8)
Finance and other income	(1.5)	(1.4)	(4.8)	(4.1)
Bargain purchase gain	-	(2.2)	-	(2.2)
Finance costs	5.1	5.8	20.1	16.7
Amortization of intangible assets	47.9	43.2	180.5	173.2
Adjusted EBITA	132.8	103.9	445.5	348.1
Adjusted EBITA margin	26%	24%	24%	21%

Adjusted net income:

For the quarter ended December 31, 2015, Adjusted net income increased to $117.7 million from $86.6 million for the same period in 2014, representing an increase of 36%. Adjusted net income margin was 23% for the quarter ended December 31, 2015 and 20% for the same period in 2014. For the 2015 fiscal year, Adjusted net income increased to $371.0 million from $274.3 million during the same period in 2014, representing an increase of 35%. Adjusted net income margin was 20% in the 2015 fiscal year and 16% for the same period in 2014. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

Non-controlling interest in the Adjusted net income of TSS - As explained in the "Capital Resources and Commitments" section below, in Q4 2014 33.29% of the voting interests in TSS were sold by the Company, however no adjustment has been made in the Company's Consolidated Financial Statements to reflect the 33.29% of earnings that are not attributable to Constellation shareholders. Instead, due to an option available to the minority owners to exercise a put option to sell all or a portion of their interests back to Constellation, the minority interest is accounted for as a liability on the Company's balance sheet. The liability is revalued at each period end in accordance with an agreed upon valuation methodology with the change being included in net income. The non-controlling interest in the Adjusted net income of TSS for the three and twelve months ended December 31, 2015 was $3.1 million and $12.6 million respectively, as compared to nil for the same periods in 2014.

As discussed above, in Q4 2015 TSS made a cash distribution payment to the Company in the amount of $21.8 million, and to the minority shareholders in the amount of $10.9 million. As such the majority of the $12.6 million non-controlling interest in the Adjusted net income of TSS for 2015 has been distributed.

The following table reconciles Adjusted net income to Net income:

	Three months ended December 31,		Fiscal year ended December 31,	
	2015	2014	2015	2014
	($M, except percentages)		($M, except percentages)	
Total revenue	511.6	439.8	1,838.3	1,669.3
Net income	66.0	39.3	177.2	103.1
Adjusted for:				
Amortization of intangible assets	47.9	43.2	180.5	173.2
TSS membership liability revaluation charge	7.1	-	22.2	-
Bargain purchase gain	-	(2.2)	-	(2.2)
Less non-controlling interest in the Adjusted net income of TSS	(3.1)	-	(12.6)	-
Deferred income tax expense (recovery)	(0.1)	6.3	3.6	0.2
Adjusted net income	117.7	86.6	371.0	274.3
Adjusted net income margin	23%	20%	20%	16%

Quarterly Results

	Quarter Ended								
	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014	Sep. 30 2014	Dec. 31 2014	Mar. 31 2015	Jun. 30 2015	Sep. 30 2015	Dec. 31 2015
	($M, except per share amounts)								
Revenue	340.3	394.8	415.9	418.8	439.8	422.9	443.5	460.4	511.6
Net income	42.5	8.9	23.0	31.9	39.3	32.9	32.7	45.7	66.0
Adjusted net income	69.2	53.3	65.0	69.3	86.6	74.7	79.7	98.9	117.7
Net income per share									
Basic & diluted	2.00	0.42	1.08	1.51	1.86	1.55	1.54	2.16	3.11
Adjusted net income per share									
Basic & diluted	3.26	2.52	3.07	3.27	4.09	3.52	3.76	4.67	5.55

We experience seasonality in our operating results in that Adjusted net income margins in the first quarter of every year are typically lower than margins achieved in the second, third and fourth quarters. The key drivers for the lower margins are increased payroll tax costs associated with our annual bonus payments that are made in the month of March, and the fact that historically there has been a consistent focus at year end to complete sales implementation projects which generally translates into increased professional services revenue in the fourth quarter and decreased professional services revenue in the first quarter. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, bargain purchase gains and gains or losses on the sale of financial and other assets.

ROIC plus Organic Growth

We believe the metric of ROIC plus organic Net Revenue growth is a proxy for the annual increase in shareholder value. The table below summarizes this metric for 2014 and 2015. Further discussion on this metric is included in the Company's annual letters to shareholders available on SEDAR at www.sedar.com. For acquired companies, organic Net Revenue growth is calculated as the difference between actual Net Revenues achieved by each company in the financial period following acquisition compared to the Net Revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

	Fiscal Year ended December 31,	
	2015	2014
	($M, except percentages)	
Adjusted Net Income	371	274
Average Invested Capital	965	739
ROIC	38%	37%
Organic Net Revenue growth (YoY)	-3%	3%
ROIC + organic Net Revenue growth	35%	40%

Organic Net Revenue growth excludes any adjustment for foreign exchange.

See "Non-IFRS Measures" for a description of Adjusted Net Income, Average Invested Capital, ROIC and Net Revenue.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) decreased by $184.2 million from December 31, 2014 resulting in a net cash amount of $38.9 million for the fiscal year ended December 31, 2015 primarily due to the application of proceeds from the issuance of debentures of approximately $160 million. (See the "Capital Resources and Commitments" section below for a description of the debentures.) The amount drawn on our credit facilities decreased by $76.4 million to $139.6 million at December 31, 2015 from $216.0 million at the end of 2014, and cash increased by $107.8 million to $178.5 million at December 31, 2015 compared to $70.7 million at December 31, 2014.

Total assets increased $206.2 million, from $1,433.1 million at December 31, 2014 to $1,639.3 million at December 31, 2015. The increase is primarily due to an increase in cash of $107.8 million, and an increase in intangible assets of $64.7 primarily arising from acquisitions made in fiscal 2015. At December 31, 2015 TSS held a cash balance of $21.6 million. As explained in the "Capital Resources and Commitments" section below, there are limitations on TSS' ability to distribute funds to Constellation.

Current liabilities increased $10.9 million, from $758.8 million at December 31, 2014 to $769.8 million at December 31, 2015. The increase is primarily due to an increase in deferred revenue of $73.7 million mainly due to acquisitions and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, offset by a decrease in short term borrowings on our credit facilities of $63.9 million.

Net Changes in Cash Flows
(in $M's)

	Year ended December 31, 2015	Year ended December 31, 2014
Net cash provided by operating activities	395.9	341.5
Net cash from (used in) financing activities	(20.2)	(208.6)
Net cash from (used in) acquisition activities	(248.8)	(121.6)
Net cash from (used in) other investing activities	(12.3)	(12.1)
Net cash from (used in) investing activities	(261.1)	(133.7)
Effect of foreign currency	(6.9)	(6.5)
Net increase (decrease) in cash and cash equivalents	**107.8**	**(7.3)**

The net cash flows from operating activities were $395.9 million for the fiscal year ended December 31, 2015. The $395.9 million provided by operating activities resulted from $177.2 million in net income plus $285.3 million of non-cash adjustments to net income, $0.7 million of cash generated from non-cash operating working capital offset by $67.3 million in taxes paid.

The net cash flows used in financing activities in the fiscal year ended December 31, 2015 were $20.2 million, which is mainly a result of a decrease in bank indebtedness of $66.7 million, dividends paid of $84.8 million, interest paid on bank indebtedness and the Company's unsecured subordinated floating rate debentures in the period of $17.5 million, and the distribution to the minority shareholders of TSS of $10.9 million, offset by the proceeds from the issuance of debentures of $159.7 million.

The net cash flows used in investing activities in the fiscal year ended December 31, 2015 were $261.1 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $248.8 million (including payments for holdbacks relating to prior acquisitions).

We believe we have sufficient cash and available credit capacity to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

Capital Resources and Commitments

Bank Indebtedness

On March 13, 2012, we entered into a new revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million. The revolving credit facility bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries until February 29, 2016. As at December 31, 2015, there were no amounts drawn on this facility, however letters of credit totalling

$17.4 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis. The Company is in the final stages of amending the revolving credit facility to extend beyond the maturity date of February 29, 2016.

On December 6, 2013, we amended our credit facility to facilitate the acquisition of TSS. A new one year $350 million term facility was added solely for the purposes of funding the TSS acquisition and related expenses (the "TSS Acquisition Facility"). The TSS Acquisition Facility was non-amortizing and had an interest rate calculated at US prime or LIBOR plus interest rate spreads based on a leverage table consistent with the spreads applicable to Constellation's credit facility. On December 31, 2014, the TSS Acquisition Facility expired and the outstanding balance was repaid.

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150 million (approximately $170 million) term and €10 million (approximately $11 million) multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130 million (approximately $146 million) was drawn on the term component of the CNH Facility and used to repay a portion of the TSS Acquisition Facility. As at December 31, 2015 €128 million (approximately $140 million) remains outstanding on the term component of the CNH Facility. €28 million must be repaid in instalments prior to June 24, 2020, and €100 million is non-amortizing and due on June 24, 2021. The remaining €20 million term component of the CNH Facility remains undrawn. If drawn, principal must be repaid in five equal instalments starting on June 24, 2018. As at December 31, 2015 no amounts had been drawn on the €10 million multicurrency revolving component of the CNH Facility. The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at December 31, 2015, the carrying amount of such costs relating to this facility totalling $4.5 million (€4.1 million) has been classified as part of non-current CNH Facility in the statement of financial position.

The CNH Facility and Constellation's other credit facilities are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or any subsidiary subject to the terms of the CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation's other credit facilities and are not subject to the provisions thereof. Constellation's credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation's other credit facilities. The CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the "Debentures") with a total principal value of C$96.0 million for total proceeds of C$91.2 million. The proceeds were used by the Company to pay down $81.2 million of the TSS Acquisition Facility.

On September 30, 3015, the Company issued an additional tranche of Debentures with a total principal value of C$186.2 million for total proceeds of C$214.2 million. The proceeds were used by the Company to pay down $130.4 million of its credit facility. The September 30, 2015 issuance formed a single series with the outstanding C$96.0 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in CNH. Proceeds from this transaction in the amount of €39.4 million ($48.5 million) were utilized to repay, in part, the TSS Acquisition Facility. In accordance with IFRS, 100% of the financial results for TSS are included in the consolidated financial results of the Company.

Each of the minority owners may, at any time, exercise a put option to sell all or a portion of their interests in CNH back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the Membership Agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of CNH. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received (classified as a current liability), and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The approximately 32% remaining interest can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in CNH for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in the Coop will be terminated. There is a valuation premium if the call option is exercised versus the put option.

If any of TSS' executive management team that participate in the Members Agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with the valuation methodology described within the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in the Coop will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in CNH over a 3 year period. The valuation of the interests being purchased will be calculated at each annual payment date.

Other commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was $21.5 million at December 31, 2015. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at December 31, 2015.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Operating and capital leases	171.2	43.2	96.6	31.3
Holdbacks	16.1	9.1	7.0	-
TSS membership liability	54.1	19.6	34.5	-
Debentures	203.5	-	-	203.5
Bank indebtedness	139.6	8.7	21.8	109.1
Total outstanding commitments	584.4	80.7	159.9	343.9

The TSS membership liability commitment assumes that the minority owners have exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at February 17, 2016. See the "Critical Accounting Estimate" section of the Company's 2015 Annual Consolidated Financial Statements for a discussion on the valuation methodology utilized.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact will impact future revenue and net earnings. Our analysis related to the change in average exchange rates from 2014 to 2015 suggests that the impact to Adjusted EBITA margins for the three and twelve months ended December 31, 2015 was less than 1%. The impact to organic revenue growth for the three and twelve months ended December 31, 2015 was approximately negative 5% and negative 6% respectively. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the quarter ended December 31, 2015, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and twelve months ended December 31, 2015:

	Three Months Ended December 31, 2015		Fiscal Year Ended December 31, 2015	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	59%	49%	59%	49%
CAD	6%	15%	7%	15%
GBP	8%	9%	9%	10%
EURO	17%	17%	17%	17%
CHF	3%	3%	1%	3%
Others	7%	7%	6%	7%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Critical Accounting Estimates

General

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses, in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are fully described in Note 3 to our annual consolidated financial statements which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We believe that there have been no significant changes in our critical accounting estimates for the years presented in our consolidated financial statements.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company reports revenue under four revenue categories being License, Hardware and Other, Professional Services, and Maintenance and other recurring revenue.

Typically, the Company's software license agreements are multiple-element arrangements as they may also include maintenance, professional services, and hardware. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

The Company typically sells or licenses software on a perpetual basis, but also licenses software for a specified period. Revenue from short-term time-based licenses, which usually include support services during the license period, is recognized rateably over the license term. Revenue from multi-year time based licenses that include support services, whether separately priced or not, is recognized rateably over the license term unless a substantive support service renewal rate exists; if this is the case, the amount allocated to the delivered software is recognized as software revenue based on the residual approach once the revenue criteria have been met. In those instances where the customer is required to renew mandatory support and maintenance in order to maintain use of

the licensed software over the license term, the Company recognizes the consideration attributable to the license and support for the initial term of the arrangement attributable to the license and support over the initial one-year term and recognizes revenue for the support renewal fees in subsequent years over the respective renewal periods.

Revenue from the license of software involving significant implementation or customization essential to the functionality of the Company's product, or from the sales of hardware where software is essential to its functionality, is recognized under the percentage-of-completion method of contract accounting based either on the achievement of contractually defined milestones or based on labour hours. Any probable losses are recognized immediately in profit or loss. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

A portion of the Company's sales, categorized as hardware revenue, are accounted for as product revenue. Product revenue is recognized when the Company has an executed agreement, the product has been delivered and costs can be measured reliably, the amount of the fee to be paid by the customer is fixed and determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement. If for any of the product or service offerings, the Company determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then the revenue is deferred until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, the Company determines that collectability is not probable, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then revenue recognition is deferred until the earlier of when collectability becomes probable or payment is received. If collectability becomes unlikely before all revenue from an arrangement is recognized, the Company recognizes revenue only to the extent of the fees that are successfully collected unless collectability becomes reasonably assured again. If a customer is specifically identified as a collection risk, the Company does not recognize revenue except to the extent of the fees that have already been collected.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of work in progress on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products. Maintenance revenue remaining to be recognized in profit or loss is recognized as deferred revenue in the statement of financial position when amounts have been billed in advance.

Professional Services revenue including implementation, training and customization of software is recognized by the stage of completion of the arrangement determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion.

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in work in progress. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as deferred revenue.

Valuation of Identifiable Goodwill and Other Intangible Assets

Acquisitions have been accounted for using the acquisition method required by IFRS 3. Goodwill arising on acquisition is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

We use the income approach to value acquired technology and customer related intangible assets, which are the two material intangible asset categories reported in our financial statements.

The income approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that the asset can be expected to generate over its remaining useful life. We utilize the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible asset.

Specifically, we rely on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings method ("MEEM") to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the fair value assigned to the net identifiable tangible and intangible assets acquired. Goodwill is not amortized but rather it is periodically assessed for impairment. We perform an annual review in the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's business units (considered as the grouping of cash generating units ("CGU") at which level the impairment test is performed) and the net asset carrying values (including goodwill) of the Company's business units. Within the Company's reporting structure, business units generally reflect one level below the six operating segments (Volaris, Harris, Total Specific Solutions, Jonas, Perseus (previously known as Homebuilder), and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples applied by management for this purpose reflect current conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past experience of ranges of multiples required to acquire representative software companies. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company’s business acquisitions. An impairment is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount.

We also review the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Any change in estimate which causes the undiscounted expected future cash flows to be less than the carrying value, would result in an impairment loss being recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

The critical accounting estimates described above affect both the public and private segments of the business. The approach taken by management in performing these estimates is not significantly different between segments.

TSS Membership Liability

Commencing any time after December 31, 2014, each of the minority owners may exercise a put option to sell all or a portion of their interests in the Coop back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the membership agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of the Coop. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners’ interests put, no later than 30 business days from the date notice is received, and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made.

In determining the valuation of the liability at December 31, 2014 we assumed the minority owners exercised their put option on December 31, 2014, and redeemed 33.33% of their interests on exercise, and will redeem 33.33% on each of the first and second anniversary dates. Maintenance and recurring revenue of the Coop for the fiscal year ended December 31, 2014 was used as the basis for valuing the interests at each redemption date. A similar approach will be utilized to value any interests that have not been put or called at the end of each subsequent reporting period. However, the actual maintenance and recurring revenue of the Coop for the trailing twelve months from the date of the related reporting period end will be utilized in the calculation. Any increase or decrease in the value of the membership liability will be recorded as an expense or income respectively in the Consolidated Statements of Income for the period.

Accounting for Income Taxes

Significant management judgment is required in determining our provision for income taxes, our income tax assets and liabilities, and any valuation allowance recorded against our net income tax assets. We operate in multiple geographic jurisdictions, and to the extent that we have profits in each jurisdiction, these profits are taxed pursuant to the tax laws of their jurisdiction. Our effective tax rate may be affected by changes in, or interpretations

of, tax laws in any given jurisdiction, the level of profitability, utilization of net operating losses and tax credit carry forwards, changes in geographical mix of income and expense, and changes in management's assessment of matters, such as the ability to realize future tax assets. As a result of these considerations, we must estimate our income taxes in each of the jurisdictions in which we operate on a quarterly basis. This process involves estimating our actual current tax exposures, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in future tax assets and liabilities, which are included in our consolidated balance sheet.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

We are subject to income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of current outstanding actions and claims remains uncertain, it is expected that they will be resolved without a material impact to our financial position. However, there can be no assurances as to the final resolution of these matters and, if the final outcome is adverse to us, the amounts we will be required to pay and the loss of certain future tax deductions could be material to our financial statements.

Accounts Receivable

We evaluate the collectability of our trade receivables based on a combination of factors. We regularly analyze our significant customer accounts and when we become aware of a specific customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, we record specific bad debt reserves to reduce the related receivable to the amount which we reasonably believe is collectible. We also record reserves for bad debts on a small portion of all other customer balances based on a variety of factors, including the length of time that the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of receivables could be further adjusted.

Work In Progress

For revenue arrangements that are accounted for under the percentage of completion method as well as other arrangements and contracts which limit our ability to invoice at certain milestones that do not match the timing

of the actual provision of the services, we record such revenue and the related unbilled receivable in work in process. Similar to accounts receivable, we constantly have to evaluate our ability to bill and subsequently collect any amounts contained in the work in progress accounts. We review these balances on a periodic basis to ensure customer balances are prudent based upon a variety of factors, such as the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of work in progress may be further adjusted.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Because of the uncertainties related to these matters, provisions are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and, if necessary, revise our provisions. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended December 31, 2015, and have not been applied in preparing our consolidated financial statements. The relevant standards are listed below.

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 Leases

In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases (IAS 17) standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and have the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The extent of the impact of adoption of the standard has not yet been determined.

Share Capital

As at February 17, 2016, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately C$20 million relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA determined that the subsidiary owes approximately C$6.2 million in federal tax and interest and approximately C$4.8 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid C$8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. In September 2015 the Company

reached a settlement with the tax authorities to include 50% of the gain in its taxable income. In Q4 2015, the Company received final reassessment notices and recorded the resulting current tax expense and interest expense in the consolidated statements of income for the year ending December 31, 2015.

The Company is subject to various other income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such other outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2015, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The President and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The President and Chief Financial Officer have been advised that the control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Consolidated Financial Statements
(In U.S. dollars)

CONSTELLATION SOFTWARE INC.

For the years ended December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
December 31, 2015

The accompanying consolidated financial statements of Constellation Software Inc. ("Constellation") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts that are based on the best estimates and judgements of management and in their opinion present fairly, in all material respects, Constellation's financial position, results of operations and cash flows, in accordance with IFRS. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements, or has provided reconciliations where inconsistencies exist.

Management of Constellation has developed and maintains a system of internal controls, which is supported by the internal audit function. Management believes the internal controls provide reasonable assurance that material transactions are properly authorized and recorded, financial records are reliable and form a basis for the preparation of consolidated financial statements and that Constellation's material assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. This committee meets with management and the Company’s independent auditors to review the Company’s reported financial performance and to discuss audit, internal controls, accounting policies, and financial reporting matters. The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

February 17, 2016

"Mark Leonard"	"Jamal Baksh"
President	Chief Financial Officer

KPMG LLP
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Suite 200
North York, ON M2P 2H3

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Constellation Software Inc.

We have audited the accompanying consolidated financial statements of Constellation Software Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Constellation Software Inc. as at December 31, 2015 and December 31, 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 17, 2016

Toronto, Canada

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$ 178,471	$ 70,679
Accounts receivable	226,771	200,056
Work in progress	59,483	51,483
Inventories (note 5)	24,332	25,246
Other assets (note 6)	67,246	63,294
	556,303	410,758
Non-current assets:		
Property and equipment (note 7)	42,072	37,227
Deferred income taxes (note 14)	56,650	60,763
Other assets (note 6)	32,186	36,942
Intangible assets (note 8)	952,109	887,435
	1,083,017	1,022,367
Total assets	$ 1,639,320	$ 1,433,125
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 9)	$ -	$ 63,894
CNH Facility (note 9)	8,725	2,432
TSS membership liability (note 11)	19,602	17,345
Accounts payable and accrued liabilities	274,981	244,996
Dividends payable (note 15)	21,326	21,192
Deferred revenue	421,027	347,336
Provisions (note 12)	8,420	13,399
Acquisition holdback payments	9,116	22,665
Income taxes payable	6,561	25,588
	769,758	758,847
Non-current liabilities:		
CNH Facility (note 9)	126,407	149,654
TSS membership liability (note 11)	34,482	30,515
Debentures (note 10)	220,043	78,642
Deferred income taxes (note 14)	109,795	107,275
Acquisition holdback payments	6,987	3,603
Other liabilities (note 6)	34,566	44,758
	532,280	414,447
Total liabilities	1,302,038	1,173,294
Shareholders' equity (note 15):		
Capital stock	99,283	99,283
Accumulated other comprehensive income (loss)	(34,319)	(19,290)
Retained earnings	272,318	179,838
	337,282	259,831
Subsequent events (notes 15 and 27)		
Total liabilities and shareholders' equity	$ 1,639,320	$ 1,433,125

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Income
(In thousands of U.S. dollars, except per share amounts)

	Years ended December 31, 2015	2014
Revenue		
License	$ 131,022	$ 118,868
Professional services	384,583	396,128
Hardware and other	152,909	139,340
Maintenance and other recurring	1,169,795	1,015,008
	1,838,309	1,669,344
Expenses		
Staff	912,416	881,587
Hardware	90,308	79,532
Third party license, maintenance and professional services	163,684	152,191
Occupancy	43,218	41,043
Travel	54,643	50,144
Telecommunications	17,909	16,356
Supplies	10,951	9,849
Software and equipment	30,954	26,978
Professional fees	22,619	22,844
Other, net	29,042	24,278
Depreciation	17,028	16,462
Amortization of intangible assets	180,469	173,186
	1,573,241	1,494,450
Foreign exchange loss (gain)	(15,743)	10,528
TSS membership liability revaluation charge (note 11)	22,244	-
Share in net (income) loss of equity investee (note 6)	(1,070)	(830)
Finance and other income (note 17)	(4,772)	(4,109)
Bargain purchase gain	-	(2,246)
Finance costs (note 17)	20,110	16,680
	20,769	20,023
Income before income taxes	244,299	154,871
Current income tax expense (recovery)	63,450	51,542
Deferred income tax expense (recovery)	3,601	231
Income tax expense (recovery) (note 14)	67,051	51,773
Net income	177,248	103,098
Earnings per share		
Basic and diluted (note 18)	$ 8.36	$ 4.87

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

	Years ended December 31, 2015	2014
Net income	$ 177,248	$ 103,098
Items that are or may be reclassified subsequently to net income:		
Net change in fair value of available-for-sale financial asset during the period	-	93
Net change in fair value of derivatives designated as hedges during the period	(423)	(546)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(574)
Foreign currency translation differences from foreign operations	(14,734)	(18,871)
Current income tax recovery (expense)	-	35
Deferred income tax recovery (expense)	128	124
Other comprehensive (loss) income for the period, net of income tax	(15,029)	(19,739)
Total comprehensive income for the period	$ 162,219	$ 83,359

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

Year ended December 31, 2015

	Capital stock	Accumulated other comprehensive income/(loss)			Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/(losses) on derivatives designed as hedges	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2015	**$ 99,283**	**$ (18,880)**	**$ (410)**	**$ -**	**$ (19,290)**	**$ 179,838**	**$ 259,831**
Total comprehensive income for the period							
Net income	-	-	-	-	-	177,248	177,248
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial asset during the period	-	-	-	-	-	-	-
Net change in fair value of derivatives designated as hedges during the period	-	-	(423)	-	(423)	-	(423)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(14,734)	-	-	(14,734)	-	(14,734)
Current tax recovery (expense)	-	-	-	-	-	-	-
Deferred tax recovery (expense)	-	-	128	-	128	-	128
Total other comprehensive income (loss) for the period	**-**	**(14,734)**	**(295)**	**-**	**(15,029)**	**-**	**(15,029)**
Total comprehensive income (loss) for the period	**-**	**(14,734)**	**(295)**	**-**	**(15,029)**	**177,248**	**162,219**
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 15)	-	-	-	-	-	(84,768)	(84,768)
Balance at December 31, 2015	**$ 99,283**	**$ (33,614)**	**$ (705)**	**$ -**	**$ (34,319)**	**$ 272,318**	**$ 337,282**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

Year ended December 31, 2014

	Capital stock	Accumulated other comprehensive income/(loss)			Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/(losses) on derivatives designed as hedges	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2014	**$ 99,283**	**$ (32)**	**$ -**	**$ 481**	**$ 449**	**$ 166,267**	**$ 265,999**
Total comprehensive income for the period							
Net income	-	-	-	-	-	103,098	103,098
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial assets during the period	-	-	-	93	93	-	93
Net change in fair value of derivatives designated as hedges during the year	-	-	(546)	-	(546)		(546)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	-	(574)	(574)	-	(574)
Foreign currency translation differences from foreign operations	-	(18,871)	-	-	(18,871)	-	(18,871)
Current tax recovery (expense)	-	35	-	-	35	-	35
Deferred tax recovery (expense)	-	(12)	136		124	-	124
Total other comprehensive income for the period	**-**	**(18,848)**	**(410)**	**(481)**	**(19,739)**	**-**	**(19,739)**
Total comprehensive income for the period	**-**	**(18,848)**	**(410)**	**(481)**	**(19,739)**	**103,098**	**83,359**
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 15)	-	-	-	-	-	(84,768)	(84,768)
Fair value of rights offered to shareholders of the Company						(4,759)	(4,759)
Balance at December 31, 2014	**$ 99,283**	**$ (18,880)**	**$ (410)**	**$ -**	**$ (19,290)**	**$ 179,838**	**$ 259,831**

See accompanying notes to the consolidated financial statements.

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Year ended December 31, 2015	2014
Cash flows from operating activities:		
Net income	$ 177,248	$ 103,098
Adjustments for:		
Depreciation	17,028	16,462
Amortization of intangible assets	180,469	173,186
TSS membership liability revaluation charge	22,244	-
Share in net (income) loss of equity investee	(1,070)	(830)
Finance and other income	(4,772)	(4,109)
Finance costs	20,110	16,680
Bargain purchase gain	-	(2,246)
Income tax expense (recovery)	67,051	51,773
Foreign exchange loss (gain)	(15,743)	10,528
Change in non-cash operating working capital exclusive of effects of business combinations (note 25)	3,080	(1,713)
Income taxes paid	(69,701)	(21,367)
Net cash flows from operating activities	395,944	341,462
Cash flows from (used in) financing activities:		
Interest paid	(17,533)	(12,877)
Increase (decrease) in revolving credit facility, net	(64,500)	(84,700)
Proceeds from issuance of CNH facility	-	177,000
Repayments of CNH facility and TSS Acquisition Facility	(2,199)	(325,813)
Credit facility transaction costs	-	(7,166)
Proceeds from issuance of debentures (note 10)	159,709	81,233
Proceeds from issuance of TSS Membership Liability	-	48,503
Distribution to TSS minority owners (note 11)	(10,879)	-
Dividends paid	(84,768)	(84,768)
Net cash flows from (used in) in financing activities	(20,170)	(208,588)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(210,299)	(98,688)
Post-acquisition settlement payments, net of receipts	(38,473)	(22,952)
Proceeds from sale of available-for-sale equity securities	-	873
Interest and dividends received	570	788
Proceeds from sale of assets	-	153
Property and equipment purchased	(12,894)	(13,868)
Net cash flows from (used in) investing activities	(261,096)	(133,694)
Effect of foreign currency on cash and cash equivalents	(6,886)	(6,468)
Increase (decrease) in cash and cash equivalents	107,792	(7,288)
Cash, beginning of period	70,679	77,967
Cash, end of period	$ 178,471	$ 70,679

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity
2. Basis of presentation
3. Significant accounting policies
4. Business acquisitions
5. Inventories
6. Other assets and liabilities
7. Property and equipment
8. Intangible assets and goodwill
9. Bank indebtedness and CNH facility
10. Debentures
11. TSS membership liability
12. Provisions
13. Income taxes
14. Deferred tax assets and liabilities
15. Capital and other components of equity
16. Revenue
17. Finance and other income and finance costs
18. Earnings per share
19. Capital risk management
20. Financial risk management and financial instruments
21. Operating leases
22. Operating segments
23. Contingencies
24. Guarantees
25. Changes in non-cash operating working capital
26. Related parties
27. Subsequent events

1. Reporting entity

Constellation Software Inc. ("Constellation") is a company domiciled in Canada. The address of Constellation's registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The consolidated financial statements of Constellation as at and for the fiscal years ended December 31, 2015 and December 31, 2014 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software relating to the markets listed below, and in the provision of related professional services and support.

Public Sector:

Public transit operators	Asset management	Municipal systems
Para transit operators	Fleet and facility management	School administration
School transportation	District attorney	Public safety
Non-emergency medical	Taxi dispatch	Healthcare
Ride share	Benefits administration	Rental
Local government	Insurance	Electric utilities
Agri-business	Collections management	Court
Marine asset management	Water utilities	School and special library
Communications	Credit unions	Drink distribution
Higher education	Financial services	Notaries
Fashion retail	Pharmacies	

Private Sector:

Private clubs & daily fee golf courses	Lease management	Window manufacturers
Construction	Winery management	Cabinet manufacturers
Food services	Buy here pay here dealers	Made-to-order manufacturers
Health clubs	RV and marine dealers	Window and other dealers
Moving and storage	Pulp & paper manufacturers	Multi-carrier shipping
Metal service centers	Real estate brokers and agents	Supply chain optimization
Attractions	Outdoor equipment dealers	Multi-channel distribution
Leisure centers	Pharmaceutical and biotech manufacturers	Wholesale distribution
Education	Healthcare electronic medical records	Third party logistics warehouse management systems
Radiology & laboratory information systems	Homebuilders	Retail management and distribution
Product licensing	Event management	Financial services
Tire distribution	Salons and spas	Association management
Housing finance agencies	Municipal treasury & debt systems	Public housing authorities
Tour operators	Auto clubs	Real estate brokers and agents
Long-term care	Textiles and apparel	Home and community care
Hospitality	Mining	

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued and outstanding as of February 17, 2016, the date the Board of Directors approved such financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

(c) Functional and presentation of currency

The consolidated financial statements are presented in U.S. dollars, which is Constellation's functional currency.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(k) – Revenue recognition
Note 3(a)(i) - Business combinations
Note 3(m) - Income taxes
Note 3(i) - Impairment
Note 3(d) - Intangible assets
Note 23 – Contingencies

Critical judgements that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognized in the consolidated financial statements relate to the (i) determination of functional currencies for Constellation's subsidiaries and, most notably, in respect of businesses acquired during the period; (ii) assessment as to whether certain customer contract obligations and deliverables related to multiple-element arrangements have stand-alone value to the customer; (iii) recognition of deferred tax assets; and (iv) recognition of provisions.

- Functional currency - management applies judgement in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influence sales prices are given priority before considering secondary indicators.

- Revenue recognition and separation of customer contract obligations and deliverables – management applies judgement when assessing whether certain deliverables in a customer arrangement should be included or excluded from the unit of account to which contract accounting is applied. The judgement is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

- The presentation of revenue and related costs on a gross or net basis – management assesses whether the Company is the primary obligor in the arrangement involving third party services, license and/or maintenance, which is generally consistent with the Company retaining fulfillment, inventory, and credit risks, among others.

- Deferred tax assets - the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

- Provisions - in recognizing provisions, the Company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognize provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The significant accounting policies have been applied consistently by the Company‘s subsidiaries.

(a) Basis of consolidation

(i) Business combinations

Acquisitions have been accounted for using the acquisition method required by IFRS 3 Business Combinations. Goodwill arising on acquisition is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, if any, less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. When the consideration transferred is less than the estimated fair value of assets acquired and liabilities assumed, a bargain purchase gain is recognized immediately in the consolidated statements of income. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values

of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to profit or loss. For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

(ii) Consolidation methods

Entities over which the Company has control are fully consolidated from the date that control commences until the date that control ceases. Entities over which the Company has significant influence (investments in "associates") are accounted for under the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates are recognized initially at cost, inclusive of transaction costs. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movement of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Foreign currency differences arising on re-measurement are recognized through profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported in profit and loss on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from investing and financing activities when deemed significant.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account; however, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest when applicable.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which its substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences. If, and when, settlement plans change or deemed likely to occur, then the accounting process in (b)(i) above is applied. When a foreign operation payable or receivable classified as a net investment is partially or fully disposed, the proportionate share of the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the profit or loss on disposal. The Company has elected not to treat repayments of monetary items receivable or payable to a foreign operation as a disposition.

(c) Financial Instruments

The Company's financial instruments comprise cash, accounts receivables, derivatives in the form of cash flow hedges, bank indebtedness, CNH facility, debentures, Total Specific Solutions B.V. (“TSS”) membership liability, accounts payable and accrued liabilities, dividends payable, income taxes payable and holdback liabilities on acquisitions.

Financial assets are recognized in the consolidated statement of financial position if we have a contractual right to receive cash or other financial assets from another entity. Financial assets, including accounts receivable, are derecognized when the rights to receive cash flows from the investments have expired or were transferred to another party and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Non-derivative financial assets

Non-derivative financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Loans and receivables

Loans and receivables, which comprise accounts receivables, are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(ii) Non-derivative financial liabilities

Financial liabilities include bank indebtedness, CNH facility, TSS membership liability, debentures, accounts payable and accrued liabilities, provisions, dividends payable, income taxes payable and holdbacks on acquisitions. Financial liabilities are generally recognized initially at fair value, typically being transaction price, plus any directly

attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

(iii) Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of tax.

(iv) Derivatives

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value.

Changes in the fair values of derivative financial instruments are reported in the consolidated statements of income, except for cash flow hedges that meet the conditions for hedge accounting. The portion of the gain or loss on the hedging instruments that are determined to be an effective hedge are recognized directly in other comprehensive income, and the ineffective portion in the consolidated statements of income. The gains or losses deferred in other comprehensive income in this way are subsequently recognized in the consolidated statements of income in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income. In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each reporting period to ensure that the hedge remains highly effective.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, including the recognition of bargain purchase gains, refer to note 4. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. No such losses have been recognized during the year.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of each of the Company's business units (considered as the grouping of cash generating units ("CGU") at which level the impairment test is performed) and the net asset carrying values (including goodwill) of the Company's business units. Within the Company's reporting structure, business units generally reflect one level below the six operating segments (Volaris, Harris, Total Specific Solutions, Jonas, Perseus, and Vela Operating Groups). In determining the recoverable amount, the Company applies an estimated market valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts revenues, transactional revenues, and hosted products revenues. Valuation multiples applied by management for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies. In addition, in certain instances, the recoverable amount is determined using a value-in-use approach which follows the same valuation process that is undertaken for the Company's business acquisitions. An impairment is recognized if the carrying amount of a CGU

exceeds its estimated recoverable amount. The recoverable amount of goodwill is estimated annually on December 31 of each year.

(ii) Acquired intangible assets

The Company uses the income approach to value acquired technology and customer relationship intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

The Company utilizes the discounted cash flow ("DCF") methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecasted cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the intangible assets' projected cash flows, again, from a market participant perspective. The present value of the forecasted cash flows are then added to the present value of the residual value of the intangible asset (if any) at the end of the discrete projection period to arrive at a conclusion with respect to the estimated fair value of the subject intangible assets.

Specifically, the Company relies on the relief-from-royalty method to value the acquired technology and the multiple-period excess earnings ("MEEM") method to value customer relationship assets.

The underlying premise of the relief-from-royalty method is that the fair value of the technology is equal to the costs savings (or the "royalty avoided") resulting from the ownership of the asset by the avoidance of paying royalties to license the use of the technology from another owner. Accordingly the income forecast reflects an estimate of a fair royalty that a licensee would pay, on a percentage of revenue basis, to obtain a license to utilize the technology.

The MEEM method isolates the cash flows attributable to the subject asset by utilizing a forecast of expected cash flows less the returns attributable to other enabling assets, both tangible and intangible.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost, being reflective of fair value, less accumulated amortization and impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise all other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are acquired and available for use, since this most closely reflects the expected usage and pattern of consumption of the future economic benefits embodied in the asset. To determine the useful life of the technology assets, the Company considers the length of time over which it expects to earn or recover the majority of the present value of the forecasted cash flows of the related intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Technology assets	2 to 12 years
Customer assets	5 to 20 years
Trademarks	20 years
Backlog	Up to 1 year
Non-compete agreements	Term of agreement

Amortization methods, useful lives and the residual values are reviewed at least annually (or when there has been an indication of impairment) and are adjusted as appropriate.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no material development expenditures have been capitalized.

For the year ended December 31, 2015, $258,416 (2014 – $245,923) of research and development costs have been expensed in profit or loss. These costs are net of estimated investment tax credits, recognized as part of other, net expenses through profit or loss of $14,772 for the year ended December 31, 2015 (2014 – $14,392).

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes initial and subsequent expenditures that are directly attributable to the acquisition of the related asset. When component parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment, where applicable.

(ii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Asset	**Rate**
Computer hardware	3-5 years
Computer software	1 year
Furniture and equipment	5 years
Leasehold improvements	Shorter of the estimated useful life and the term of the lease
Building	50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end or more frequently as deemed relevant, and adjusted where appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any.

Work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the excess is presented as deferred revenue in the statement of financial position.

(h) Other non-current liabilities

Other non-current liabilities consists principally of the non-current portion of lease incentives, non-compete obligations, certain acquired contract liabilities, deferred revenue, provisions and contingent consideration recognized in connection with business acquisitions to be settled in cash, which are discounted for measurement purposes.

(i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories (which is addressed in note 3(f)) and deferred tax assets (which is addressed in note 3(m)), are reviewed at each reporting date (or more frequently if required) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually on December 31 of each fiscal year.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Significant estimates within the cash flows include recurring revenue growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, which for the Company's purposes is typically representative of the business unit level within the corporate and management structure. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets (such as intangible assets and property and equipment) in the CGU (group of units) on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately and, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as part of finance costs.

(k) Revenue recognition

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, License, Hardware and other, Professional Services, and Maintenance and other recurring revenue.

Typically, the Company's software license agreements are multiple-element arrangements as they may also include maintenance, professional services, and hardware. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered

elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting. Where company-specific objective evidence of fair value cannot be determined for undelivered elements, the Company determines fair value of the respective element by estimating its stand-alone selling price, which is also applied for the presentation as part of the revenue categories noted above when certain of those elements are deemed to be a single unit of accounting.

The Company typically sells or licenses software on a perpetual basis, but also licenses software for a specified period. Revenue from short-term time-based licenses, which usually include support services during the license period, is recognized rateably over the license term. Revenue from multi-year time-based licenses that include support services, whether separately priced or not, is recognized rateably over the license term unless a substantive support service renewal rate exists; if this is the case, the amount allocated to the delivered software is recognized as license revenue based on the residual approach once the revenue criteria have been met. In those instances where the customer is required to renew mandatory support and maintenance in order to maintain use of the licensed software over the license term, the Company recognizes the consideration attributable to the license and support for the initial term of the arrangement attributable to the license and support over the initial term and recognizes revenue for the support renewal fees in subsequent years over the respective renewal periods.

Revenue from the license of software involving significant implementation or customization essential to the functionality of the Company's product, or from the sales of hardware where software is essential to its functionality, is recognized under the percentage-of-completion method of contract accounting based either on the achievement of contractually defined milestones or based on labour hours. Any probable losses are recognized immediately in profit or loss. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

A portion of the Company's sales, categorized as hardware and other revenue, are accounted for as product revenue. Product revenue is recognized when the Company has an executed agreement, the product has been delivered and costs can be measured reliably, the amount of the fee to be paid by the customer is fixed and determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement. If for any of the product or service offerings, the Company determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then the revenue is deferred until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, the Company determines that collectability is not probable, and the Company concludes that the inflow of economic benefits associated with the transaction is not probable, then revenue recognition is deferred until the earlier of when collectability becomes probable or payment is received. If collectability becomes unlikely before all revenue from an arrangement is recognized, the Company recognizes revenue only to the extent of the fees that are successfully collected unless collectability becomes reasonably assured again. If a customer is specifically identified as a collection risk, the Company does not recognize revenue except to the extent of the fees that have already been collected.

Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation is included in the hardware and other revenue category. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Reimbursable travel expenses incurred for which an invoice has not been issued, are recorded as part of work in progress on the statement of financial position.

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products. The company-specific fair value of maintenance is typically derived from rates charged to renew these services after an initial period. Maintenance

revenue remaining to be recognized in profit or loss is recognized as deferred revenue in the statements of financial position when amounts have been billed in advance and the term of the service period has commenced.

Professional Services revenue including implementation, training and customization of software is recognized by the stage of completion of the arrangement determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion.

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in work in progress. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

(l) Finance income and finance costs

Finance income comprises interest income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues through profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, amortization of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, and impairment losses recognized on financial assets other than trade receivables. Transaction costs attributable to the Company’s bank indebtedness are recognized in finance costs using the effective interest method.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, difference in tax bases in the purchaser's tax jurisdiction and its cost as reported in the consolidated financial statements as a result of an intra-group transfer of assets and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Investment tax credits

The Company is entitled to both non-refundable and refundable investment tax credits for qualifying research and development activities. Investment tax credits are accounted for as a reduction of the related expenditure for items of a period expense nature or as a reduction of property and equipment for items of a capital nature when the amount is reliably estimable and the Company has reasonable assurance regarding compliance with the relevant objective conditions and that the credit will be realized.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. The operating results of all operating segments are reviewed regularly by the Company’s President and Chairman of the Board of Directors to make decisions about resources to be allocated to the segment and assessing their performance.

The Company has six operating segments, referred to as Operating Groups by the Company, being Volaris, Harris, Total Specific Solutions, Jonas, Perseus, and Vela. The operating segments are aggregated by applying the aggregation criteria in IFRS 8, Operating Segments, into two reportable segments Public (Volaris, Harris, TSS Operating Groups) and Private (Jonas, Perseus, Vela Operating Groups).

Segment operating results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and related expenses, and corporate assets and expenses and are included as part of the other segment when reconciling to the Company’s consolidated totals.

Segment capital expenditures are the total costs incurred during the period to acquire segment assets, being property and equipment and intangible assets that are expected to be used for more than one year.

(p) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares, being common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(q) Short-term employee benefits

Short-term employee benefit obligations, including wages, benefits, incentive compensation, and compensated absences are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid and settled under the Company's employee incentive compensation plan if the Company has legal or constructive obligation to pay this amount at the time bonuses are paid as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(s) New standards and interpretations adopted

Annual Improvements to IFRS

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards. Most of the amendments apply prospectively for annual periods beginning on or after July 1, 2014. The Company adopted these amendments in its financial statements effective January 1, 2015. The adoption of the amendments did not have a material impact on the consolidated financial statements.

(t) New standards and interpretations not yet adopted

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are assessing the impact of this standard on our consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company has not yet selected a transition method nor determined the effect of the standard on the ongoing financial reporting.

IFRS 16 Leases

In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and have the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The extent of the impact of adoption of the standard has not yet been determined.

4. Business acquisitions

(a) During the year ended December 31, 2015, the Company completed 31 acquisitions for aggregate cash consideration of $223,082 plus cash holdbacks of $22,785 and contingent consideration with an estimated fair value of $1,806 resulting in total consideration of $247,673. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition period. The obligation for contingent consideration for acquisitions during the year ended December 31, 2015 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the weighted probability of the expected contingent consideration to be paid and inclusion of a discount rate as appropriate. As part of these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of $9,692. Aggregate contingent consideration of $21,494 (December 31, 2014 - $23,534) has been reported in the statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other expenses, net in the consolidated statements of income. An expense of $6,729 has been recorded for the year ended December 31, 2015, as a result of such changes (credit of $1,114 for the year ended December 31, 2014).

There were no acquisitions during the period that were deemed to be individually significant. Of the 31 acquisitions, the Company acquired 100% of the shares of 15 businesses and acquired the net assets of the remaining 16 businesses. The cash holdbacks are generally payable over a two year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions completed during the year ended December 31, 2015 include software companies catering to the following markets; public safety, school administration, attractions, notaries, event management, fitness, textiles and apparel, tire distribution, healthcare, third party logistics warehouse management systems, education, electric utilities, mining, housing finance agencies, private clubs and daily fee golf courses, taxi dispatch, real estate brokers and agents, fashion retail, communications, agribusiness, retail management and distribution, hospitality, and rental all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition. 15 of the acquisitions have been included in the Public reportable segment and 16 have been included in the Private reportable segment.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $1,554 (December 31, 2014 - $492) is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $41,906; however the Company has recorded an allowance of $6,216 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during 2015. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The cash consideration associated with these provisional estimates totals $223,082.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the year ended December 31, 2015 is as follows:

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 5,193	$ 7,590	$ 12,783
Accounts receivable	24,202	11,488	35,690
Other current assets	12,423	3,602	16,025
Property and equipment	2,938	7,265	10,203
Other non-current assets	1,209	-	1,209
Deferred income taxes	6,888	3,071	9,959
Technology assets	121,490	76,062	197,552
Customer assets	61,673	27,338	89,011
	236,016	136,416	372,432
Liabilities assumed:			
Current liabilities	15,338	11,287	26,625
Deferred revenue	64,724	16,669	81,393
Deferred income taxes	13,549	8,373	21,922
Other non-current liabilities	2,451	293	2,744
	96,062	36,622	132,684
Goodwill	1,944	5,981	7,925
Total consideration	**$ 141,898**	**$ 105,775**	**$ 247,673**

(b) The 2015 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income for the year ended December 31, 2015. The materiality threshold is reviewed on an annual basis taking into account the quantitative (contribution to revenue and net income) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.

5. Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 13,948	$ 12,969
Work in progress	2,123	1,625
Finished goods	8,261	10,652
Total	$ 24,332	$ 25,246

No inventories were carried at fair value less cost to sell, and the carrying amount of inventories subject to retention of title clauses was $nil as at December 31, 2015 and 2014.

Raw materials (which consists primarily of hardware components) and changes in finished goods and work in progress recognized as hardware expenses in the statements of income amounted to $84,359 (2014: $74,046). The write-downs of inventories to net realizable value amounted to $1,061 (2014: $1,051). The reversals of write-downs amounted to $593 (2014: $136). Write-downs and reversals of write-downs are based on the Company's projected sales. The write-downs and reversals are included in hardware expenses.

6. Other assets and liabilities

(a) Other assets

	December 31, 2015	December 31, 2014
Prepaid and other current assets	$ 47,196	$ 41,228
Investment tax credits recoverable	11,479	13,810
Sales tax receivable	2,835	2,402
Other receivables	5,736	5,854
Total other current assets	$ 67,246	$ 63,294
Investment tax credits recoverable	$ 12,490	$ 11,828
Non-current trade and other receivables	4,079	10,622
Equity accounted investees (i)	15,617	14,242
Work in progress	-	250
Total other non-current assets	$ 32,186	$ 36,942

(i) Equity accounted investees

The Company's share of net income in its investments currently being accounted for as equity investees was $1,070 (2014: $830). Dividends received for the year totalled $509 (2014: $474). The carrying value of the Company's investments in equity accounted investees as at December 31, 2015 was $15,617 (December 31, 2014 - $14,242).

(b) Other liabilities

	December 31, 2015	December 31, 2014
Contingent consideration	$ 10,530	$ 18,101
Acquired contract liabilities	7,349	8,213
Other non-current liabilities	16,687	18,444
Total other non-current liabilities	$ 34,566	$ 44,758

7. Property and equipment

	Computer hardware	Computer software	Furniture and equipment	Leasehold improvements	Building	Total
Cost						
Balance at January 1, 2014	$ 37,832	$ 17,935	$ 19,913	$ 10,817	$ 3,517	$ 90,014
Additions	9,112	1,963	2,033	731	29	13,868
Acquisitions through business combinations	1,403	1,707	2,635	461	93	6,299
Disposals / retirements	(434)	(66)	(619)	(28)	80	(1,067)
Effect of movements in foreign exchange	(1,465)	(705)	(889)	(648)	(394)	(4,101)
Balance at December 31, 2014	$ 46,448	$ 20,834	$ 23,073	$ 11,333	$ 3,325	$ 105,013
Balance at January 1, 2015	$ 46,448	$ 20,834	$ 23,073	$ 11,333	$ 3,325	$ 105,013
Additions	6,719	2,467	2,619	1,089	-	12,894
Acquisitions through business combinations	3,998	759	2,831	3,409	22	11,019
Disposals / retirements	(9,587)	(1,105)	(2,051)	(13)	80	(12,676)
Effect of movements in foreign exchange	(1,388)	(505)	(1,048)	(607)	(309)	(3,857)
Balance at December 31, 2015	$ 46,190	$ 22,450	$ 25,424	$ 15,211	$ 3,118	$ 112,393
Depreciation and impairment losses						
Balance at January 1, 2014	$ 23,893	$ 14,663	$ 10,986	$ 4,332	$ 123	$ 53,997
Depreciation charge for the year	8,590	3,049	3,001	1,715	107	16,462
Disposals / retirements	(393)	(63)	(460)	(2)	-	(918)
Effect of movements in foreign exchange	(582)	(484)	(531)	(121)	(37)	(1,755)
Balance at December 31, 2014	$ 31,508	$ 17,165	$ 12,996	$ 5,924	$ 193	$ 67,786
Balance at January 1, 2015	$ 31,508	$ 17,165	$ 12,996	$ 5,924	$ 193	$ 67,786
Depreciation charge for the year	9,071	2,518	3,513	1,799	127	17,028
Disposals / retirements	(9,547)	(1,102)	(1,904)	(26)	-	(12,579)
Effect of movements in foreign exchange and other	(701)	(358)	(627)	(193)	(35)	(1,914)
Balance at December 31, 2015	$ 30,331	$ 18,223	$ 13,978	$ 7,504	$ 285	$ 70,321
Carrying amounts:						
At January 1, 2014	$ 13,939	$ 3,272	$ 8,927	$ 6,485	$ 3,394	$ 36,017
At December 31, 2014	$ 14,940	$ 3,669	$ 10,077	$ 5,409	$ 3,132	$ 37,227
At January 1, 2015	$ 14,940	$ 3,669	$ 10,077	$ 5,409	$ 3,132	$ 37,227
At December 31, 2015	$ 15,859	$ 4,227	$ 11,446	$ 7,707	$ 2,833	$ 42,072

8. Intangible assets and goodwill

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2014	$ 791,824	$ 456,718	$ 16,513	$ 2,684	$ 8,673	$ 220,969	$ 1,497,381
Acquisitions through business combinations	93,852	33,510	2	-	-	13,221	140,585
Effect of movements in foreign exchange	(29,207)	(29,418)	(167)	(46)	(1,013)	(14,270)	(74,121)
Balance at December 31, 2014	$ 856,469	$ 460,810	$ 16,348	$ 2,638	$ 7,660	$ 219,920	$ 1,563,845
Balance at January 1, 2015	$ 856,469	$ 460,810	$ 16,348	$ 2,638	$ 7,660	$ 219,920	$ 1,563,845
Acquisitions through business combinations	198,334	88,673	-	-	-	8,114	295,121
Effect of movements in foreign exchange	(25,142)	(23,637)	(121)	(86)	(788)	(11,771)	(61,545)
Balance at December 31, 2015	$ 1,029,661	$ 525,846	$ 16,227	$ 2,552	$ 6,872	$ 216,263	$ 1,797,421
Accumulated amortization and impairment losses							
Balance at January 1, 2014	$ 372,492	$ 124,745	$ 15,798	$ 2,684	$ -	$ -	$ 515,719
Amortization for the year	129,001	43,050	716	-	419	-	173,186
Effect of movements in foreign exchange	(9,272)	(3,011)	(166)	(46)	-	-	(12,495)
Balance at December 31, 2014	$ 492,221	$ 164,784	$ 16,348	$ 2,638	$ 419	$ -	$ 676,410
Balance at January 1, 2015	$ 492,221	$ 164,784	$ 16,348	$ 2,638	$ 419	$ -	$ 676,410
Amortization for the year	136,523	43,599	-	-	347	-	180,469
Effect of movements in foreign exchange	(8,760)	(2,585)	(136)	(86)	-	-	(11,567)
Balance at December 31, 2015	$ 619,984	$ 205,798	$ 16,212	$ 2,552	$ 766	$ -	$ 845,312
Carrying amounts							
At January 1, 2014	$ 419,332	$ 331,973	$ 715	$ -	$ 8,673	$ 220,969	$ 981,662
At December 31, 2014	$ 364,248	$ 296,026	$ -	$ -	$ 7,241	$ 219,920	$ 887,435
At January 1, 2015	$ 364,248	$ 296,026	$ -	$ -	$ 7,241	$ 219,920	$ 887,435
At December 31, 2015	$ 409,677	$ 320,048	$ 15	$ -	$ 6,106	$ 216,263	$ 952,109

Impairment testing for cash-generating units containing goodwill

The annual impairment test of goodwill was performed as of December 31, 2015 and 2014 and did not result in any impairment loss. For the purpose of impairment testing, goodwill is allocated to the Company's business units included in each operating segment, which represent the lowest level within the Company at which goodwill is monitored for internal management purposes, which is not higher than the Company's operating segments. There was no goodwill reallocated to the Company's business units that was deemed to be significant in comparison to the carrying amount of goodwill as at December 31, 2015.

The Company has three CGUs whereby the total goodwill allocated is significant in comparison to the Company's total carrying amount of goodwill. The total goodwill allocated to each of these CGUs as at December 31, 2015 is \$23,764, \$24,506 and \$25,357. In determining the recoverable amount, the Company applied an estimated market

valuation multiple to the business unit's most recent annual recurring revenues, which are derived from combined software/support contracts, transaction revenues, and hosted products. Valuation multiples, which are Level 3 inputs, applied by management for this purpose reflect current market conditions specific to the business unit and are assessed for reasonability by comparison to the Company's current and past acquisition experience involving ranges of revenue-based multiples required to acquire representative software companies.

9. Bank indebtedness and CNH facility

Bank indebtedness

On March 13, 2012, the Company entered into a revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300,000 (December 31, 2014 - $300,000). The revolving credit facility bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table that considers Constellation's indebtedness at the time. The credit facility is collateralized by substantially all of the Company's assets including the assets of the majority of the Company's material subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of the Company's subsidiaries. As at December 31, 2015, $nil (December 31, 2014 – $64,500) had been drawn from this credit facility, and letters of credit totaling $17,130 (December 31, 2014 - $14,051) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the line-of-credit were included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the year ended December 31, 2015 relating to this line-of-credit amounted to $609 (December 31, 2014 - $516). As at December 31, 2015 the carrying amount of such costs is $nil (December 31, 2014 - $609).

CNH facility

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150,000 term and €10,000 multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at December 31, 2015, €128,000 ($139,600) (December 31, 2014 – €130,000 ($158,016)) had been drawn from this credit facility. The terms of the CNH Facility require that €28,000 must be repaid in instalments between now and June 2020, and €100,000 is non-amortizing and due in June 2021. The remaining €20,000 term component of the CNH Facility is currently available and if drawn must be repaid in five equal instalments starting on June 24, 2018. As at December 31, 2015 no amounts had been drawn on the €10,000 multicurrency revolving component of the CNH Facility (December 31, 2014 - $nil). The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the year ended December 31, 2015 relating to this facility amounted to $866 (December 31, 2014 - $504). As at December 31, 2015, the carrying amount of such costs relating to this facility totaling approximately $4,468 (€4,097) has been classified as part of the CNH Facility in the consolidated statement of financial position (December 31, 2014 - $5,930 (€4,879)).

The CNH Facility and Constellation's credit facilities are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or its subsidiaries subject to the terms of the CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation's other credit facilities and are not subject to the provisions thereof. Constellation's credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation's other credit facilities. The CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

10. Debentures

On October 1, 2014 and November 19, 2014, the Company issued debentures with a total principal value of C$96,038 for total proceeds of C$91,236. On September 30, 2015, the Company issued another tranche of debentures (collectively with the 2014 issuances called the "Debentures") with a total principal value of C$186,249 for total proceeds of C$214,186. During the year ended December 31, 2015, C$175,000 of the proceeds were used to pay down the existing credit facility (see note 9).

The Debentures have a maturity date of March 31, 2040 (the "Maturity Date"). From and including the date of issue to but excluding March 31, 2015, the Debentures bore interest at a rate of 7.4% per annum, paid quarterly in arrears. The rate from March 31, 2015 to March 30, 2016 is 8.5% per annum. The rate from March 31, 2016 to March 30, 2017 is 7.6%. From and including March 31, 2017 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12 month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election ("PIK Election"), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to "put") the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase. During the year ended December 31, 2015, no notices for redemption of the Debentures were received or given by the Company.

11. TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in Constellation Software Netherlands Holdings Cooperatief (the "Coop"). Total proceeds from this transaction was €39,375 ($48,503).

Commencing any time after December 31, 2014, each of the minority owners may exercise a put option to sell all or a portion of their interests in the Coop back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the Membership Agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of the Coop. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received, and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made. In determining the valuation of the liability at each reporting period, the Company assumes the minority owners exercised their put option on the last day of the current reporting period, and redeemed 33.33% of their interests on exercise (which is classified as a current liability), and will redeem 33.33% on each of the first and second anniversary dates. Maintenance and recurring revenue of the Coop for the trailing twelve months determined at the end of the current reporting period was used as the basis for valuing the interests at each redemption date. Any increase or decrease in the value of the membership liability will be recorded as an expense or income in the consolidated statements of income for the period. During the year ended December 31, 2015, an expense of $22,244 was recognized in the consolidated statements of income.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in the Coop, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The remaining interest of approximately 32% can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in the Coop for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in the Coop, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in the Coop will be terminated.

If any of TSS' executive management team that participate in the Members Agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with a valuation methodology described with the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in the Coop will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in the Coop over a 3 year period. The valuation of the interests being purchased will be calculated at each reporting period. During the current year, no options were exercised.

During the year ended December 31, 2015, TSS made a distribution of €30,000 to its shareholders (collectively Constellation and the minority owners). The distribution to the minority owners totalled €9,986 ($10,879) and has been reported in the consolidated statement of cash flows under financing activities.

12. Provisions

At January 1, 2015	$	13,399
Reversal		(1,038)
Provisions recorded during the period		9,231
Provisions used during the period		(10,659)
Effect of movements in foreign exchange and other		(934)
At December 31, 2015	$	9,999
Provisions classified as short-term liabilities		8,420
Provisions classified as long-term liabilities		1,579

The provisions balance is comprised of various individual provisions for severance costs and other estimated liabilities of the Company of uncertain timing or amount.

13. Income taxes

(a) Tax recognized in profit or loss

	2015	2014
Tax recognized in profit or loss		
Current tax expense (recovery)		
Current year	$ 61,197	$ 46,025
Adjustment for prior years	$ 2,253	$ 5,517
	63,450	51,542
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	9,440	(2,959)
Effect of change in future tax rates	(1,582)	495
Change in recognized temporary differences and unrecognized tax losses	(3,862)	3,810
Recognition of previously unrecogonized losses	(395)	(1,115)
	3,601	231
Total tax expense (recovery)	**67,051**	**51,773**

(b) Reconciliation of effective tax rate

	2015	2014
Net income for the year	$ 177,248	$ 103,098
Total tax expense	67,051	51,773
Net income before tax	244,299	154,871
Income tax expense using the Company's statutory tax rate of 26.5% (2014 - 26.5%)	64,739	41,041
Impact on taxes from:		
Foreign tax rate differential	(363)	(1,058)
Other, including non deductible expenses and non taxable income	6,261	3,083
Change in recognized temporary differences and unrecognized tax losses	(3,862)	3,810
Effect of change in future tax rates	(1,582)	495
Recognition of prior year tax losses	(395)	(1,115)
Under (over) provisions in prior years	2,253	5,517
	67,051	51,773

14. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The aggregate amount of temporary differences associated with investments in subsidiaries for which we have not recognized deferred tax liabilities is $525,490 (2014: $496,684) as the Company ultimately controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. The temporary differences relate to undistributed earnings of that Company's subsidiaries. Dividends declared would be subject to withholding tax in the range of 0-15% depending on the jurisdiction of the subsidiary.

(b) Unrecognized deferred tax assets

	2015	2014
Deductible temporary differences, including capital losses	$ 27,662	$ 31,590
Non capital tax losses	$ 72,699	$ 94,084

Non-capital tax losses of $59,547 expire between 2016 and 2035 and $13,152 can be carried forward indefinitely. Included in the non-capital tax losses expiring between 2016 and 2035 is $27,900 of losses that are not expected to be used to offset future taxable profit as a result of legislative restrictions in the jurisdiction where those losses exist. The deductible temporary differences and capital losses do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of those items because it is not probable that future taxable profit will be available in those jurisdictions against which the Company can utilize these benefits.

(c) Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	2,218	1,904	(1,140)	(1,006)	1,078	898
Intangible assets	120,586	114,050	(191,225)	(170,734)	(70,639)	(56,684)
Reserves	16,792	9,915	(77)	(130)	16,715	9,785
Non capital loss carryforwards	7,471	6,298	-	-	7,471	6,298
SR&ED expenditure pool	1,100	1,044	(6)	-	1,094	1,044
Deferred revenue	4,568	4,561	(781)	(1,236)	3,787	3,325
Foreign and other tax credits	248	150	(3,388)	(4,194)	(3,140)	(4,044)
Other, including capital losses, withholding tax and foreign exchange	6,486	2,237	(15,997)	(9,371)	(9,511)	(7,134)
Tax assets (liabilities)	159,469	140,160	(212,614)	(186,672)	(53,145)	(46,512)
Reclassification	(102,819)	(79,397)	102,819	79,396		
Net tax assets (liabilities)	56,650	60,763	(109,795)	(107,276)	(53,145)	(46,512)

This reclassification relates to the offsetting of deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

(d) Movement in deferred tax balances during the year

	Balance January 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2015
Property, plant and equipment	898	253	-	(73)	-	1,078
Intangible assets	(56,684)	7,602	-	(21,557)	-	(70,639)
Reserves	9,785	6,481	-	449	-	16,715
Non-capital loss carryforwards	6,298	(424)	-	1,597	-	7,471
SR&ED expenditure pool	1,044	(944)	-	994	-	1,094
Deferred revenue	3,325	(6,757)	-	7,219	-	3,787
Tax credits	(4,044)	904	-	-	-	(3,140)
Other, including capital losses, withholding tax and foreign exchange	(7,134)	(10,716)	128	(592)	8,803	(9,511)
	(46,512)	(3,601)	128	(11,963)	8,803	(53,145)

	Balance January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in business combinations	Other	Balance December 31, 2014
Property, plant and equipment	10,415	(9,475)	-	(42)	-	898
Intangible assets	(81,241)	36,968	-	(12,411)	-	(56,684)
Reserves	8,688	466	-	631	-	9,785
Non-capital loss carryforwards	17,284	(11,360)	-	374	-	6,298
SR&ED expenditure pool	6,766	(5,722)	-	-	-	1,044
Deferred revenue	1,350	650	-	1,325	-	3,325
Tax credits	(4,727)	567	-	116	-	(4,044)
Contract asset	912	(912)	-	-	-	-
Other, including capital losses, withholding tax and foreign exchange	(554)	(11,413)	-	(156)	4,989	(7,134)
	(41,107)	(231)	-	(10,163)	4,989	(46,512)

15. Capital and other components of equity

Capital Stock

At December 31, 2015 and December 31, 2014, the authorized share capital of Constellation consisted of an unlimited number of voting common shares and a limited number of non-voting preferred shares (there are no preferred shares outstanding).

	Common Shares	
	Number	Amount
December 31, 2014	21,191,530	$ 99,283
December 31, 2015	21,191,530	$ 99,283

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as foreign exchange gains and losses arising from monetary items that form part of the net investment in the foreign operation.

Amounts related to derivatives designated as hedges

The portion of the gain or loss on derivatives designated as hedges that are determined to be an effective hedge are recognized directly in other comprehensive income, and the ineffective portion in the income statement. The gains or losses deferred in other comprehensive income in this way are subsequently recognized in the statement of income in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income.

Dividends

During the year ended December 31, 2015 the Board of Directors approved and the Company declared dividends of $4.00 per common share. The first dividend declared in the quarter ended March 31, 2015 representing $21,192 was paid and settled on April 3, 2015. The second dividend declared in the quarter ended June 30, 2015 representing $21,192 was paid and settled on July 3, 2015. The third declared in the quarter ended September 30, 2015 representing $21,192 was paid and settled on October 5, 2015. The fourth dividend declared in the quarter ended December 31, 2015 representing $21,192 was paid and settled on January 5, 2016.

On August 8, 2014, the Company completed a rights offering pursuant to which existing holders of common shares of the Company were entitled to purchase up to C$100,000 aggregate principal amount of unsecured subordinated floating rate Debentures of the Company as of the close of business on August 21, 2014. The Company estimated the fair value of these rights to be $4,759 and recorded a distribution to shareholders for this amount.

On May 6, 2015, the Company issued rights to shareholders of the Company to purchase up to an additional C$200,000 aggregate principal amount of Debentures. The Debentures were issued on September 30, 2015. The fair value of these rights was immaterial.

16. Revenue

The Company sub-classifies revenue within the following components: license revenue, professional services revenue, hardware and other revenue, and maintenance and other recurring revenue. Software license revenue is comprised of license fees charged for the use of software products licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services, and hosted products.

Revenues from the application of contract accounting are typically allocated to license revenue, professional service revenue and hardware and other revenue based on their relative fair values when the amount recognized in the period is determined using the percentage of completion method under contract accounting. During the year ended December 31, 2015 $283,180 (December 31, 2014 - $298,885) of contract revenue was recognized.

17. Finance and other income and finance costs

	Year ended December 31, 2015	2014
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ -	$ (574)
Gain on sale of non-current assets	-	(230)
Finance and other income	(4,772)	(3,305)
Finance and other income	$ (4,772)	$ (4,109)
Interest expense on bank indebtedness and debentures	$ 17,434	$ 12,434
Amortization of debt related transaction costs	1,475	1,337
Other finance costs	1,201	2,909
Finance costs	$ 20,110	$ 16,680

Included in finance and other income is a $3,000 adjustment which was made during 2015 relating to the acquired net tangible assets of an acquisition which closed in May 2013.

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company did not purchase any additional forward foreign exchange contracts.

During 2014, the Company entered into a three year floating-to-fixed interest rate swap to manage its cash-flow interest rate risk associated with the CNH Facility. The Company applied hedge accounting and determined that this is an effective hedge. Payments under the interest rate swap are made quarterly. The notional principal amount of the outstanding floating to fixed interest rate swap contract at December 31, 2015 was €130,000 (December 31, 2014 - €130,000). The fair value of the interest rate swap contract at December 31, 2015 was $907 (December 31, 2014 - $546).

18. Earnings per share

Basic and diluted earnings per share

	Year ended December 31,	
	2015	2014
Numerator:		
Net income	$ 177,248	$ 103,098
Denominator:		
Basic and diluted shares outstanding	21,192	21,192
Earnings per share		
Basic and diluted	$ 8.36	$ 4.87

19. Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company manages its capital with the objective of ensuring that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of cash, revolving credit facility, CNH facility, Debentures, TSS membership liability and components of shareholders' equity including retained earnings and capital stock.

The Company is subject to certain covenants on its revolving credit facility. The covenants include a leverage ratio and an interest coverage ratio, as well as a minimum level of earnings for entities over which the lenders have security. The CNH facility is also subject to certain covenants. The covenants include a leverage ratio, debt service coverage ratio and an interest coverage ratio. The Company monitors the ratios on a quarterly basis. As at December 31, 2015, the Company is in compliance with its debt covenants. Other than the covenants required for the revolving credit facility and the CNH facility, the Company is not subject to any externally imposed capital requirements.

The Board of Directors determine if and when dividends should be declared and paid based on all relevant circumstances, including the desirability of financing further growth of the Company and its financial position at the relevant time. The Board of Directors has adopted a policy to pay quarterly dividends, which commenced in 2012. Constellation intends to declare a regular quarterly dividend to allow shareholders to participate in its free cash flow,

while retaining sufficient capital to invest in acquisitions and organic growth. There is no guarantee that dividends will continue to be declared and paid in the future.

The Company makes adjustments to its capital structure in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may increase or decrease dividends, increase or decrease the line of credit or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, as well as significant acquisitions and other major investments above pre-determined quantitative thresholds.

20. Financial risk management and financial instruments

Overview

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that changes in market prices, such as fluctuations in foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments.

The Company is exposed to interest rate risk on the utilized portion of its revolving credit facility and its Debentures and does not currently hold any financial instruments that mitigate this risk. If there was a 1% increase in the interest rate on the Debentures, there would be a corresponding decrease in net income before tax of $2,035. There would be an equal and opposite impact if there was a 1% decrease in the interest rate.

The Company is also exposed to interest rate risk on the utilized portion of its CNH Facility. As required by our lenders, the Company entered into a floating-to-fixed interest rate swap to manage its cash-flow interest rate risk associated with the CNH Facility. The notional principal amount of the outstanding floating to fixed interest rate swap contract at December 31, 2015 was €130,000.

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates which impact sales and purchases that are denominated in a currency other than the respective functional currencies of certain of its subsidiaries. The Company currently does not typically use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

Foreign currency sensitivity analysis:

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company’s primary exposure with respect to foreign currencies is through the Canadian dollar denominated Debentures (note 10). The carrying value of the Debentures at December 31, 2015 is $220,043 (C$305,244) (December 31, 2014 - $78,642 (C$91,554)). If there was a 1% strengthening of the Canadian dollar against the U.S. dollar, there would be a corresponding decrease in net income before tax of

$2,200. There would be an equal and opposite impact if there was a 1% weakening of the Canadian dollar against the U.S. dollar.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 19 to the consolidated financial statements. The Company's growth is financed through a combination of cash flows from operations and borrowing under the existing credit facilities, TSS Membership Liability and Debentures. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows from operations. The details of the Company's revolving credit facility, CNH facility, Debentures, and TSS membership liability are disclosed in note 9, note 10 and note 11 to the consolidated financial statements. As at December 31, 2015, available credit in respect of the Company's revolving credit facility was $282,870.

The majority of the Company's financial liabilities recorded in accounts payable and accrued liabilities are due within 60 days. The Company also has payment processing liabilities which are settled within a few days of year-end. Included in cash is an equivalent cash balance of $9,995 (December 31, 2014 - $10,622) that is held to settle these payment processing liabilities as they become due. Holdbacks payable related to business acquisitions are generally due within six months to two years.

Given the Company's available liquid resources and credit capacity as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. The carrying amount of the Company's financial assets, including receivables from customers, represents the Company's maximum credit exposure.

The majority of the accounts receivable balance relates to maintenance invoices to customers that have a history of payment. In addition, a large proportion of the Company's accounts receivable is with public sector government agencies where the credit risk has historically been assessed to be low.

The maximum exposure to credit risk for accounts receivables at the reporting date by geographic region was:

	December 31, 2015	December 31, 2014
United States	$ 120,183	$ 107,097
Canada	17,989	22,715
United Kingdom	20,605	19,310
Europe	52,180	40,562
Other	15,814	10,372
	$ 226,771	$ 200,056

The maximum exposure to credit risk for accounts receivable at the reporting date by reportable segment was:

	December 31, 2015	December 31, 2014
Public	160,855	138,485
Private	65,916	61,571
	$ 226,771	$ 200,056

The aging of accounts receivables at the reporting date was:

	December 31, 2015	December 31, 2014
Current		
Gross	184,929	161,088
Impairment	(1,779)	(483)
Net	183,150	160,605
90-180 days		
Gross	26,707	30,747
Impairment	(1,547)	(1,062)
Net	25,160	29,685
More than 180 days		
Gross	27,648	17,930
Impairment	(9,187)	(8,164)
Net	18,461	9,766
Total accounts receivable		
Gross	239,284	209,765
Impairment	(12,513)	(9,709)
Net	226,771	200,056

An allowance account for accounts receivable is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts are considered to be uncollectible and are written off against the specific accounts receivable amount attributable to a customer. The number of days outstanding of an individual receivable balance is the key indicator for determining whether an account is at risk of being impaired.

The movement in the allowance for impairment in respect of accounts receivable during the year ended:

	2015	2014
Balance at January 1	$ 9,709	$ 9,583
Impairment loss recognized	12,911	3,522
Impairment loss reversed	(6,273)	(759)
Amounts written off	(1,951)	(2,206)
Other movements	(1,883)	(431)
Balance at December 31	$ 12,513	$ 9,709

There is no concentration of credit risk because of the Company's diverse and disparate number of customers with individual receivables that are not significant to the Company on a consolidated basis. In addition the Company typically requires up front deposits from customers to protect against credit risk.

The Company manages credit risk related to cash by maintaining the majority of the Company's bank accounts with Schedule 1 banks.

In the ordinary course of business the Company and its subsidiaries have provided performance bonds and other guarantees for the completion of certain customer contracts. The Company has not experienced a loss to date and future losses are not anticipated; therefore, no liability has been recorded in the consolidated statements of financial position related to these types of indemnifications or guarantees at December 31, 2015.

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, the majority of acquisition holdbacks and revolving line of credit, approximate their fair values due to the short-term nature of these instruments. Bank debt is subject to market interest rates.

The Company has capitalized transaction costs associated with its current revolving credit facility and CNH Facility. As a result, at December 31, 2015, the fair value and carrying value of the line of credit is $nil. (December 31, 2014: fair value $64,500, carrying value $63,894). As at December 31, 2015, the fair value of the CNH Facility is $139,600 and the carrying value is $135,132 (December 31, 2014 - $158,015 and the carrying value is $152,086). As at December 31, 2015, the fair value of the Debentures is $220,791 and the carrying value is $220,043. (December 31, 2014 – the fair value is $93,322 and the carrying value is $78,642).

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value as at December 31, 2015 and December 31, 2014 in the financial statements are summarized below. The Company has no additional financial liabilities measured at fair value initially other than those recognized in connection with business combinations.

	December 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Contingent consideration	$ -	$ -	$ 21,494	$ 21,494	$ -	$ -	$ 23,534	$ 23,534
Interest rate swap contract	-	907	-	907	-	546	-	546
Total financial liabilities measured at fair value	**-**	**907**	**21,494**	**22,401**	**-**	**546**	**23,534**	**24,080**

There were no transfers of fair value measurements between level 1, 2 and level 3 of the fair value hierarchy in the years ended December 31, 2015 and 2014.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Balance at January 1, 2015	23,534
Increase from business acquisitions	1,806
Cash payments	(11,334)
Charges through profit or loss	7,632
Foreign exchange	(1,830)
Reclassifications	1,686
Balance at December 31, 2015	21,494
Contingent consideration classified as short-term liabilities	10,964
Contingent consideration classified as long-term liabilities	10,530

Estimates of the fair value of contingent consideration is performed by the Company on a quarterly basis. Key unobservable inputs include revenue growth rates and the discount rates applied (8% to 11%). The estimated fair value increases as the annual growth rate increases and as the discount rate decreases and vice versa.

21. Operating leases

The Company leases premises and certain equipment and automobiles under operating leases. The operating rental expense for the year ended December 31, 2015 was $34,670 (2014 - $32,941). The annual minimum lease commitments are as follows:

		December 31, 2015		December 31, 2014
Less than 1 year	$	43,230	$	39,776
Between 1 and 5 years		96,593		86,857
More than 5 years		31,331		23,758
Total	$	171,154	$	150,391

22. Operating segments

Segment information is presented in respect of the Company's business and geographical segments. The accounting policies of the segments are the same as those described in the significant accounting policies section of these consolidated financial statements.

Reportable segments

The Company has six operating segments, referred to as Operating Groups by the Company, being Volaris, Harris, TSS, Jonas, Perseus, and Vela. The operating segments are aggregated into two reportable segments in accordance with IFRS 8 Operating Segments. The Company's Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company's Private Sector segment develops and distributes software solutions primarily to commercial customers.

The operating groups exhibit similar economic characteristics (such as gross and EBITA margins) and are substantially similar in relation to the nature of products and services, the nature of production processes, and the methods used to distribute product; however, the determination that the Company has two reportable segments is based primarily on the assessment that differences in economic cycles and procedures for securing contracts between our governmental clients and commercial, or private sector clients, are significant, thus warranting distinct segmented disclosures. Volaris, Harris and TSS have been aggregated into the Public Sector segment. Jonas, Perseus and Vela have been aggregated into the Private Sector segment.

Historically, Corporate head office operating expenses have been allocated to the Company's segments based on the segment's percentage of total consolidated revenue for the allocation period. For the year ended December 31, 2015, Constellation has not allocated head office operating expenses to the segments on the basis that head office management fees which are charged to the operating groups and included in the "Intercompany expenses (income)" caption are intended to recover these costs. As a result, Corporate head office operating expenses have been reflected in the "Other" column. Comparatives have been restated to reflect this change.

Intercompany expenses (income) represent Constellation head office management fees and intercompany interest charged on related borrowings to the reportable segments.