



Interim Consolidated Financial Statements (Unaudited)

Fiscal Year 2011

For the three months ended June 30, 2010 and 2009

Consolidated Balance Sheets

(Unaudited) (Canadian dollars in Thousands)	June 30 2010 \$	March 31 2010 \$
ASSETS		
Current assets		
Cash and cash equivalents	35,589	34,360
Cash held for the benefit of others	3,228	4,026
Accounts receivable	5,726	4,479
Tax credits receivable	1,689	1,363
Prepaid expenses	628	712
Derivative financial instruments	-	574
Future income taxes	67	-
	46,927	45,514
Premises and equipment	1,201	1,423
Intangible assets	710	894
Acquired intangible assets	2,503	2,675
Goodwill	25,991	25,991
Future income taxes	5,361	5,685
	82,693	82,182
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	7,408	9,696
Income taxes payable	346	390
Deferred revenues	9,635	8,717
Derivative financial instruments	220	-
Future income taxes	514	606
	18,123	19,409
Future income taxes	78	129
	18,201	19,538
SHAREHOLDERS' EQUITY		
Capital stock (note 5(b))	47,959	47,809
Share purchase options (note 5(c))	1,085	1,688
Contributed surplus (note 5(d))	2,702	2,491
Retained earnings	13,243	10,602
Accumulated other comprehensive income (loss)	(497)	54
	64,492	62,644
	82,693	82,182

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

(Unaudited) (Canadian dollars in Thousands)	Three months ended June 30	
	2010 \$	2009 \$
Retained earnings - Beginning of period	10,602	9,241
Net earnings (loss) for the period	2,641	(193)
Retained earnings - End of period	13,243	9,048

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited) (Canadian dollars in Thousands)	Three months ended June 30	
	2010 \$	2009 \$
Net earnings (loss) for the period	2,641	(193)
Foreign currency translation adjustment	-	(252)
Reclassification of realized gains or losses on foreign currency forward contracts, net of future income taxes	(96)	381
Change in unrealized gains (losses) on foreign currency forward contracts, net of future income taxes	(455)	167
	(551)	296
Comprehensive income for the period	2,090	103

Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

(Unaudited) (Canadian dollars in Thousands)	June 30	March 31
	2010 \$	2010 \$
Foreign currency translation adjustment		
Cumulative effects of prior years	(344)	(108)
Current period	-	(236)
	(344)	(344)
Unrealized gains (losses) on foreign currency forward contracts		
Cumulative effects of prior years	398	(775)
Change in gains (losses) on foreign currency forward contracts, net of future income taxes	(551)	1,173
	(153)	398
Accumulated other comprehensive income (loss)	(497)	54

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings (Loss)

(Unaudited)

(Canadian dollars in Thousands,
except per share amounts)

Three months ended
June 30

	2010	2009
	\$	\$
Revenues	11,245	11,693
Cost of revenues	2,592	2,632
Gross margin	8,653	9,061
Operating expenses		
General and administrative	1,646	2,699
Sales and marketing	1,955	2,316
Technology	1,792	1,929
Amortization of acquired intangible assets	172	172
Stock-based compensation	(360)	67
	5,205	7,183
Earnings from operations	3,448	1,878
Other income (expense), net (note 3(b))	261	(1,069)
Earnings before income taxes	3,709	809
Provision for income taxes	1,068	1,002
Net earnings (loss) for the period	2,641	(193)
Basic net earnings (loss) per share	0.19	(0.01)
Diluted net earnings (loss) per share	0.19	(0.01)
Weighted average number of shares outstanding (note 5(f))		
Basic	13,899,300	13,973,262
Diluted	13,921,222	13,973,262
Number of shares outstanding - End of period	13,915,744	13,966,866

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited) (Canadian dollars in Thousands)	Three months ended June 30	
	2010 \$	2009 \$
CASH FLOWS FROM		
Operating activities		
Net earnings (loss) for the period	2,641	(193)
Adjustments for		
Amortization of premises and equipment	269	325
Amortization of intangible assets	184	190
Amortization of acquired intangible assets	172	172
Stock-based compensation	(360)	67
Future income taxes	357	662
Changes in non-cash working capital items (note 3(a))	(2,903)	(3,400)
	360	(2,177)
Investing activities		
Acquisition of premises and equipment and intangible assets	(51)	(383)
Proceeds on disposal of premises and equipment	4	-
	(47)	(383)
Financing activities		
Purchase of common shares for cancellation (note 5 (b)(i))	-	(31)
Issuance of common shares (note 5 (b)(ii))	118	-
	118	(31)
Net increase (decrease) in cash and cash equivalents	431	(2,591)
Effect of exchange rate fluctuations on cash and cash equivalents	-	13
Cash and cash equivalents - Beginning of period	38,386	30,114
Cash and cash equivalents - End of period	38,817	27,536
Cash and cash equivalents comprise the following balance sheet amounts :		
Cash and cash equivalents	35,589	25,469
Cash held for the benefit of others	3,228	2,067

See accompanying notes to consolidated financial statements.

1 Significant accounting policies

The consolidated interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim financial statements and follow the same accounting policies and methods of their application found in the audited financial statements for the year ended March 31, 2010. The March 31, 2010 balance sheet figures have been derived from the audited financial statements of the Company for the year ended March 31, 2010. These interim financial statements are unaudited and have not been reviewed by the Company's external auditors. The disclosures in these interim financial statements do not conform in all material respects to the requirements of GAAP for annual financial statements; therefore, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for fiscal year 2010.

Future accounting changes

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the Accounting Standards Board of Canada approved three new CICA Handbook Sections: Section 1582, "Business Combinations"; Section 1601, "Consolidated Financial Statements"; and Section 1602, "Non-controlling Interests", replacing Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements". Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. Section 1601 establishes standards for the preparation of consolidated financial statements, while Section 1602 requires non-controlling interests to be reported as a separate component of equity, with net income calculated without deduction for non-controlling interests. Rather, consolidated net income is to be allocated between controlling and non-controlling interests. These three new sections are to be implemented concurrently and apply prospectively to all business combinations of the Company for which the acquisition date is on or after April 1, 2011, with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accountable enterprises in Canada will be converged with IFRS with a changeover date on January 1, 2011. As a result, the Company is required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal year beginning April 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its consolidated financial statements.

2 Related party transactions

Details of related party transactions not otherwise disclosed in the consolidated financial statements are as follows:

(Canadian dollars in Thousands)	Three months ended	
	June 30	
	2010	2009
	\$	\$
Revenues		
Joint ventures	128	246
Accounts receivable from		
Joint ventures	242	407
Accounts payable to		
Joint ventures	-	12

Balances and transactions with the joint ventures represent the amounts corresponding to the Company's interest therein.

All related party transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon by the parties.

During the three-month period ended June 30, 2010, the Company incurred a management fee of \$65,604 (2010 – \$130,000) for the services rendered by a corporate shareholder who has a significant influence over the Company. The transaction was in the normal course of business and was measured at the exchange amount, which is the amount of consideration established and agreed upon by the parties.

3 Changes in non-cash working capital items and Other income (expense)

a) Changes in non-cash working capital items are as follows:

(Canadian dollars in Thousands)	Three months ended June 30	
	2010 \$	2009 \$
Decrease (increase) in		
Accounts receivable	(1,247)	(1,177)
Income taxes receivable	-	(160)
Tax credits receivable	(326)	(366)
Prepaid expenses	84	302
Increase (decrease) in		
Accounts payable and accrued liabilities	(2,288)	(2,174)
Income taxes payable	(44)	-
Deferred revenues	918	175
	(2,903)	(3,400)

b) Other income (expense) consists of the following:

(Canadian dollars in Thousands)	Three months ended June 30	
	2010 \$	2009 \$
Interest income	43	14
Financial expense	(49)	(47)
Foreign exchange gain (loss)	309	(985)
Other expense	(42)	(51)
	261	(1,069)

4 Segment information

The Company has only one reportable segment.

Geographical information is as follows:

(Canadian dollars in Thousands)

Three months ended June 30

	2010		2009	
	Revenues	Premises and equipment, intangible assets, acquired intangible assets and goodwill	Revenues	Premises and equipment, intangible assets, acquired intangible assets and goodwill
	\$	\$	\$	\$
Canada	4,804	3,449	4,799	4,614
United States	4,762	26,913	5,245	27,567
Europe	520	-	590	-
Asia and other	1,159	43	1,059	73
	11,245	30,405	11,693	32,254

Revenues are attributed to geographic areas based on the location of the business places of the related customers.

5 Capital stock, share purchase options and contributed surplus

(Number in Thousands, Canadian dollars in Thousands, except per share amounts)

- a) Authorized, unlimited as to number
- Common shares
 - Preferred shares, issuable in series, with terms, conditions and dividends to be determined by the Board of Directors upon issuance

Notes to Interim Consolidated Financial Statements (Unaudited)
June 30, 2010 and 2009

- b) The following table summarizes common share activity for the three-month periods ended June 30:

	2010		2009	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance - Beginning of period	13,896	47,809	13,974	48,079
Purchased for cancellation (note 5(b)(i))	-	-	(7)	(25)
Exercise of stock options (note 5 (b)(ii))	20	150	-	-
Balance - End of period	13,916	47,959	13,967	48,054

- i) During the three-month period ended June 30, 2010, the Company did not purchase any of its own shares for cancellation in connection with its normal course issuer bid (2010 – 7,192 shares for a cash consideration totalling \$31,306). During the three-month period ended June 30, 2009, Capital stock has been reduced by the average issue price per share before buyback of \$3.44 totalling \$24,745, with the resulting premium or discount on redemption having been charged to Retained earnings or Contributed surplus.
- ii) During the three-month period ended June 30, 2010, 20,000 common shares were issued pursuant to the exercise of stock options (2010 – nil) for a cash consideration of \$117,800 or \$5.89 per share. In addition, an amount of \$31,974 which represents the stock-based compensation previously recognized for these options in Share purchase options (note 5(c)) was credited to Capital stock.
- c) The following table summarizes the share purchase option activity for the three-month periods ended June 30:

	2010	2009
	\$	\$
Balance - Beginning of period	1,688	1,647
Stock-based compensation expense (reversal)	(360)	67
Transfer of accumulated compensation cost upon exercise of stock options (note 5(b)(ii))	(32)	-
Transfer of accumulated compensation cost related to stock options vested but not exercised	(211)	(54)
Balance - End of period	1,085	1,660

Notes to Interim Consolidated Financial Statements (Unaudited)
June 30, 2010 and 2009

- d) The following table summarizes contributed surplus activity for the three-month periods ended June 30:

	2010 \$	2009 \$
Balance - Beginning of period	2,491	2,394
Transfer of accumulated compensation cost related to stock options vested but not exercised	211	54
Discount on redemption of common shares for cancellation (note 5(b)(i))	-	-
Reduction of the accumulated discount on redemption of common shares for cancellation (note 5(b)(i))	-	(7)
Balance - End of period	2,702	2,441

- e) Stock-based compensation plan

The Company has two stock-based compensation plans described in note 8 of the 2010 Annual Report.

During the three-month periods ended June 30, 2010 and 2009, no stock options were granted by the Company.

- f) Weighted average number of shares outstanding

The following table outlines the weighted average number of shares used in the calculation of the basic and diluted net earnings (loss) per share for the three-month periods ended June 30:

	2010	2009
Weighted average number of shares outstanding		
Basic	13,899	13,973
Dilutive effect of stock options	22	-
Diluted	13,921	13,973

Options to purchase 292,400 shares (2010 – 668,400) at a weighted average exercise price of \$9.98 per share (2010 – \$9.01) were outstanding at the end of the three-month period ended June 30, 2010 but were not included in the calculation of diluted earnings per share because the options' exercise price was greater than the average price of the shares.

6 Financial risk management

The Company's financial assets and financial liabilities expose it to the following risks: market risk, including foreign currency risk and interest rate risk, credit risk and liquidity risk. The main objective of the Company's risk management process is to ensure that risks are properly identified and addressed to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department, which identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated.

Foreign currency risk

Foreign currency risk is related to the Company's business transactions denominated in a currency other than the Canadian dollar, primarily the US dollar. Foreign currency risk arises from future sales and purchase transactions as well as recognized financial assets and financial liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign currency risk is to reduce fluctuations in performance. In order to reduce the potentially negative effects of a fluctuating Canadian dollar, the Company has entered into foreign currency forward contracts to stabilize anticipated future revenues denominated in US dollars. Foreign currency forward contracts may only be entered into for purposes of managing foreign currency risk and not for speculative purposes.

The balances in foreign currencies as at June 30, 2010 are as follows:

(Amounts in Thousands)	US\$
Cash and cash equivalents	6,207
Cash held for the benefit of others	3,044
Accounts receivable	1,990
Accounts payable and accrued liabilities	(4,638)
Net position in foreign currency	6,603
Net position in Canadian dollars	7,003

Notes to Interim Consolidated Financial Statements (Unaudited)
June 30, 2010 and 2009

Taking into account the foreign currency forward contracts and assuming that all other variables remain constant, a strengthening of 5% of the Canadian dollar against the US dollar would have had the following impact (in Canadian dollars) on net earnings and other comprehensive income:

(Canadian dollars in Thousands)	\$
Net earnings	(87)
Other comprehensive income	541

A weakening of 5% of the Canadian dollar against the US dollar would have had the opposite impact on net earnings and other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents earn interest at market rates.

As at June 30, 2010, the Company's exposure to interest rate risk is on its cash and cash equivalents whose interest rates vary from 0% to 0.80%. If interest rates as at June 30, 2010 had been 0.5% higher or 0.5% lower, the impact on net earnings would have been insignificant.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company is not subject to significant interest rate risk with respect to financial assets and financial liabilities due to their short-term maturity.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, cash held for the benefit of others and accounts receivable. The Company's cash and cash equivalents and cash held for the benefit of others are maintained at major financial institutions; therefore, the Company considers the risk of non-performance on these instruments to be remote.

The Company believes that its credit risk with respect to accounts receivable is limited based on past experience. The Company generally does not require collateral in connection with accounts receivable. Furthermore, its trade accounts receivable are not concentrated on any specific customers but rather are from a wide range of organizations. In addition, the Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. The allowance for doubtful accounts is determined based on past experience of what is considered uncertain to be collectible after 60 days and 90 days, and inactive and restricted accounts are fully provided for.

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June 30, 2010 and 2009

The carrying value of the Company's trade accounts receivable is net of an allowance for doubtful accounts. Changes in the allowance during the year are as follows:

(Canadian dollars in Thousands)	Three months ended June 30		Fiscal year
	2010	2009	2010
	\$	\$	\$
Beginning of period	(538)	(519)	(519)
Credit (charge) for the period	(53)	22	(19)
End of period	(591)	(497)	(538)

As at June 30, 2010, the aging analysis of trade accounts receivable, all of which are overdue, is as follows:

(Canadian dollars in Thousands)	\$
1-30 days	2,888
31-60 days	724
61-90 days	1,695
Over 90 days	419
Total accounts receivable	5,726

There is no impairment or amounts past due related to assets other than accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company is currently not exposed to liquidity risk as it has sufficient cash and cash equivalents to sustain its operations and anticipated investing and financing activities. The Company's financial liabilities, which consist of accounts payable and accrued liabilities, are due within 12 months or less.

Fair value

Cash and cash equivalents and cash held for the benefit of others are carried at fair value. Accounts receivable and accounts payable and accrued liabilities are financial instruments whose fair values approximate their carrying values because of their short term to maturity.

7 Comparative figures

Certain figures for fiscal year 2010 have been reclassified in order to conform to the basis of presentation adopted in the current year.