CriticalControl Solutions Corp.

Condensed Consolidated Interim Financial Statements

March 31, 2011

(unaudited)

Condensed Consolidated Interim Statement of Financial Position

As At March 31, 2011 (unaudited)
(In thousands of Canadian dollars, except share and per share data)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash		253	1,147	1,049
Accounts receivable		8,280	9,263	7,326
Unbilled revenue		488	251	259
Inventory		4,394	4,344	2,768
Prepaid expenses		1,969	1,719	2,074
Total current assets		15,384	16,724	13,476
Tax credits recoverable		652	652	580
Deferred costs		59	59	59
Deferred tax assets		2,288	2,307	365
Property & equipment		2,697	2,721	2,684
Intangible assets		10,071	10,451	11,851
Goodwill	5	11,748	11,876	10,804
TOTAL ASSETS		42,899	44,790	39,819
Liabilities and Shareholders' Equity				
Current liabilities:				
Operating line of credit		1,005	-	2,698
Accounts payable and accrued liabilities		4,777	6,034	4,628
Provisions	6	203	738	113
Unearned revenue		2,192	2,086	2,331
Current portion of long-term debt		2,600	2,949	1,610
Current portion of deferred lease inducement		181	181	160
Total current liabilities		10,958	11,988	11,540
Provisions	6	516	543	500
Deferred lease inducement		1,023	1,069	1,339
Deferred tax liabilities		1,335	1,366	1,738
Long term debt		4,371	5,530	8,320
TOTAL LIABILITIES		18,203	20,496	23,437
Shareholders' Equity				
Share capital		28,973	28,973	24,110
Contributed surplus		928	928	1,005
Deficit		(4,717)	(5,231)	(8,749)
Accumulated other comprehensive (loss) income		(488)	(376)	16
Total shareholders' equity		24,696	24,294	16,382
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY		42,899	44,790	39,819

The notes on pages 6 to 21 are an integral part of these consolidated financial statements.

These financial statements were approved by the Corporation's board of directors on May 27, 2011.

(signed) "William Hammett" *(signed) "Alykhan Mamdani"*

William Hammett Alykhan Mamdani

Condensed Consolidated Interim Statement of Earnings

For the three months ended March 31 (unaudited)
(In thousands of Canadian dollars, except share and per share data)

	Note	March 31, 2011	March 31, 2010
Revenue		12,221	13,042
Cost of revenue		7,650	8,136
		4,571	4,906
Expenses:			
Selling and administrative		3,440	3,583
Research & development		295	303
Finance costs	7	165	309
Other operating costs	8	(36)	-
		3,864	4,195
Earnings before income tax		707	711
Income tax expense		193	201
Net earnings		514	510
Net earnings per share			
Basic	9	0.01	0.01
Diluted	9	0.01	0.01

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Condensed Consolidated Interim Statement of Comprehensive Income

For the three months ended March 31 (unaudited)
(In thousands of Canadian dollars, except share and per share data)

	March 31, 2011	March 31, 2010
Net earnings	514	510
Other comprehensive (loss) income		
Foreign currency translation adjustments	(112)	64
Total comprehensive income	402	574

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Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended March 31 (unaudited)
(In thousands of Canadian dollars, except share and per share data)

	Share Capital	Contributed Surplus	Deficit	Accumulated other comprehensive loss from foreign currency translation adjustments	Total
Balance January 1, 2011	28,973	928	(5,231)	(376)	24,294
Comprehensive income (loss)	-	-	514	(112)	402
Balance March 31, 2011	28,973	928	(4,717)	(488)	24,696

	Share Capital	Contributed Surplus	Deficit	Accumulated other comprehensive income from foreign currency translation adjustments	Total
Balance January 1, 2010	24,110	1,005	(8,749)	16	16,382
Comprehensive income	-	-	510	64	574
Common shares issued on exercise of stock options	49	(20)	-	-	29
Balance March 31, 2010	24,159	985	(8,239)	80	16,985

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Condensed Consolidated Interim Statement of Cash Flows

For the three months ended March 31 (unaudited)
(In thousands of Canadian dollars, except share and per share data)

	2011	2010
Cash flows from (used in) operating activities:		
Net earnings	514	510
Adjustments for:		
Depreciation of property & equipment	191	181
Income tax expense	193	201
Amortization of intangible assets	307	498
Amortization of deferred lease inducement	(45)	(45)
Gain on sale of property & equipment	(36)	-
Interest and unwinding of discount	117	122
	1,241	1,467
Change in non-cash operating working capital:		
Accounts receivable	912	(409)
Unbilled revenue	(239)	(57)
Inventory	(141)	(1)
Prepaid expenses	(255)	274
Accounts payable and accrued liabilities	(898)	(608)
Provisions	(162)	-
Unearned revenue	109	(273)
Cash generated from operating activities	567	393
Interest paid	(87)	(122)
Income tax paid	(435)	(233)
Net cash from operating activities	45	38
Cash flows from (used in) financing activities:		
Proceeds from issue of share capital	-	29
Proceeds from operating line of credit	1,005	147
Proceeds from long term debt	71	49
Repayment of long term debt	(1,432)	(49)
	(356)	176
Cash flows from (used in) investing activities:		
Purchase of property & equipment	(237)	(318)
Payment of contingent consideration	(400)	-
Proceeds on sale of property & equipment	74	-
	(563)	(318)
Effect of exchange rate fluctuations on cash	(20)	-
Net decrease in cash	(894)	(104)
Cash, beginning of period	1,147	1,049
Cash, end of period	253	945

The notes on pages 6 to 21 are an integral part of these consolidated financial statements

1. Reporting entity:

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") is a company domiciled in Canada and incorporated in Alberta. The Corporation is a publicly-traded company listed on the Toronto Stock Exchange under symbol "CCZ". The condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2011 comprise the Corporation and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). CriticalControl is a technology company, delivering outsourced solutions for information intensive and document intensive transactional processes. Through the implementation of technology, workflow and economies of scale we are able to provide highly secure control over sensitive information and processes in a cost effective manner. The Corporation operates in Canada and the United States.

The consolidated financial statements of the Group as at and for the year ended December 31, 2010 that were prepared under Canadian generally accepted accounting principles ("Canadian GAAP") are available upon request from the Corporation's head office at Suite 1100, 840 - 7th Avenue SW, Calgary, Alberta, Canada T2P 3G2, at www.criticalcontrol.com or at www.sedar.com.

2. Basis of preparation:

(a) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Group's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 11. This note includes certain reconciliations of equity, net earnings, and total comprehensive income for comparative periods and the date of transition as reported under Canadian GAAP to those reported under IFRSs.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 27, 2011.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

(d) Use of estimates and judgements:

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

In preparing the condensed consolidated interim financial statements, the significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

The key judgement identified in applying accounting policies that has a significant effect on the amounts recognized in the consolidated financial statements is the determination of whether it is probable that sufficient taxable earnings will be generated in future periods to utilize tax losses for the purpose of recognizing related valuation allowances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next interim period or financial year are as follows:

- Fair value of consideration provided and assets acquired in business combinations. Key estimates and assumptions include future cash flows and discount rates used for valuing contingent consideration, customer relationship assets and other intangible assets.

- Amortization of customer relationships and other intangible assets. The key estimate/assumption is the useful life of each asset.
- Impairment calculations for intangible assets, including goodwill. Key estimates and assumptions include future cash flows and discount rates used for calculating the recoverable amount of cash generating units.
- Measuring deferred income taxes. Key estimates and assumptions include timing of reversals for temporary differences and future tax rates.
- Provisions, including onerous lease contracts. Key estimates include future cash flows and discount rates.

(e) First-time adoption exemptions applied:

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets out the requirements that a first-time adopter must follow on adoption of IFRS. In accordance with IFRS 1, the Corporation developed accounting policies that conform to IFRSs effective at December 31, 2011. In the absence of any exemptions included in IFRS 1, converting the opening statement of financial position at January 1, 2010 from Canadian GAAP to IFRS requires retrospective restatement of assets, liabilities and equity, with any net adjustments generally flowing through retained earnings. IFRS 1 permits certain exemptions to this general rule. The exemptions the Corporation has chosen to apply that are considered significant are summarized below.

- The Corporation elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition.
- The Corporation elected not to apply IFRS 2 *Share-based Payment* to equity instruments that had vested prior to the date of transition and liabilities arising from share-based payment transactions that were settled before the date of transition.
- The Corporation elected not to apply the requirements of IAS 23 *Borrowing Costs* to borrowing costs and qualifying assets prior to the date of transition.
- The Corporation elected not to retrospectively apply the requirements of IAS 32 *Financial Instruments: Presentation* to compound financial instruments that are no longer outstanding at the date of transition.
- The Corporation has elected to apply the transitional provisions in IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, which requires application of the Interpretation for the year ended December 31, 2011 with restatement of the comparative period if it represents a change in accounting policy.
- Since the Corporation made the same determination of whether an arrangement contained a lease in accordance with Canadian GAAP as that required by IFRIC 4 *Determining whether an Arrangement contains a Lease*, the Corporation did not reassess that determination when it adopted IFRSs.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by Group Entities.

(a) Basis of consolidation:

(i) Business combinations:

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Group measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under Canadian GAAP (the Group's previous accounting framework).

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Group. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation:

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

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group Entities using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the period-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in earnings. 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.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated using exchange rates at the end of the reporting period. The revenue and expenses of foreign operations are translated using exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income. Such differences have been recognized in accumulated other comprehensive income ('AOCI') in the cumulative translation account.

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 in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account.

(c) Financial instruments:

(i) Non-derivative financial assets:

The Group initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

All of the Group's non-derivative financial assets are classified as loans and receivables, including cash and accounts receivable. Loans and 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 plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities:

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group 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.

The Group has the following non-derivative financial liabilities:

- Operating line of credit;
- Accounts payable and accrued liabilities;
- Provisions; and
- Long-term debt.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital:

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

(iv) Derivative financial instruments:

The Group does not hold any derivative financial instruments and has not identified any embedded derivatives where the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

(d) 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 expenditures that are directly attributable to the acquisition of the asset.

When 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.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other operating costs.

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repairs and maintenance) are charged to earnings as incurred.

(iii) Depreciation:

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is charged to earnings either on a straight-line or declining balance basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are depreciated over the lease term.

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

Computer hardware	30%-45%	declining balance
Office furniture and equipment	20%	declining balance
Vehicles	30%	declining balance
Leasehold improvements	6-15 years	straight-line

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Goodwill and intangible assets:

(i) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under Canadian GAAP. Goodwill is measured at cost less accumulated impairment losses and is not amortized.

(ii) Software, non-compete agreements and customer relationships & contracts:

Software, non-compete agreements and customer relationships & contracts are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated based on the cost of the asset less its residual value. Amortization of non-compete agreements and customer relationships & contracts is charged to earnings on a straight-line basis over the terms of the underlying contracts, agreements or relationships, which range from 4 to 15 years. Amortization of software is charged to earnings on a declining balance basis at rates ranging from 20% to 50%. For all intangible assets other than goodwill, amortization is charged from the date the assets are available for use, and the rates used are those that most closely reflect the expected pattern of consumption of the future economic benefits embodied in the assets.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iii) Research and development:

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged to earnings as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(iv) Subsequent expenditures:

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific intangible asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are charged to earnings as incurred.

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated on a specific identification or first-in first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment:

(i) Receivables:

The Group 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 are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together those with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in earnings 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 earnings.

(ii) Non-financial assets:

The carrying amounts of the Group's non-financial assets, other than current assets and tax related assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset or cash generating unit is estimated. For goodwill, the recoverable amount is estimated each year at December 31.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating units", or "CGUs"). Goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level that goodwill is monitored for internal reporting purposes.

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 earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other 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 recognized.

(h) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(ii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions:

The grant date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Group 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

A provision for an onerous contract is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(j) Revenue:

The Corporation derives revenues primarily from providing solutions to clients in the government, financial services and energy sectors. The Corporation's solutions for each sector are comprised of services, maintenance and support services and third party hardware and software sales. Each component of the Corporation's solution has specific revenue recognition policies, and revenue is only recognized when there is persuasive evidence that an arrangement exists and the collection of the amounts billed to the customer is considered probable.

Services include the Corporation's document imaging and control business, data entry, as well as the Corporation's solutions to the energy sector, which are dependent on the Corporation's proprietary ProCharts, NetFlow, ProTrend and PipeWatch applications and data sets. Revenue related to services is recognized as the services are performed. Amounts invoiced in advance of work performed are recorded as unearned revenue, and revenue recognized in advance of being invoiced is recorded as unbilled revenue.

Revenue related to agreements for maintenance and support services is recognized on a straight-line basis over the term of the agreement.

Sales of third-party hardware and software applications are recognized if there is persuasive evidence of acceptance and delivery.

(k) Lease payments:

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

(l) Finance costs:

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and long term debt, impairment losses on accounts receivable and foreign currency gains and losses reported on a net basis.

(m) Income tax:

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

Current tax is the expected tax 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 tax 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 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 the 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.

Tax assets and liabilities (deferred and current) are offset if there is a legally enforceable right to offset tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity. Tax assets and liabilities are also offset if they relate to income taxes levied on different tax entities but the Corporation intends to settle them on a net basis or realize them simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable earnings 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) Earnings per share:

The Group presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(o) Segment reporting:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The operating results of all operating segments for which discrete financial information is available are reviewed regularly by management to make decisions about resources to be allocated to the segments and assess their

performance. Segment results that are important to management generally include items directly attributable to a segment. Unallocated items include corporate assets, head office expenses, public company costs, interest and other expenses.

(p) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these condensed consolidated interim financial statements. The Corporation has not completed its evaluation of the effect of adopting these standards on its financial statements, but the preliminary assessment is that they will not have a material impact on its financial results and financial position. A summary of new standards that have not been adopted which may impact the Corporation is as follows:

Fair value measurement: In May 2011, IFRS 13 *Fair Value Measurement was issued*. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Consolidations, Joint arrangements and Disclosure of Interests in Other Entities: In May 2011, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities were issued. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities. IFRS 11 Joint Arrangements establishes principles for the financial reporting by parties to a joint arrangement. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and re-titled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Financial instrument classification and measurement: In November 2009, IFRS 9 Financial Instruments was published, covering the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect earnings unless the liability is held for trading. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Financial instrument disclosures: *Amendments to IFRS 7 Financial Instruments*: *Disclosures* were issued in October 2010. Those amendments improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted.

4. Operating segments:

The Corporation has identified Service Bureau Operations and Energy Services as reportable segments which are used to manage the business and are key areas of potential growth to increase profitability. All public company costs, interest and other expenses not directly attributed to the two operating segments are included in Corporate. In assessing performance of the segments and the allocation of resources to the segments, management of CriticalControl evaluates gross margin directly attributable to the segments. All of the Corporation's identifiable assets are located in Canada and U.S.

	Service Bureau Operations	Energy Services	Corporate	Three months ended March 31, 2011
Revenue	5,615	6,606	-	12,221
Cost of revenue	3,891	3,759	-	7,650
	1,724	2,847	-	4,571
Operating expenses				
Selling and administrative	1,120	1,128	1,192	3,440
Research & development	-	295	-	295
Finance costs	5	1	159	165
Other operating costs	-	-	(36)	(36)
	1,125	1,424	1,315	3,864
Earnings before income tax	599	1,423	(1,315)	707
Segment assets	12,677	29,235	987	42,899
Goodwill	2,168	9,580	-	11,748
Capital expenditures	84	153	-	237

	Service Bureau Operations	Energy Services	Corporate	Three months ended March 31, 2010
Revenue	5,089	7,953	-	13,042
Cost of revenue	3,769	4,367	-	8,136
	1,320	3,586	-	4,906
Operating expenses				
Selling and administrative	1,575	974	1,034	3,583
Research & development	-	303	-	303
Finance costs	-	-	309	309
	1,575	1,277	1,343	4,195
Earnings before income tax	(255)	2,309	(1,343)	711
Segment assets	13,231	26,026	13	39,270
Goodwill	2,168	8,493	-	10,661
Capital expenditures	87	32	199	318

5. Goodwill:

For the purpose of impairment testing, goodwill acquired in each business combination is allocated to the Group's CGUs that are expected to benefit from the synergies of the combination. Each CGU represents the lowest level within the Group at which goodwill is monitored for internal management purposes and is not larger than an operating segment. The carrying amount of goodwill allocated to each unit is as follows:

In thousands of dollars	December 31, 2010	January 1, 2010
Energy segment:		
Calgary	4,220	3,920
US	5,587	4,815
Service Bureau segment:	2,069	n/a
Edmonton	n/a	1,850
Winnipeg	n/a	-
Toronto	n/a	219
	11,876	10,804

During the third quarter of 2010, the Service Bureau segment was restructured to support various Centers of Excellence in Edmonton, Winnipeg and Toronto. As a result, the Corporation reassessed its CGU conclusions and determined that each location was part of a larger CGU, being the Service Bureau CGU.

Impairment tests for all CGUs containing goodwill were performed at January 1, 2010 and December 31, 2010, but none of the CGUs were impaired. The recoverable amount for each CGU was determined based on fair value less costs to sell, which was calculated using discounted after-tax cash flow projections. The calculation of fair value less costs to sell was based on the following key assumptions.

- Cash flows were projected based on past experience, actual operating results, relevant annual budgets and growth expectations. Cash flows beyond five years were extrapolated using a constant growth rate of 3.0 percent, which does not exceed the long-term average growth rate for the industry.
- The first year of cash flows was based on the annual operating budgets. The anticipated annual revenue included in the cash flow projections in the following four years was based on average compound growth rates ranging from 3% to 5% for CGUs in the Energy segment and 2% to 6% for CGUs in the Service Bureau segment. The anticipated earnings before income taxes, depreciation and amortization (“EBITDA”) was based on rates (as a percentage of sales) ranging from 18% to 37% for CGUs in the Energy segment and 9% to 20% for CGUs in the Service Bureau segment.
- A break-even discount rate (after-tax) was calculated for each CGU. Based on industry data and previous acquisition experience, it was determined that the appropriate after-tax discount rate for each CGU would not be less than 20%. Accordingly, if the break-even rate for a CGU exceeded 20%, it was concluded that no impairment existed. All of the calculated breakeven rates exceeded 20%.

The values assigned to the key assumptions represent management’s assessment of future trends in the relevant industries and are based on both external sources and internal sources (e.g., historical data).

6. Provisions:

In thousands of dollars	Onerous Leases	Contingent Consideration	Total
Balance at January 1, 2010	113	500	613
Less current portion	(113)	-	(113)
Long-term portion	-	500	500
Balance at January 1, 2010	113	500	613
Provisions made during the period	781	-	781
Provisions used during the period	(113)	-	(113)
Balance at December 31, 2010	781	500	1,281
Less current portion	(238)	(500)	(738)
Long-term portion	543	-	543

In thousands of dollars	Onerous Leases	Contingent Consideration	Total
Balance at January 1, 2011	781	500	1,281
Provisions used during the period	(68)	(500)	(568)
Unwind of discount	6	-	6
Balance at March 31, 2011	719	-	719
Less current portion	(203)	-	(203)
Long-term portion	516	-	516

7. Finance costs:

	March 31, 2011	March 31, 2010
Interest and bank charges	104	139
Net foreign exchange loss	31	2
Unwind of discounts	30	-
Impairment loss on accounts receivable	-	168
	165	309

8. Other operating costs:

	March 31, 2011	March 31, 2010
Gain on disposal of property & equipment	(36)	-

9. Net earnings per share:

The following information was used for the net earnings per share calculations:

	March 31, 2011	March 31, 2010
Weighted average number of shares outstanding		
Basic	51,235,012	42,273,410
Diluted	51,785,216	42,970,597

10. Subsequent event:

On April 1, 2011, the Corporation acquired certain assets of Gas Measurement and Integration of Buckhannon, West Virginia (“GMI”) through its wholly owned United States subsidiary, GAS Analytical Service, Inc. The consideration provided included cash of $400 and a promissory note for $800. The promissory note bears interest at 4% and is repayable as follows: $300 plus interest due April 1, 2012; $300 plus interest due December 28, 2012; and $200 plus interest due June 30, 2013.

The business of GMI acquired by Gas Analytical Service, Inc. includes the provision of gas measurement products and services, inclusive of gas chart integration, to clients in the Appalachian Basin in North Eastern United States.

The acquisition will be accounted for using the acquisition method under IFRS 3 and the results of operations will be included in the consolidated statements of earnings and comprehensive income from the date of acquisition. The Corporation is in the process of determining the fair value of the consideration provided and allocating this to the fair value of the net assets acquired, and as such the initial accounting for the business combination is currently incomplete.

Had GMI been consolidated from January 1, 2011, the condensed consolidated statement of earnings would show additional revenue of $219. This pro forma financial information was determined using GMI's results from January 1, 2011 to March 31, 2011. It does not reflect synergies or changes to historical transactions and is not necessarily indicative of the revenue from GMI that would have resulted had the acquisition actually occurred on January 1, 2011, or the revenue that may be obtained in the future. The pro-forma impact on earnings before income taxes cannot be determined until the initial accounting for the business combination is completed.

11. Explanation of transition to IFRSs:

As stated in note 2(a), these are the Group's first condensed consolidated interim financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the condensed consolidated interim financial statements for the three months ended March 31, 2011, the comparative information presented in these consolidated interim financial statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity:

		December 31, 2010			March 31, 2010			January 1, 2010		
In thousands of dollars	Note	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Assets										
Current assets:										
Cash		1,147	-	1,147	945	-	945	1,049	-	1,049
Accounts receivable		9,263	-	9,263	7,736	-	7,736	7,326	-	7,326
Unbilled revenue		251	-	251	316	-	316	259	-	259
Inventory		4,344	-	4,344	2,763	-	2,763	2,768	-	2,768
Prepaid expenses		1,719	-	1,719	1,800	-	1,800	2,074	-	2,074
Deferred tax assets	f	27	(27)	-	-	-	-	-	-	-
Total current assets		16,751	(27)	16,724	13,560	-	13,560	13,476	-	13,476
Tax credits recoverable		652	-	652	580	-	580	580	-	580
Deferred costs		59	-	59	59	-	59	59	-	59
Deferred tax assets	f	2,194	113	2,307	435	(70)	365	435	(70)	365
Property & equipment	e	4,075	(1,354)	2,721	3,366	(772)	2,594	3,421	(737)	2,684
Intangible assets	c, e	9,229	1,222	10,451	10,679	772	11,451	11,114	737	11,851
Goodwill	d	12,416	(540)	11,876	11,201	(540)	10,661	11,344	(540)	10,804
Total assets		45,376	(586)	44,790	39,880	(610)	39,270	40,429	(610)	39,819

		December 31, 2010			March 31, 2010			January 1, 2010		
In thousands of dollars	Note	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Current liabilities:										
Operating line of credit		-	-	-	2,845	-	2,845	2,698	-	2,698
Accounts payable and accrued liabilities		6,034	-	6,034	3,985	-	3,985	4,628	-	4,628
Provisions	a, b	-	738	738	-	113	113	-	113	113
Unearned revenue		2,086	-	2,086	2,058	-	2,058	2,331	-	2,331
Current portion of long-term debt		2,949	-	2,949	2,726	-	2,726	1,610	-	1,610
Current portion of deferred lease inducement		181	-	181	160	-	160	160	-	160
Total current liabilities		11,250	738	11,988	11,774	113	11,887	11,427	113	11,540
Provisions	a, b	-	543	543	-	500	500	-	500	500
Deferred lease inducement		1,069	-	1,069	1,285	-	1,285	1,339	-	1,339
Deferred tax liabilities		1,366	-	1,366	1,686	-	1,686	1,738	-	1,738
Long-term debt		5,530	-	5,530	6,927	-	6,927	8,320	-	8,320
Total liabilities		19,215	1,281	20,496	21,672	613	22,285	22,824	613	23,437
Equity:										
Share capital		28,973	-	28,973	24,159	-	24,159	24,110	-	24,110
Contributed surplus		928	-	928	985	-	985	1,005	-	1,005
Deficit	g	(3,364)	(1,867)	(5,231)	(7,016)	(1,223)	(8,239)	(7,526)	(1,223)	(8,749)
Accumulated other comprehensive income		(376)	-	(376)	80	-	80	16	-	16
Total equity		26,161	(1,867)	24,294	18,208	(1,223)	16,985	17,605	(1,223)	16,382
Total liabilities and equity		45,376	(586)	44,790	39,880	(610)	39,270	40,429	(610)	39,819

Reconciliation of net earnings and comprehensive income for the three months ended March 31, 2010 and the year ended December 31, 2010:

		December 31, 2010			March 31, 2010		
In thousands of dollars	Note	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs	Previous Canadian GAAP	Effect of transition to IFRSs	IFRSs
Revenue		50,721	-	50,721	13,042	-	13,042
Cost of revenue	b, h	28,585	2,223	30,808	7,541	595	8,136
		22,136	(2,223)	19,913	5,501	(595)	4,906
Selling and administrative	b, h	13,346	161	13,507	3,684	(101)	3,583
Research and development		1,111	-	1,111	303	-	303
Finance costs	h	557	85	642	122	187	309
Other operating costs	b,c,h	-	1,262	1,262	-	-	-
Severance costs	h	309	(309)	-	-	-	-
Amortization of property & equipment	h	1,326	(1,326)	-	352	(352)	-
Amortization of intangible assets	h	1,407	(1,407)	-	327	(327)	-
(Gain) loss on sale of property & equipment	h	(28)	28	-	-	-	-
(Gain) loss on foreign exchange	h	(151)	151	-	2	(2)	-
		17,877	(1,355)	16,522	4,790	(595)	4,195
Earnings before income tax		4,259	(868)	3,391	711	-	711
Income tax expense (recovery)	b,c,f	97	(224)	(127)	201	-	201
Net earnings		4,162	(644)	3,518	510	-	510
Net earnings per share:							
Basic (dollars)		0.09	(0.01)	0.08	0.01	-	0.01
Diluted (dollars)		0.09	(0.01)	0.08	0.01	-	0.01
Net earnings		4,162	(644)	3,518	510	-	510
Other comprehensive income (loss)							
Foreign currency translation adjustments		(392)	-	(392)	64	-	64
Total comprehensive income		3,770	(644)	3,126	574	-	574

Material adjustments to the statement of cash flows for 2010:

In accordance with IAS 7 *Statement of Cash Flows,* interest paid and income taxes paid have moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. In addition, there was a reallocation of amortization between property & equipment and intangible assets (see (e) below). There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations:

(a) IFRS 3 *Business Combinations* requires that contingent consideration be recognized initially at fair value as part of the consideration transferred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is generally recognized in the statement of earnings. Under previous Canadian GAAP, contingent consideration is recognized as part of the consideration transferred when it can be reasonably estimated and the outcome of the contingency can be determined beyond a reasonable doubt. Any subsequent change in the amount of the contingent consideration is recognised as an adjustment to the purchase price equation.

The Corporation issued contingent consideration in relation to an acquisition prior to the transition date. IFRS 3 was not applied to this business combination because the Corporation elected under IFRS 1 *First-time Adoption of International Financial Reporting Standards* not to apply IFRS 3 to business acquisitions prior to transition. However, at the date of transition the contingent consideration met the recognition requirements under IAS 39 *Financial Instruments: Recognition and Measurements.* Accordingly, a provision was recognized with an offsetting charge to retained earnings. The provision was measured at $500 on January 1, 2010 based on the facts and circumstances at that date. Through negotiation in the first quarter of 2011, the contingent consideration was settled for $400 and the difference of $100 was included in selling and administrative expenses. This amount was offset by a $100 retiring allowance charged to selling and administrative expenses that was negotiated at the same time.

(b) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* specifically requires recognition of a provision for any obligation arising under an onerous contract. An onerous contract is defined as a "contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received". The unavoidable costs under a contract reflect the least net cost of exiting from the contract.

At the date of transition, the Corporation was leasing space that was not being occupied in the Toronto CGU that related to a business combination in 2009. Under IFRS, this must be accrued as an onerous contract at the date of transition. The amount accrued on transition under IFRS was the estimated settlement amount of $113 since this was expected to be the least net cost of exiting the lease agreement. The tax impact was to increase deferred tax assets by $34.The lease was actually settled in the second quarter of 2010, which decreased selling and administrative expenses by $45, decreased cost of revenue by $68 and increased income tax expense by $34.

In the fourth quarter of 2010, another business combination in the Calgary CGU resulted in redundant space that required accrual under IAS 37 as an onerous lease contract. In this situation, the expected least net cost of exiting the contract was to sublease the space to a third party. The difference between the payments required under the lease contract and the expected recovery through subleasing was discounted using a risk free rate of 2.2% since the estimated cash flows had been risk adjusted. The resulting accrual of $114 was made under IFRS and was charged to other operating costs at December 31, 2010. The tax impact was to increase deferred tax assets and decrease income tax expense by $29. Lease payments of $17 were made in the first quarter of 2011, which were offset against the opening accrual and the $1 unwinding of the discount, leaving a balance of $98 at March 31, 2011.

Also in the fourth quarter of 2010, management engaged an agent to assist in finding a subtenant for excess space in the Edmonton CGU. The revenues and staffing had declined in 2009 and 2010, and at the end of 2010, a full floor was vacant. Accordingly, an accrual under IAS 37 for this onerous component of the lease contract was required. The difference between the payments required under the lease contract and the expected recovery through subleasing was discounted using a risk free rate of 2.85% since the estimated cash flows had been risk adjusted. The resulting accrual of $667 was made under IFRS and was charged to other operating costs at December 31, 2010. The tax impact was to increase deferred tax assets and decrease income tax expense by $169. Lease payments of $51 were made in the first quarter of 2011, which were offset against the opening accrual and the $5 unwinding of the discount, leaving a balance of $621 at March 31, 2011.

The current and long-term portions of provisions are disclosed in note 6.

(c) Under previous Canadian GAAP, additional severance of $200 relating to a 2009 acquisition was adjusted to the purchase price allocation in the fourth quarter of 2010. In accordance with IFRS 3, this amount was expensed. The impact of this IFRS adjustment is to increase other operating costs by $200, reduce the income tax expense by $51, reduce the customer relationships & contracts intangible asset by $132 and decrease the deferred tax assets by $17.

(d) In accordance with IAS 36 *Impairment of Assets*, if an entity disposes of an operation within a CGU that has goodwill allocated to it, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Prior to transition, one of the operations within the Edmonton CGU was effectively disposed of, but no goodwill was allocated to the disposal. Accordingly, $540 of goodwill was charged to retained earnings on transition.

(e) Under IAS 38 *Intangible Assets*, computer software that is not an integral part of the related hardware is treated as an intangible asset. At the date of transition, software with a net carrying value of $737 was reallocated from property & equipment to intangibles (March 31, 2010 - $772; December 31, 2010 - $1,354).

(f) The following summarizes the increases (decreases) to long-term deferred tax assets:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Onerous lease agreements	b	34	34	198
Additional severance	c	-	-	(17)
Intangible assets other than goodwill	below	(104)	(104)	(95)
Reclassify current deferred tax assets	below	-	-	27
Increase (decrease) in deferred tax assets		(70)	(70)	113

Under previous Canadian GAAP, the tax basis of an intangible asset acquired that is an “eligible capital expenditure” under the current Canadian Income Tax Act is generally equal to the tax pool value plus 25% of the carrying amount, assuming the intangible asset was not acquired through a business combination effected through the purchase of shares. Under IAS 12 *Income Taxes*, this treatment is not appropriate for intangible assets other than goodwill acquired through a business combination. The effect of this IFRS adjustment is to decrease deferred tax assets at January 1, 2010 and March 31, 2010 by $104 and December 31, 2010 by $95, and to decrease income tax expense by $9 for the year ended December 31, 2010.

Under IFRSs, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect is to reclassify $27 at December 31, 2010 from deferred tax assets (current) to deferred tax assets (non-current).

(g) The above changes increased the deficit as follows, each net of related tax:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Contingent consideration	a	500	500	500
Onerous lease agreements	b	79	79	583
Additional severance	c	-	-	149
Disposal of goodwill	d	540	540	540
Intangible assets other than goodwill	f	104	104	95
Increase in deficit		1,223	1,223	1,867

(h) Under IAS 1 *Presentation of Financial Statements*, expenses recognized in the statement of earnings must be classified based on either their nature or their function. The Corporation has classified expenses based on their function for IFRSs as this is considered to be more relevant than classification based on nature. Under Canadian GAAP, a hybrid classification model was used, so various reclassifications were required between the different categories of expenses to comply with IFRSs.