

**SOLIUM CAPITAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

This Management's Discussion and Analysis ("MD&A") of Solium Capital Inc. ("Solium" or the "Company") for the year ended December 31, 2014 is dated March 17, 2015. This MD&A should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2014. The audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com under Solium Capital Inc.

All dollar amounts discussed in the MD&A are in Canadian dollars unless otherwise specified.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this MD&A include but are not limited to expectations regarding future revenues, earnings, capital expenditures and the funding thereof, and operating and other costs; business strategy and objectives; market trends; acquisition and disposition plans; the sufficiency of cash and working capital for future operations and growth strategies; the timing and the completion of various development projects; the integration of the businesses acquired; the requirement to make contingent cash payments to Computershare Inc. ("Computershare"); and the growth of international operations and international markets.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, the Company's transition to new products and releases; the number of customer transactions; the length of the sales cycles; the competitive environment; the ability to maintain or accurately forecast revenue from the Company's products or services; the ability of the Company to identify, hire, train, motivate and retain qualified personnel; currency fluctuations; the ability of the Company to develop, introduce and implement new products as well as enhancements or improvements for existing products that respond, in a timely fashion, to customer/product requirements and rapid technological change; risks associated with operations; the impact of any changes in the laws and regulations in the jurisdictions in which the Company operates; the effect of new accounting pronouncements or guidance; and the accuracy of the Company's calculations respecting the contingent obligation to Computershare and the corresponding requirement and ability of the Company to make all required payments pursuant to its agreements with Computershare.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct. The forward-looking statements and information are based on Solium's current expectations, estimates and projections, and are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions; the overall performance of stock market(s); actions of competitors and partners; the regulatory environment; the corporate governance environment and regulatory reporting requirements for Solium's clients; product capability and acceptance; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; and the Company's ability to access external sources of financing if required. A more detailed assessment of the risks that could cause

actual results to materially differ from current expectations is contained in the Risk Assessment section of this MD&A. The foregoing is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. These forward-looking statements contained herein are made as of the date of this MD&A. The Company does not intend to nor does it assume any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

OVERVIEW OF THE COMPANY

Solium Capital Inc. (TSX: SUM) provides cloud-enabled services for global equity-based incentive plans including administration, financial reporting and compliance. From offices in the United States, Canada, the United Kingdom, Europe and Australia, the Company's innovative software-as-a-service (SaaS) technology powers share plan administration and equity transactions for more than 3,000 corporate clients with employee participants in more than 100 countries.

Solium's technology provides functionality that streamlines a client's workflow relating to the issuance of equity incentives, the exercise of incentives, reporting of incentives and day-to-day maintenance of the incentives database. The technology provides constant online access to reports for securities regulators, internal management and financial disclosure purposes.

Solium's solutions empower plan participants by providing them with online access to review their stock incentive portfolios from any internet-connected computer, anywhere in the world. Plan participants have direct access to the financial markets through Solium's brokerage partners.

Revenue is primarily earned on a recurring basis; derived from corporate clients, their associated employee plan participants, and Solium's brokerage partners. From corporate clients, Solium receives recurring access, subscription or maintenance fees. From share transaction activity, revenue is received from participants in the form of transaction and money movement fees and fees that are based on the share transactions executed by the brokerage partners for Solium's participants. In addition, the Company receives one-time (non-recurring) revenue for the implementation of plans for new clients onto the system, ad hoc customization and consulting.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per share amounts²)

	2014	% Change	2013	% Change	2012
Total revenues	79,146	16%	68,079	35%	50,340
Adjusted EBITDA ¹	19,218	14%	16,833	42%	11,856
Earnings before taxes	15,876	38%	11,468	(20%)	14,276
Net earnings	9,631	11%	8,703	(17%)	10,466
Per share – basic	0.203	-%	0.202	(19%)	0.250
Per share – diluted	0.193	1%	0.191	(23%)	0.247
Margins					
Adjusted EBITDA	24%	(1%)	25%	1%	24%
Earnings before taxes	20%	3%	17%	(11%)	28%
Net earnings	12%	(1%)	13%	(8%)	21%
Total assets	121,439	18%	103,140	48%	69,484
Total non-current liabilities	2,786	29%	2,159	(71%)	7,363

Notes:

- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA are non-IFRS financial measures which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA provide useful information to users as they reflect the net earnings prior to the effect of non-operating expenses such as foreign exchange gain or loss, gain on reversal of contingent obligations or liabilities, intangibles and goodwill charges, finance income and costs, amortization, and income tax expense or recovery. Management uses Adjusted EBITDA in measuring the financial performance of the Company. Management monitors Adjusted EBITDA against budget and past results on a regular basis. The measure is a component in determining the annual bonus pool for staff and management.

The following is a reconciliation of Adjusted EBITDA to net earnings:

	2014	2013	2012
Adjusted EBITDA	19,218	16,833	11,856
Foreign exchange gain (loss)	473	628	(44)
Gain on reversal of contingent obligation	-	2,948	-
Gain on extinguishment of liability	-	-	15,630
Intangibles and goodwill charges	-	(3,752)	(8,391)
EBITDA	19,691	16,657	19,051
Finance income (costs)	655	(352)	(601)
Depreciation and amortization	(4,470)	(4,837)	(4,174)
Income tax	(6,245)	(2,765)	(3,810)
Net earnings	9,631	8,703	10,466

- The functional currency of the Canadian and U.S. operations were determined to be the Canadian dollar (CAD) and the U.S. dollar (USD), respectively. The functional currency of the International operations is determined to be their local currencies.

OVERALL PERFORMANCE

The Company experienced positive results in 2014. Revenue increased by 16% to \$79.1 million and earnings from operations increased by 23% to \$14.7 million for the year ended December 31, 2014. Adjusted EBITDA increased by 14% to \$19.2 million for the year ended December 31, 2014.

The key factors affecting the results of the year ended December 31, 2014 are:

- **Strategic initiatives** – The Company accelerated its strategically driven expenses during the year ended December 31, 2014. The accelerated spending relates to the building out of the Company's international team, further development of the Company's global equity administration platform, and adding to the associated shared services capabilities in Canada. To highlight this shift, the Company's employees based outside of North America grew from 22 at the end of 2013 to 51 full time equivalent employees at the end of 2014.
- **Organic growth and increased transaction based revenue** - The Company experienced higher license and subscription fees in the year ended December 31, 2014 as compared 2013 as a result of organic growth. Organic growth, in turn, drove a corresponding increase to transaction based revenue compared to 2013.
- **Foreign exchange** – The U.S. dollar (USD) was higher compared to the Canadian dollar (CAD) during the year ended December 31, 2014 compared to 2013. This had a positive impact on the Company's net earnings due to the translation of USD financial results into CAD financial results for consolidated financial reporting purposes.
- **Acquisitions** – GlobalSharePlans (rebranded to Solium GSP), a leading online provider of regulatory and tax information for companies with global equity incentive plans was acquired at the beginning of 2014. Revenue of \$1.4 million and a loss before income taxes of \$0.6 million was recorded from the acquired business in the year ended December 31, 2014. This is compared to no revenue or loss before income taxes in the year ended December 31, 2013.

RESULTS FROM OPERATIONS

Currently included in the International reportable segment are the results relating to the U.K., Australia, and Europe operations.

Revenue

Revenue was \$79.1 million in 2014 (2013: \$68.1 million). This represents an increase of \$11.1 million over the results from 2013.

Revenue from Canadian operations was \$32.2 million in 2014 (2013: \$28.3 million), while revenue from U.S. operations was \$38.3 million in 2014 (2013: \$35.1 million). Revenue from International operations was \$8.7 million (2013: \$4.7 million).

Revenue increased over 2013 mainly due to organic growth in license and subscription fees, the corresponding increase to transaction based revenue from an increased client base, and to revenue added as a result of the acquisition of Solium GSP in the first quarter of 2014. The increase was also partially due to the favorable foreign exchange rates for the translation of foreign currency denominated revenue into CAD as compared to 2013.

Operating Expenses

Operating expenses were \$64.4 million (2013: \$56.1 million). This represents an increase of \$8.3 million over the results from 2013.

Operating expenses increased over 2013 due to accelerated investment in international operations, the acquisition of Solium GSP, and increased foreign exchange rates for the translation of foreign currency denominated expenses into CAD.

Finance Income and Expense

Finance income of \$0.7 million was recorded during 2014 (2013: expense of \$0.4 million) representing the non-cash interest accrued on the bearers deposit notes, term deposits and interest earned on cash balances. Finance costs in 2013 related to the \$3 million obligation due to Computershare which was reversed in the fourth quarter of 2013.

Foreign Exchange Gain

A foreign exchange gain of \$0.5 million was recorded during 2014 (2013: \$0.6 million). The foreign exchange gain during 2014 reflects the weakening of the CAD against the USD and GBP during the year.

Gain on Extinguishment of Liability, and Intangible Assets and Goodwill Charge

In connection with the acquisition in 2010 from Computershare, the Company had an obligation to pay an additional cash consideration of U.S. \$3 million if the revenue generated by Solium from the clients acquired from Computershare in 2010 was greater than or equal to a certain threshold during the 12 calendar months preceding the third anniversary of the closing of the acquisition. For the 12 months ended October 31, 2013, the Company determined that the threshold was not met and therefore the carrying value of the contingent obligation was reversed. The impact of the reversal of the contingent obligation on the Company's consolidated statement of comprehensive income for the year ended December 31, 2013 was a gain of \$2.9 million, a charge to intangible assets of \$3.8 million, and a deferred income tax recovery of \$1.5 million.

Income Taxes

\$6.2 million of income tax expense was recorded in 2014 (2013: \$2.8 million). In 2013, \$1.5 million of deferred income tax recovery was recorded as a result of the reversal of the contingent obligation due to Computershare and charge to intangible assets.

Based on earnings before income taxes, the effective tax rate for the year ended December 31, 2014 is 39.3% (2013: 24.1%). This effective tax rate reflects the blended tax rates of the international jurisdictions in which the Company operated during the year ended December 31, 2014.

Other Comprehensive Income

A foreign currency translation gain of \$3.0 million resulting from the translation of the Company's assets and liabilities in its U.S., and International subsidiaries was included in other comprehensive income for 2014 (2013: \$2.4 million).

SUMMARY OF QUARTERLY RESULTS

(in thousands of Canadian dollars except per share amount)

The following table summarizes the quarterly results for the eight most recently completed quarters.

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	18,680	18,696	20,028	21,742	17,395	16,884	15,649	18,151
Operating Expenses ²	16,631	16,185	15,868	15,714	14,759	13,483	13,931	13,909
Earnings from operations ²	2,049	2,512	4,161	6,027	2,638	3,400	1,718	4,241
Adjusted EBITDA ^{1,2}	2,897	3,699	5,368	7,254	3,889	4,591	2,940	5,413
Earnings before income taxes ²	2,209	2,813	3,791	7,062	2,410	3,185	1,965	3,907
Net earnings ²	1,028	1,599	2,434	4,571	2,500	2,181	1,349	2,673
Per share								
– basic ²	\$0.021	\$0.034	\$0.052	\$0.097	\$0.056	\$0.051	\$0.032	\$0.063
– diluted ²	\$0.021	\$0.032	\$0.049	\$0.092	\$0.053	\$0.048	\$0.030	\$0.061

Notes:

- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA are non-IFRS financial measures which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA provide useful information to users as they reflect the net earnings prior to the effect of non-operating expenses such as foreign exchange gain or loss, gain on reversal of contingent obligations, intangibles and goodwill charges, finance income and costs, amortization, and income tax expense or recovery. Management uses Adjusted EBITDA in measuring the financial performance of the Company. Management monitors Adjusted EBITDA against budget and past results on a regular basis. The measure is a component in determining the annual bonus pool for staff and management.

The following is a reconciliation of Adjusted EBITDA to net earnings:

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted EBITDA	2,897	3,699	5,368	7,254	3,889	4,591	2,940	5,413
Foreign exchange gain (loss)	14	114	(553)	898	620	(111)	353	(234)
Gain on reversal of contingent obligation	-	-	-	-	2,948	-	-	-
Intangibles and goodwill charges	-	-	-	-	(3,752)	-	-	-
EBITDA	2,911	3,813	4,815	8,152	3,705	4,480	3,293	5,179
Finance income (costs)	147	188	184	136	(41)	(104)	(107)	(100)
Depreciation and amortization	(848)	(1,188)	(1,207)	(1,227)	(1,253)	(1,191)	(1,222)	(1,171)
Income tax	(1,182)	(1,214)	(1,358)	(2,490)	89	(1,004)	(615)	(1,235)
Net earnings	1,028	1,599	2,434	4,571	2,500	2,181	1,349	2,673

- Comparability of quarterly Adjusted EBITDA and net earnings is affected by factors such as SRED income tax credits, intangibles and goodwill charges, gain on reversal and extinguishment of the amounts due to Computershare, and fluctuation of foreign currency exchange rates used to translate foreign denominated results into Canadian dollars.

FACTORS CONTRIBUTING TO QUARTERLY RESULTS

Participant Activity

The transaction based fees collected from participants are affected by several factors, some of which are seasonal. These factors include: (i) grant vesting dates; (ii) grant termination dates; (iii) the pattern of the Canadian population of making retirement contributions in the first quarter of every year; (iv) the stock trading prices for a corporate client relative to an employee participant's associated option exercise price; and (v) employee participant perceptions of future stock trading prices. Historically, the first three factors contribute to higher transaction based fees in the first quarter of a given year. However, the actual magnitude of transaction based fees for a specific quarter or year is difficult to predict, primarily due to the last two factors.

Analysis of Fourth Quarter 2014

Comparative Adjusted EBITDA and adjusted net earnings numbers for 2013 discussed in the MD&A exclude the impact of the unusual gain of \$2.9 million on reversal of the contingent obligation, the intangibles charge of \$3.8 million, and the associated deferred income tax recovery of \$1.5 million.

- Revenue increased by 7% to \$18.7 million in the fourth quarter of 2014 (2013 - \$17.4 million).
- Operating expenses increased by 13% to \$16.6 million in the fourth quarter of 2014 (2013 - \$14.8 million).
- Adjusted EBITDA decreased by 26% to \$2.9 million in the fourth quarter of 2014 (2013 - \$3.9 million). Adjusted EBITDA decreased mainly as the result of the increased strategically driven expenses during 2014.
- Net earnings decreased by 59% to \$1.0 million in the fourth quarter of 2014 (2013 - \$2.5 million). Adjusted net earnings decreased by 43% to \$1.0 million in the fourth quarter of 2014 (2013 - \$1.8 million).
- Net earnings per share (basic) decreased by 63% to \$0.021 in the fourth quarter of 2014 (2013 - \$0.056). Adjusted net earnings per share decreased by 48% to \$0.021 in the fourth quarter of 2014 (2013 - \$0.040).

Currently included in the International reportable segment are the results relating to the U.K., Australia, and Europe operations. Results by geographic segment during the fourth quarter ended December 31, 2014 were as follows:

- Canadian revenue decreased by 5% to \$7.1 million in the fourth quarter of 2014 (2013 - \$7.5 million) due to lower transaction volumes and associated transaction based revenue between the comparable periods.
- U.S. revenue increased by 7% to \$9.7 million in the fourth quarter of 2014 (2013 - \$9.1 million) due to the favorable foreign exchange rates for the translation of USD to CAD between the comparable periods.
- International revenue increased by 137% to \$1.9 million in the fourth quarter of 2014 (2013 - \$0.8 million due to organic growth.
- Adjusted EBITDA in Canada decreased to \$2.4 million in the fourth quarter of 2014 (2013 - \$2.5 million). Net earnings in Canada decreased to \$1.7 million in the fourth quarter of 2014 (2013 - \$4.9 million). Adjusted net earnings decreased to \$1.7 million in the fourth quarter of 2014 (2013 - \$2.0 million).

- Adjusted EBITDA in the U.S. decreased to \$2.1 million in the fourth quarter of 2014 (2013 - \$2.5 million). Net earnings in the U.S. increased to \$0.8 million in the fourth quarter of 2014 (2013 - loss of \$1.4 million). Adjusted net earnings increased to \$0.8 million in the fourth quarter of 2014 (2013 - \$0.9 million).
- Adjusted EBITDA in International operations decreased to a loss of \$1.6 million in the fourth quarter of 2014 (2013 – loss of \$1.1 million). Net earnings and Adjusted net earnings in International operations decreased to a loss of \$1.4 million (2013 – loss of \$1.0 million).

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

Cash on hand as at December 31, 2014 was \$51.0 million (December 31, 2013: \$24.5 million). The Company also had \$6.6 million (2013 - \$21.8 million) of short term investments in the form of bearer deposit notes, which are highly liquid bank-issued instruments, and term deposits. Working capital as at December 31, 2014 was \$54.3 million (December 31, 2013: \$41.9 million).

Cash Flows

During the year ended 2014, the Company had an overall net cash inflow of \$26.6 million (2013: \$9.8 million) mainly as a result of cash flow from operations and the maturing of bearer deposit notes during the year.

Funds from operations were \$22.9 million for the year ended December 31, 2014 (2013: \$19.7 million), while total cash inflow from operations inclusive of working capital changes was \$14.8 million for the year ended December 31, 2014 (2013: \$11.8 million).

Cash inflow from financing activities was \$0.6 million in 2014 (2013: \$22.9 million). In 2013, a bought deal financing took place in November 2013 which raised \$21.5 million in net proceeds.

Cash inflow from investing activities was \$10.8 million in 2014 (2013: outflow \$25.2 million) mainly as a result of the maturity of short term bearer deposit notes of \$15.5 million (2013 – investment \$21.8 million), which offset cash outflow from acquisitions and the purchase of capital assets.

Liquidity

The Company believes it will generate enough cash and working capital from operations to fund ongoing operations and growth strategies.

Contractual Obligations

(in thousands of Canadian dollars)

	Payments Due by Fiscal Period					
	Total	2015	2016	2017	2018	2019 and thereafter
Operating leases	7,478	2,194	2,027	1,683	752	822

Capital Expenditures

Capital expenditures of \$1.4 million in 2014 (2013: \$1.2 million) were comprised of computer hardware, computer software, office furniture, and leasehold improvements.

It is expected that ongoing capital expenditures will be financed from funds generated by operating activities.

Capital Resources

As at December 31, 2014, the Company had a demand operating credit facility of \$2.5 million available through a Canadian bank. Subsequent to December 31, 2014, the credit facility was cancelled by the Company. Current economic conditions have not caused a change in the Company's objectives, policies or procedures for managing capital.

The Company is required to maintain certain levels of capital for regulatory purposes.

Share Capital

As at December 31, 2014, the Company had 47.8 million outstanding common shares.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from financial forecasts and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Business combinations

The Company accounts for business combinations using the acquisition method, under which it allocates the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired to goodwill. One of the most significant estimates relates to the determination of the fair value of the assets and liabilities acquired. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, purchase price allocations are derived from a formal valuation, which, where appropriate, is performed by an independent third party valuation expert. Fair values are determined using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows and are closely linked to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Any goodwill or intangible assets with indefinite useful lives acquired in business combinations are not amortized to income over their useful lives but are assessed annually for any potential impairment in value.

All other intangible assets are amortized to operations over their estimated useful lives. The Company's intangible assets relate to acquired technology, brand, customer relationships and non-compete agreements. The Company also reviews 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 from its use and eventual disposition. In assessing the recoverability of these intangible assets, the Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges for these assets.

CHANGES IN ACCOUNTING POLICIES

The following accounting standards of the International Accounting Standards Board ("IASB") were adopted on January 1, 2014:

- i. An amendment to IAS 32 'Financial instruments: Presentation – offsetting financial instruments' was issued by the IASB in December, for retrospective application in annual periods beginning on or after January 1, 2014. The standard amends IAS 32 to provide clarifications on the application of the offsetting rules.
- ii. An amendment to IAS 36 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets' was issued by the IASB, effective January 1, 2014. The purpose of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to

disclose the discount rate used in determining impairment or reversals when the recoverable amount, based on fair value less costs to sell, is determined using a present value technique.

- iii. An amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting' was issued by the IASB, effective January 1, 2014. The standard provides that there is no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
- iv. IFRIC 21 'Levies' was issued by the IASB in May 2013, effective January 1, 2014. The standard clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. A liability should not be recognized before the specified minimum threshold to trigger that levy is reached.

The Company conducted a review of all the above standards and determined that the adoption of these standards did not result in any change to the Company's consolidated financial statements.

FUTURE ADOPTION OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

- i) IFRS 9 'Financial instruments' was issued by the IASB in July 2014 for application beginning on or after January 1, 2018.
- ii) IFRS 15 'Revenue from contracts with customers' was issued by the IASB in May 2014 for application beginning on or after January 1, 2017.

The Company is in the process of assessing the impact of the adoption of these standards and interpretation on the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS

Exposure to counterparty credit risk, interest rate risk and foreign currency risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

The Company has credit risk as a result of its trade accounts receivable. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. As such, the Company does not anticipate any significant credit losses.

The Company has foreign exchange risk because it is exposed to foreign currency fluctuations due to its U.S. and International operations..

The Company currently has no interest rate risk as the Company has no long-term debt outstanding.

DISCLOSURE CONTROLS

The Company has a Corporate Disclosure Policy in place to ensure that communications with the public about the Company are timely, factual and accurate; disseminated in accordance with all applicable legal and regulatory requirements; and that all material information in respect of the Company is communicated to the Chief Executive Officer and the Executive Vice President (EVP), Finance, and where appropriate, the Board of Directors and/or committees thereof. The Company's Chief Executive Officer and EVP, Finance have evaluated the Company's disclosure controls and procedures as at December 31, 2014 and have concluded that the Company's disclosure controls and procedures at December 31, 2014 are effective to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's

management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Chief Executive Officer and EVP, Finance believe that the disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and EVP, Finance of Solium are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that, as of December 31, 2014, the Company's internal control over financial reporting was effective based on the criteria established in the Internal Control – Integrated Framework. Also, management determined that there were no material weaknesses in Solium's internal control over financial reporting as of December 31, 2014.

SUBSEQUENT EVENTS

In connection with the acquisition of Solium GSP the Company released one half of the shares that were held in escrow on January 10, 2015.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at the date of this MD&A, March 17, 2015, there were 48.0 million common shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under a stock option plan. As at the date of this MD&A, March 17, 2015, there were options outstanding to purchase 3,898,990 common shares.

Employees and officers have been granted rights to receive common shares under a share award incentive plan. As at the date of this MD&A, March 17, 2015, there were 490,269 restricted share units outstanding.

OUTLOOK

Solium will continue to invest significantly in Shareworks, the first and only equity administration platform with end-to-end global capabilities on a single platform, and, as a result of strong global client and revenue growth, will continue to build out the Company's International operations. This investment in product and organizational capacity is in response to very positive business opportunities across various regions.

RISK ASSESSMENT

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware.

Operational Service Risk

The Company's end-to-end services often involve the day-to-day administration of detailed aspects of a client's equity-based incentive plan. If the Company fails to or makes an error in updating or processing client data as per the instructions from a client or participant, a financial loss could occur that may be the responsibility of the Company. Such losses could adversely affect the Company's operating results. The Company currently carries professional liability errors & omissions insurance of \$10 million to cover the risk of significant loss due to errors made by its employees or technology systems that result in third-party claims against the Company.

Operational Trading Risk

The Company's end-to-end services often involve the execution of an equity trade in the stock market through one of the Company's brokerage partners. If the Company fails to send instructions to the brokerage partner to conduct a trade on behalf of a client or participant, forwards incorrect trade instructions to the brokerage partner, or fails to send a trade instruction to the brokerage partner in a timely manner, the market value of a trade could fluctuate adversely and result in a financial loss that may be the responsibility of the Company. Such losses could adversely affect the Company's operating results. The Company currently carries professional liability errors & omissions insurance of \$10 million to cover the risk of significant loss due to errors made by its employees or technology systems that result in third-party claims against the Company.

Economic conditions

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions and financial market conditions. In such cases, customers may reduce their purchases of new outsourced services and plan participant trading activity may be reduced. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the Company's bad debt expense or the level of client renewals. During an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected.

Dependence on Market Growth

There can be no assurance that the market for the Company's existing solutions will continue to grow, that customers will continue to adopt the Company's solutions or that the Company will be successful in establishing markets for its new products. If the various markets in which the Company's products are offered fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's business, operating results and financial condition could be materially adversely affected.

Dependence on Partners

The Company has engaged certain partners as part of the delivery of its solutions. The Company also relies on certain partners to distribute its applications to their own clients. Further, the Company provides reporting technology tools to certain partners to be incorporated in their offerings to their own clients. Although Solium believes that it has a good relationship with its partners, the termination of these relationships for any reason whatsoever could have a short-term adverse effect on the Company's business, and results of operation.

Regulatory Environment

Certain aspects of the Company's business are conducted within highly regulated industries. Any changes in regulations could have an adverse effect on the Company's business, results of operation and financial condition.

Dependence on Key Personnel

The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact on the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. The departure of any of the members of the Company's executive team and directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to Manage Growth Successfully

The Company's business has grown rapidly in the last several years. The accelerated growth of the Company's revenue places a strain on managerial and financial resources. The Company's recent expansion has resulted in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- build and train staff to create an expanding presence in the evolving marketplace for Solium's solutions, and to keep staff informed regarding the technical features, issues and key selling points of Solium's solutions;
- attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments; and
- expand Solium's internal management to maintain control over operations and provide support to other functional areas within Solium.

Solium's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results.

Competition

The market for the administration of alternative stock compensation arrangements for public companies and their employees is highly competitive. The Company has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, more technical services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Furthermore, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operation and financial condition.

Risk Associated with a Change in the Company's Pricing Model

The competitive market in which the Company conducts business may require Solium to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction of gross margins and could adversely affect the Company's operating results.

Failure to Continue to Adapt to Technological Change and New Product Development

Solium believes that the future success of the Company depends upon its ability to enhance current products or develop and introduce new products. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain technically competent research and development staff and to adapt to technological changes and advances in the industry. There can be no assurance that the Company will be successful in these efforts.

Lengthy Sales and Implementation Cycle

The Company's sales cycle, beginning with an interested customer and culminating in entering into a commercial agreement with the customer, typically ranges from one to twelve months and may be significantly longer. The implementation cycle typically ranges from one to twelve months and may be significantly longer.

Intellectual Property Risks

In part, the Company's operations and value lies in its ownership and use of intellectual property. As such, its failure to protect its intellectual property may negatively affect its operations and value. Solium regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy Solium's programs or aspects of its trade secrets. Solium has no patents, and existing legal and technical precautions afford only limited practical protection. Solium could incur substantial costs in protecting and enforcing its intellectual property rights.

Although Solium is not aware that any of its products infringe the proprietary rights of third parties, there can be no assurance that third parties will not assert patent, trademark, copyright and other intellectual property rights to technologies that are important to Solium. In such event, Solium may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that Solium pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such license is required, that it will be available on terms acceptable to Solium.

Risk of Defects in the Company's Solution

Software products as complex as those offered by the Company may contain errors or defects, especially when first introduced or when new versions or updates are released. The Company regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial deployment. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition. The Company currently carries technology errors & omissions insurance of \$10 million to cover the risk of significant loss due to errors made by its technology systems that result in third-party claims against the Company.

Cyber Risks

As a software-as-a-service provider, Solium faces cyber risks such as data breaches, unauthorized access and denial of service attacks as well as associated financial, reputational and business interruption risks. Because the Company's technology and services involve the storage and transmission of clients' proprietary information, unauthorized access or security breaches as a result of third-party action, employee error, malfeasance or otherwise could result in the loss of information, litigation, indemnity obligations and other significant liabilities. The unauthorized release of confidential or personal information could also result in

regulatory penalties. In addition, Solium's reputation could be damaged, its applications could be perceived as not being secure and clients could reduce the use of, or stop using, Solium's services. These risks continue to be actively managed by the Company through enterprise-wide technology and information security programs, with the goal of maintaining overall cyber resilience that prevents, detects and responds to such threats. Despite its commitment to cyber security, however, Solium may not be able to fully mitigate all such risk because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target. The Company currently carries technology errors & omissions insurance of \$10 million and cyber liability insurance of \$2 million to cover the risk of significant loss due to errors made by its technology systems that result in third-party claims against the Company.

Privacy Concerns and Legislation

Solium's technology enables companies to manage equity plans that may involve the collection and use of personal information regarding their employees. The importance of protecting the confidential information held on the Solium platform and the associated regulatory requirements are increasing across the various jurisdictions in which Solium operates, its clients operate and where the clients' associated employee participants reside. Federal, provincial, state and foreign government bodies and agencies have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals. These domestic and international legislative and regulatory initiatives may adversely affect the ability of Solium's clients to process, handle, store, use and transmit demographic and personal information relating to their employees, which could reduce demand for the Company's applications.

Solium

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

Management's Report

The accompanying consolidated financial statements of Solium Capital Inc. are the responsibility of the Company's management. These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, reflects management's best estimates based on available information. Financial information contained in documents such as the annual report is reviewed to ensure consistency with the financial statements.

The Company maintains appropriate internal control systems designed to ensure that assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") ensures that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with the external auditors, with and without the Company's management, to ensure that management responsibilities are discharged and to review the financial statements before they are presented to the Board for approval. The Board has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

The Company's external auditors, Deloitte LLP, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Deloitte LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings. Their auditor's report is presented with the consolidated financial statements.



Chief Executive Officer



Executive Vice President, Finance & Administration

March 17, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Solium Capital Inc.

We have audited the accompanying consolidated financial statements of Solium Capital Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income, changes in equity and of cash flows for the years then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of Solium Capital Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

March 17, 2015

Calgary, Alberta

SOLIUM CAPITAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	As at December 31,	
		2014	2013
		\$	\$
ASSETS			
Current assets			
Cash	21	51,048	24,486
Short term investments	21	6,618	21,861
Trade and other receivables	21	13,178	13,047
Current portion of prepaid expenses		2,093	1,439
		<u>72,937</u>	<u>60,833</u>
Non-current assets			
Property and equipment	7	2,485	2,341
Intangible assets	6, 8	15,684	15,893
Goodwill	6, 9	27,403	22,068
Deferred tax asset	11	2,534	2,005
Non-current portion of prepaid expenses		396	-
		<u>48,502</u>	<u>42,307</u>
Total Assets		<u>121,439</u>	<u>103,140</u>
LIABILITIES			
Current liabilities			
Trade payables and other accruals	21	6,903	7,978
Current portion of deferred revenue		11,490	10,590
Current portion of deferred tenant inducements		266	385
		<u>18,659</u>	<u>18,953</u>
Non-current liabilities			
Holdback and earn-out payable	6	522	-
Deferred revenue		1,280	1,618
Deferred tenant inducements		672	541
Deferred tax liability	6, 11	312	-
		<u>2,786</u>	<u>2,159</u>
SHAREHOLDERS' EQUITY			
Share capital	13	57,820	54,104
Contributed surplus		6,021	4,441
Retained earnings		30,396	20,765
Reserves		5,757	2,718
		<u>99,994</u>	<u>82,028</u>
Total Liabilities and Shareholders' Equity		<u>121,439</u>	<u>103,140</u>

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Board on March 16, 2015 and were signed on its behalf.

Director (signed) "Tom Muir"

Director (signed) "Colleen Moorehead"

SOLIUM CAPITAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Statements of Comprehensive Income
(Expressed in thousands of Canadian dollars except per share amounts)

	Notes	Years ended December 31,	
		2014	2013
		\$	\$
OPERATIONS			
Revenue		79,146	68,079
Operating expenses	15	64,398	56,082
Earnings from operations		14,748	11,997
Finance income (expense)	16	655	(353)
Foreign exchange gain		473	628
Gain on extinguishment of liability	10	-	2,948
Intangible assets charge	8	-	(3,752)
Earnings before income taxes		15,876	11,468
Income taxes	11	(6,245)	(2,765)
Net earnings		9,631	8,703
Other comprehensive income			
Exchange gain on translating foreign operations		3,039	2,417
Total comprehensive income for the year		12,670	11,120
Net earnings per share			
Basic	17	0.203	0.202
Diluted	17	0.193	0.191

The accompanying notes are an integral part of these consolidated financial statements.

SOLIUM CAPITAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(Expressed in thousands of Canadian dollars)

	Share capital \$	Contributed surplus \$	Retained earnings \$	Foreign currency translation reserve \$	Other reserves \$	Total equity \$
As at January 1, 2013	28,371	3,403	12,236	300	160	44,470
Net earnings	-	-	8,703	-	-	8,703
Foreign currency translation differences for foreign operations, net of tax	-	-	-	2,418	-	2,418
Share based payment expense	-	2,143	-	-	-	2,143
Share unit releases	616	(656)	-	-	-	(40)
Stock options exercised	999	(449)	(174)	-	-	376
Issue of shares on conversion of convertible notes	2,275	-	-	-	(214)	2,061
Issue of common shares on bought deal financing (Note 13)	23,000	-	-	-	-	23,000
Transaction costs, net of tax (Note 13)	(1,157)	-	-	-	-	(1,157)
Deferred tax (Note 11)	-	-	-	-	54	54
As at December 31, 2013	54,104	4,441	20,765	2,718	-	82,028
Net earnings	-	-	9,631	-	-	9,631
Foreign currency translation differences for foreign operations, net of tax	-	-	-	3,039	-	3,039
Share based payment expense, net of tax	-	2,488	-	-	-	2,488
Share unit releases, net of tax	781	(408)	-	-	-	373
Stock options exercised, net of tax	1,347	(500)	-	-	-	847
Issue of shares on acquisition (Note 6)	575	-	-	-	-	575
Issue of shares on key employee retention (Note 6)	752	-	-	-	-	752
Issue of common shares on holdback payment (Note 13)	288	-	-	-	-	288
Transaction costs, net of tax (Note 13)	(27)	-	-	-	-	(27)
As at December 31, 2014	57,820	6,021	30,396	5,757	-	99,994

The accompanying notes are an integral part of these consolidated financial statements.

SOLIUM CAPITAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	For the years ended December 31,	
		2014	2013
		\$	\$
Cash flows related to the following activities:			
Operating activities			
Net earnings		9,631	8,703
Adjustments for items not involving cash:			
Finance (income) expense	16	(322)	353
Income taxes	11	6,245	2,765
Depreciation of property and equipment	7, 15	1,339	1,137
Amortization of intangible assets	8, 15	3,131	3,700
Share-based compensation expense	14	2,488	2,143
Amortization of tenant inducement		(15)	75
Amortization of prepaid remuneration	6	374	-
Gain on extinguishment of liability	10	-	(2,948)
Intangible assets charge	8	-	3,752
Loss on conversion of convertible notes		-	44
Funds from operations		22,871	19,724
Changes in non-cash working capital		(1,364)	(5,379)
Tenant inducements received		-	88
Income taxes paid		(6,703)	(2,595)
Cash flow from operations		14,804	11,838
Financing activities			
Issuance of common shares for cash, net of share issue costs	13	628	22,732
Changes in non-cash working capital		-	145
Cash flow from financing activities		628	22,877
Investing activities			
Short-term investments		15,552	(21,837)
Payments for property, equipment and intangible assets, net of changes in non-cash working capital		(1,395)	(1,231)
Net cash outflow on business combinations	6	(3,298)	(408)
Payment of cash holdback related to acquisition		(68)	-
Changes in non-cash working capital		-	(1,732)
Cash flow from investing activities		10,791	(25,208)
Effect of foreign exchange on cash held in foreign currency		339	260
Increase in cash		26,562	9,767
Cash, beginning of year		24,486	14,719
Cash, end of year		51,048	24,486

The accompanying notes are an integral part of these consolidated financial statements.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

1 General information

Solium Capital Inc. (“Solium” or the “Company”) was incorporated in October of 1999 under the laws of the Province of Alberta. Solium Capital Inc. (TSX: SUM) provides cloud-enabled services for global equity administration, financial reporting and compliance. From operation centers in the United States, Canada, the United Kingdom, Australia, and Europe, the Company’s software-as-a-service (SaaS) technology powers share plan administration and equity transactions for more than 3,000 corporate clients with employee participants in more than 100 countries. Solium’s technology platforms, Shareworks and Transcensive, are leading online solutions that integrate the management of multiple equity plan types including stock options, share units, share appreciation rights, restricted stock awards, and employee share purchase plans. The Company generates revenue predominantly from recurring license and subscription fees, and from transaction based fees. The address of the registered office is 1500, 800 – 6th Avenue SW, Calgary, Alberta, T2P 3G3.

2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement

These consolidated financial statements are stated in Canadian dollars, unless otherwise stated, and were prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4 of the consolidated financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Company’s functional currency. The functional currency of the Company’s United States (“U.S”) subsidiaries is the U.S. dollar (“USD”), and of the Company’s United Kingdom (“U.K”) subsidiary is the British Pound Sterling (“GBP”), and of the Company’s Australian subsidiary is the Australian dollar (“AUD”), and of the Company’s European subsidiaries is the Euro (“EUR”). Translation gains and losses resulting from the consolidation of foreign operations in the U.S, U.K, Australia, and Europe, are recognized in other comprehensive income in the statement of comprehensive income, and in foreign currency translation reserve as a separate component of shareholders’ equity on the consolidated statement of changes in equity.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Solium. Control is achieved where the entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Company.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

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

Business combinations

Acquisitions that meet the definition of a business are accounted for using the acquisition method. The consideration transferred at transaction close date for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as a measurement period adjustment depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss recognized in net earnings or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

B) Revenue recognition

Fees for the Company's services are recognized as they are earned on a monthly basis, other than corporate implementation fees which are deferred and recognized monthly over the life of the applicable client contract or a period of 36 months if the contract has no finite life.

C) Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Computer equipment	3 years
Computer software	1 year
Furniture and office equipment	5 years
Leasehold improvements	Term of the lease

The expected useful lives of other assets are reviewed annually to ensure that they remain appropriate. Changes in useful lives are accounted for prospectively as a change in estimate.

D) Intangible assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Intangible assets acquired separately

Intangible assets represent customer contracts, brands, intellectual property, and non-compete agreements. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

Amortization is recognized on a straight-line basis over the estimated useful lives of the assets. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

A summary of the estimated useful lives of the Company's intangible assets resulting from acquisitions are as follows:

Brand	1 - 10 years
Customer contracts	10 years
Intellectual property	1 - 5 years
Non-compete agreements	1 - 3 years

Internally-generated intangible assets - research and development expenditure

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria under IFRS, in which case they are deferred and depreciated on a systematic basis, when possible, to the sale or use of the product or process.

Investment tax credits are recognized using the cost reduction method when there is a reasonable assurance of realizability.

E) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net earnings or loss.

F) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in the consolidated statement of comprehensive income net of the reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of comprehensive income.

G) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither taxable profit nor accounting profit.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

H) Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise of cash, short term investments, and trade and other receivables. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include trade payables and other accruals.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

I) Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in net earnings or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in net earnings or loss.

J) Foreign currency translation

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income.

Assets and liabilities of foreign operations with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

exchange for the period. The resulting translation adjustments are included in foreign currency translation reserve in shareholders' equity.

Foreign exchange gains and losses related to intercompany loans forming part of a reporting entity's net investment in a foreign operation are included in foreign currency translation reserve. When a gain or loss on a non-monetary item is recognized in foreign currency translation reserve, any exchange component of that gain or loss is recognized in other comprehensive income. All other foreign exchange gains and losses are recognized in the consolidated statement of comprehensive income.

K) Share-based compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. Each tranche in an award is considered a separate grant with its own vesting period and grant date fair value. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. The impact of the revision of the original estimates, if any, is recognized in net earnings or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received at the date the entity obtains the goods or the counterparty renders the service.

L) Earnings per share ("EPS")

Basic EPS is calculated by dividing net earnings (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares outstanding at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options, convertible notes payable, and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS.

M) Adoption of new accounting pronouncements

The following accounting standards of the International Accounting Standards Board ("IASB") were adopted on January 1, 2014:

- i. An amendment to IAS 32 'Financial instruments: Presentation – offsetting financial instruments' was issued by the IASB in December, for retrospective application in annual periods beginning on or after January 1, 2014. The standard amends IAS 32 to provide clarifications on the application of the offsetting rules.
- ii. An amendment to IAS 36 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets' was issued by the IASB, effective January 1, 2014. The purpose of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals when the recoverable amount, based on fair value less costs to sell, is determined using a present value technique.
- iii. An amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting' was issued by the IASB, effective January 1, 2014. The standard provides that there is no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

- iv. IFRIC 21 'Levies' was issued by the IASB in May 2013, effective January 1, 2014. The standard clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. A liability should not be recognized before the specified minimum threshold to trigger that levy is reached.

The Company conducted a review of all the above standards and determined that the adoption of these standards did not result in any change to the Company's consolidated financial statements.

4 Significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Business combinations

The Company accounts for business combinations using the acquisition method, under which it allocates the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired to goodwill. One of the most significant estimates relates to the determination of the fair value of the assets and liabilities acquired. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, purchase price allocations are derived from a formal valuation, which, where appropriate, is performed by an independent third party valuation expert. Fair values are determined using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows and are closely linked to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Any goodwill or intangible assets with indefinite useful lives acquired in business combinations are not amortized to income over their useful lives but are assessed annually for any potential impairment in value.

All other intangible assets are amortized to operations over their estimated useful lives. The Company's intangible assets relate to acquired technology, brand, customer relationships and non-compete agreements. The Company also reviews 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 from its use and eventual disposition. In assessing the recoverability of these intangible assets, the Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges for these assets.

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from financial forecasts and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates substantively enacted at the reporting date.

Deferred tax is recognized using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not recognized if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting net earnings nor taxable income. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference 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.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Determination of functional currency

The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. Solium uses judgment in the ultimate determination of each subsidiary's functional currency based on factors in IAS 21 'The Effects of Changes in Foreign Exchange Rates'. The functional currency of the Canadian and US operations were determined to be the Canadian and US dollars, respectively. The functional currency of other operations is determined to be their local currencies.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

5 Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are not yet effective for the year ended December 31, 2014 and have not been applied in preparing these consolidated financial statements.

As at the date of authorization of these consolidated financial statements, the following standards and interpretations relevant to the Company’s operations were issued by IASB but are not yet mandatory:

- i. IFRS 9 ‘Financial instruments’ was issued by the IASB in July 2014 for application beginning on or after January 1, 2018.
- ii. IFRS 15 ‘Revenue from contracts with customers’ was issued by the IASB in May 2014 for application beginning on or after January 1, 2017.

The Company is in the process of assessing the impact of the adoption of these standards and interpretations on the Company’s consolidated financial statements.

6 Business combinations

A) Businesses acquired

2014

Business name	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred \$
GlobalSharePlans	January 10, 2014	100	3,837
Executive Trading Solutions’ Assets	July 31, 2014	N/A	1,090
			<u>4,927</u>

GlobalSharePlans (rebranded Solium GSP) provides regulatory information and tax rates and rules for companies with global equity incentive plans. Solium GSP assists clients in the administration of international equity plans across multiple tax jurisdictions, including their compliance with local laws and regulations. The acquisition allows the Company to provide a valuable functional complement to Solium’s Shareworks platform by enhancing the Company’s global taxation and compliance services.

The assets of Executive Trading Solutions (ETS) consists of a suite of services and tools for the creation, tracking, administration and executive reporting related to 10b5-1 trading plans, restricted stock clearance, and other related services. The acquisition allows the Company to expand its current services provided by the Solium Shareworks platform.

2013

Business name	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred \$
RSSOne Assets	May 1, 2013	N / A	<u>505</u>

RSSOne consists of a suite of services for public companies for Rule 10b5-1 and Rule 144 insider trading compliance management in the U.S. and the technology to provide such services. The acquired business allows the Company to continue to expand its services in the equity administration of public companies in the U.S.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

B) Consideration transferred

2014

Solium GSP

	Solium GSP
	\$
Cash	3,097
Cash payable - working capital adjustment	165
Common shares	575
Total	3,837

As part of the purchase and sale agreement, 176,493 common shares valued at \$7.52 per share were issued. 76,480 of these common shares were included as part of the purchase price calculation shown above. The remaining 100,013 common shares were issued and are being held in escrow in order to retain the employment of a key Solium GSP employee, and therefore were not included in the consideration shown above. The issuance of these common shares has been recorded as a prepaid expense in the consolidated statement of financial position and will be recognized into compensation expense over a two year period. If the employment of the key employee is terminated within the next two years from the date of acquisition, the common shares will be returned to the Company and cancelled. Subsequent to December 31, 2014, one half of the shares being held in escrow were released.

Also in connection with the acquisition of the business, and included in the consideration shown above, the Company paid cash consideration of \$885 contingent on maintaining a certain threshold for revenue during the 12 calendar months subsequent to the acquisition date. If the threshold is not met, a portion of the consideration will be due back to the Company from the sellers. Management is confident that the threshold will be met and therefore the full contingent consideration has been included in the purchase price calculation shown above.

Executive Trading Solutions

	Executive Trading Solutions
	\$
Cash	600
Holdback payable	218
Earn-out payable	272
Total	1,090

Both the holdback payable of \$218 (U.S. \$200) and the earn-out payable of \$272 (U.S. \$250) are due on April 30, 2016 (the "Holdback Release Date"). The amount payable is contingent upon the amount of revenue incurred from the customer contract acquired as part of the acquisition as well as the revenue incurred from certain customer contracts that are signed between the closing date of the acquisition and the subsequent 18 months. Management is confident as to what the amount of revenue incurred will be and therefore has included the contingent consideration amount in the purchase price calculation shown above.

2013

	RSSOne
	\$
Cash	505

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

C) Fair Value of identifiable assets acquired

2014

	GlobalSharePlans \$	Executive Trading Solutions \$
Cash	404	-
Net working capital, excluding cash	(239)	-
Other long-term assets	44	-
Deferred tax liability	(421)	-
Intangible assets:		
Customer contracts	605	-
Brand and intellectual property	1,020	27
Non-compete agreement	59	9
Total identifiable net assets	1,472	36

2013

	RSSOne \$
Cash	97
Intangible assets:	
Customer contracts	258
Brand and proprietary technology	22
Deferred revenue	(97)
Total identifiable net assets	280

D) Goodwill arising on acquisition

2014

	GlobalSharePlans \$	Executive Trading Solutions \$
Consideration transferred (see 6B above)	3,837	1,090
Fair value of identifiable net assets acquired (see 6C above)	(1,472)	(36)
Goodwill arising on acquisition	2,365	1,054

The \$2,365 of goodwill recognized upon the acquisition of Solium GSP is not deductible for income tax purposes. The goodwill recognized upon the acquisition of Solium GSP is included in the International reportable segment whereas the goodwill recognized upon the acquisition of ETS is included in the U.S reportable segment (see Note 22).

2013

	RSSOne \$
Consideration transferred (see 6B above)	505
Fair value of identifiable net assets acquired (see 6C above)	(280)
Goodwill arising on acquisition	225

The entire \$225 of goodwill is included in the U.S. reporting segment (see Note 22).

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Goodwill arose on the above acquisitions because the consideration paid for the businesses effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development, and the assembled workforce of the businesses. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

E) Impact of acquisitions on the results of the Company

2014

For the year ended December 31, 2014, the Company recorded revenue from the acquisition of Solium GSP of \$1,352 and a loss before income taxes of \$642. Had the acquisition occurred on January 1, 2014, the Company estimates that the additional results for the pre-acquisition period would not have had a significant impact to the earnings as reported for the year ended December 31, 2014 given that the Solium GSP acquisition closed on January 10, 2014.

These consolidated financial statements incorporate the results of operations of ETS from July 31, 2014. Since the date of acquisition, the Company has integrated the operations of ETS into the Company's operations. As such, results from the acquired business have been folded into the Company's operations and it is impracticable to separately disclose the revenue and net earnings of the acquired business for the year ended December 31, 2014. Had the acquisition occurred on January 1, 2014, the Company estimates that the additional results for the pre-acquisition period would not have had a significant impact to the earnings as reported for the year ended December 31, 2014 given that ETS had minimal operational activity during the pre-acquisition period.

2013

These consolidated financial statements incorporate the results of operations of the acquired RSSOne business from May 1, 2013. Since the date of acquisition of the RSSOne business, the Company has integrated the operations of RSSOne into the Company's operations. As such, results from the acquired business have been folded into the Company's operations and it is impracticable to separately disclose the revenue and net earnings of the acquired business for the period ended December 31, 2013.

It is impracticable for the Company to report the revenue and net earnings of the acquired RSSOne business as if it had been effected at January 1, 2013 as the acquired business did not have standalone financial statements within the seller and such information for the period ended December 31, 2013 is not accessible to the Company.

SOLIUM CAPITAL INC.**Notes to the Consolidated Financial Statements***(Expressed in thousands of Canadian dollars, except as otherwise noted)***7 Property and equipment**

	Computer equipment	Computer software	Furniture and office equipment	Leaseholds	Total
	\$	\$	\$	\$	\$
Cost					
At January 1, 2013	3,102	715	983	1,640	6,440
Additions	624	112	312	162	1,210
Effect of foreign currency exchange differences	161	7	58	28	254
At December 31, 2013	3,887	834	1,353	1,830	7,904
Additions	577	110	197	529	1,413
Acquisitions through business combinations	9	-	23	3	35
Effect of foreign currency exchange differences	69	13	38	25	145
At December 31, 2014	4,542	957	1,611	2,387	9,497
Accumulated Depreciation					
At January 1, 2013	2,119	674	718	727	4,238
Depreciation Expense	653	128	128	228	1,137
Effect of foreign currency exchange differences	134	5	39	10	188
At December 31, 2013	2,906	807	885	965	5,563
Depreciation expense	721	72	185	361	1,339
Effect of foreign currency exchange differences	57	12	24	17	110
At December 31, 2014	3,684	891	1,094	1,343	7,012
Net book value					
December 31, 2013	981	27	468	865	2,341
December 31, 2014	858	66	517	1,044	2,485

SOLIUM CAPITAL INC.**Notes to the Consolidated Financial Statements***(Expressed in thousands of Canadian dollars, except as otherwise noted)***8 Intangible assets**

	Customer contracts	Intellectual property	Brand	Non-compete Agreement	Total
	\$	\$	\$	\$	\$
Cost					
At January 1, 2013	16,538	3,535	1,736	318	22,127
Additions	-	53	-	-	53
Acquisitions through business combinations	258	16	6	-	280
Impairment losses recognised in net earnings (Note 9)	(4,166)	(2,448)	(783)	-	(7,397)
Foreign exchange differences	1,105	216	158	22	1,501
At December 31, 2013	13,735	1,372	1,117	340	16,564
Additions	-	3	-	-	3
Acquisitions through business combinations (Note 6)	605	1,020	27	68	1,720
Foreign exchange differences	1,143	69	104	459	1,774
At December 31, 2014	15,482	2,464	1,248	867	20,061
Accumulated Amortization					
At January 1, 2013	362	50	50	6	468
Amortization expense	1,960	1,205	370	165	3,700
Impairment losses recognised in net earnings (Note 9)	(2,150)	(1,287)	(208)	-	(3,645)
Foreign exchange differences	75	43	24	6	148
At December 31, 2013	247	11	236	177	671
Amortization expense	1,846	948	146	191	3,131
Foreign exchange differences	71	21	28	455	575
At December 31, 2014	2,164	980	410	823	4,377
Net book value					
December 31, 2013	13,488	1,361	881	163	15,893
December 31, 2014	13,318	1,484	838	44	15,684

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

9 Goodwill

	December 31, 2014	December 31, 2013
	\$	\$
Balance, beginning of year	22,068	20,452
Addition arising from business combinations (Note 6)	3,419	224
Effect of foreign currency exchange differences	1,916	1,392
Balance, end of year	27,403	22,068

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	December 31, 2014	December 31, 2013
	\$	\$
Canada	249	249
United States	24,918	21,819
Spain	2,236	-
	27,403	22,068

The recoverable amounts of the CGUs' assets have been determined based on a value in use calculation. There is a degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows, including economic risk assumptions and estimates of achieving key operating metrics and efficiencies; and the future weighted average cost of capital. The Company considers reasonably possible amounts to use for key assumptions and decides upon amounts based on past experience that represent management's best estimates of the future. In the normal course, changes are made to key assumptions to reflect current (at the time of test) economic conditions, and updating of historical information used to develop the key assumptions.

The Company performed its annual test for goodwill impairment at December 31, 2014, in accordance with its policy described in Note 3 and determined that goodwill was not impaired. The recoverable amount was determined using a discounted cash flow model. Significant key assumptions included estimated cash flows covering a five-year period, a discount rate of 14.2% for the U.S. (2013 – 12.9%), and 11.3% for the Canadian and Spain CGUs respectively (2013 – 11.1% Canadian), and terminal growth rate in line with historical inflation of 2%.

In November 2013, the Company determined that the threshold relating to the revenue generated by Solium from the clients acquired from Computershare Limited ("Computershare") pursuant to the Asset Purchase Agreement dated August 16, 2010 (the "APA") had not been reached (see Note 10). As a result, the Company reviewed the carrying value of its U.S. assets in light of lower revenues from the former Computershare assets and recorded a charge to intangible assets of \$3,752 for the year ended December 31, 2013. The charges did not affect the Company's operations, its liquidity, or its bank credit agreements.

The Company believes that any reasonably possible change in the key assumptions on which its CGUs' recoverable amounts are based would not cause the CGUs' carrying amounts to exceed their recoverable amounts. If the future were to adversely differ from management's best estimate of key assumptions and associated cash flows were to be materially adversely affected, the Company could potentially experience future impairment charges in respect of its goodwill.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

10 Gain on reversal or extinguishment of amounts due to Computershare

In connection with the acquisition of the Computershare business that closed on November 7, 2010, the Company had an obligation to pay an additional cash consideration of U.S. \$3,000 if the revenue generated by Solium from the clients acquired from Computershare was greater than or equal to a certain threshold during the 12 calendar months preceding the third anniversary of the closing of the acquisition. For the 12 months ended October 31, 2013, the Company determined that the threshold was not met and therefore the carrying value of the contingent obligation was reversed. The reversal of the obligation resulted in a gain of \$2,948 in the fourth quarter of 2013.

11 Income taxes

The major components of income tax expense for the years ended are as follows:

	Years ended December 31,	
	2014	2013
	\$	\$
Current tax expense	6,589	4,226
Deferred tax expense	(344)	(1,461)
Income tax expense reported in the statement of comprehensive income	6,245	2,765

The provision for income taxes reflects an effective tax rate that differs from the combined federal and provincial statutory rates as follows:

	Years ended December 31,	
	2014	2013
	\$	\$
Earnings before income taxes	15,876	11,468
Statutory Canadian federal and provincial income tax rate	25.33%	25.33%
Computed income taxes at statutory rates	4,021	2,905
Increase (decrease) resulting from:		
Non-deductible or (non-taxable) amounts	571	(228)
Unrecognized tax loss benefit	1,130	(122)
Rate adjustments	1,019	279
Other	(496)	(69)
Income tax expense recognized in net earnings	6,245	2,765

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Deferred tax assets (liabilities) are attributable to the following temporary differences:

	Property & equipment and intangible assets	Tax Losses ⁽¹⁾	Deferred revenue and deferred inducement	Exchange differences on foreign operations	Share issue costs	Other	Net deferred tax asset
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2013	(3,278)	2,924	391	(131)	-	167	73
Recognized in net earnings	2,225	(378)	(112)	-	-	(274)	1,461
Recognized in other comprehensive income	-	-	-	24	-	-	24
Recognized directly in equity	-	-	-	-	393	54	447
As at December 31, 2013	(1,053)	2,546	279	(107)	393	(53)	2,005
Recognized in net earnings	311	(437)	23	-	(81)	528	344
Acquisitions (Note 6)	(421)	-	-	-	-	-	(421)
Recognized in other comprehensive income	-	-	-	195	-	-	195
Recognized directly in equity	-	-	-	-	-	99	99
As at December 31, 2014	(1,163)	2,109	302	88	312	574	2,222

(1) Tax losses are predominantly the net operating loss carry forwards acquired as part of the business acquisition of OptionEase in the amount of approximately U.S. \$5,400 (2013 - U.S. \$6,300). These net operating losses expire beginning in 2020 for state taxes and beginning in 2027 for federal taxes.

Unrecognized Deferred Tax Assets

As at December 31, 2014, the Company has net operating losses carried forward of \$7,011 in international jurisdictions.

Deferred tax assets of \$1,600 have not been recognized in respect to these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits in the applicable businesses in the UK, Europe or Australia.

12 Related party disclosure

The consolidated financial statements include the financial statements of Solium and its subsidiaries. Significant subsidiaries are listed in the following table:

Name	Country of incorporation	% equity interest	
		2014	2013
Solium Holdings USA Inc.	United States	100%	100%
Solium Capital LLC	United States	100%	100%
Solium Plan Managers LLC	United States	100%	100%
Solium Transcendentive LLC	United States	100%	100%

Balances and transactions between Solium and its subsidiaries, which are related parties of Solium, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Compensation of key management personnel

The remuneration of outside directors and other members of key management personnel during the year was as follows:

	Years ended December 31,	
	2014	2013
	\$	\$
Short-term compensation	2,580	2,849
Share-based compensation	713	564
	3,293	3,413

Short-term compensation corresponds to the amounts paid during the year. Share-based payments correspond to the amounts recorded as expense.

13 Share capital

The Company has authorized an unlimited number of common shares and an unlimited number of preferred shares.

	Number of Shares	Amount \$
Issued - common shares		
Balance, January 1, 2013	41,908,844	28,371
Issued on exercise of stock options (Note 14)	383,054	999
Issued on vesting of share units (Note 14)	288,603	616
Issued on automatic conversion of convertible notes payable	758,241	2,275
Issued on equity offering	3,565,920	23,000
Share issue costs, net of tax	-	(1,157)
Balance, December 31, 2013	46,904,662	54,104
Issued on exercise of stock options, net of tax (Note 14)	425,107	1,347
Issued on vesting of share units, net of tax (Note 14)	217,644	781
Issued on acquisition of Solium GSP (Note 6)	76,480	575
Issued for Solium GSP key employee retention (Note 6)	100,013	752
Issued on OptionEase holdback payment	95,643	288
Share issue costs, net of tax	-	(27)
Balance, December 31, 2014	47,819,549	57,820

The Company acquired OptionEase Inc. on November 15, 2012. Included in the consideration was a holdback payment of \$383 (U.S. \$382) which was due in 2014 (the "Holdback Release Date") following the resolution of certain indemnification items. The indemnification items were resolved and the holdback payment was paid on February 14, 2014.

On November 26, 2013, the Company issued, pursuant to a public offering, 3,565,920 common shares at a price of \$6.45 per share for gross proceeds of \$23,000. The Company incurred \$1,550 of transaction costs in respect to the equity offering. A deferred tax asset of \$393 was recognized as a result of the transaction costs as such costs are deductible for tax purposes over five years.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

14 Share-based payments

Stock options

The Company has a stock option plan open to Directors, officers, employees, consultants and other key personnel of the Company and its subsidiaries. Under this plan, options granted to Directors, officers, employees and consultants may not exceed 15% of the aggregate number of issued and outstanding common shares of the Company on a non-diluted basis at the time of grant. Options expire in five years from the date of grant. Options granted vest 50% on the second anniversary, and an additional 25% on third and fourth anniversaries from the original grant date.

The Company has used the Black-Scholes option pricing model in order to quantify the compensation expense of an option grant. The following table sets forth the weighted-average assumptions used:

	<u>2014</u>	2013
Weighted-average fair value (per share) of options granted	\$3.33	\$2.58
Expected dividend yield	0%	0%
Expected volatility	53.52%	72.57%
Risk-free interest rate	1.42%	1.41%
Expected life	4 years	4 years

Compensation expense related to stock options totalled \$1,653 for the year ended December 31, 2014 (2013 - \$1,275).

Stock option activity with respect to the Company's stock option plan for the year ended December 31, 2014 is shown below:

	Number of Options	Weighted Average Exercise Price \$
<i>Outstanding Options</i>		
Outstanding, January 1, 2013	3,700,144	
Granted	875,750	5.28
Exercised	(513,972)	1.85
Forfeited	(226,875)	2.20
Outstanding, December 31, 2013	<u>3,835,047</u>	2.50
Granted	807,435	7.91
Exercised	(425,107)	1.53
Forfeited	(186,895)	3.58
Outstanding, December 31, 2014	<u>4,030,480</u>	3.64
Exercisable, December 31, 2014	<u>1,670,343</u>	\$1.69

During the year ended December 31, 2014, the weighted average share price of options exercised at the date of exercise was \$1.53 (2013 - \$1.85).

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

The following table summarizes additional information relating to stock options outstanding and vested as at December 31, 2014:

Exercise prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
\$1.32 to \$1.80	1,450,515	1.21	\$1.60	1,177,816	\$1.58
\$1.81 to \$5.03	1,217,900	2.73	\$2.32	492,527	\$1.95
\$5.04 to \$8.15	1,362,065	4.26	\$6.99	-	-
	<u>4,030,480</u>			<u>1,670,343</u>	

Share Award Incentive Plan

Restricted share unit awards (“RSUs”) activity with respect to the Company’s share award incentive plan for the year ended December 31, 2014 is shown below:

	Number of RSUs
<i>Outstanding RSUs</i>	
Outstanding, January 1, 2013	645,835
Granted	252,495
Vested	(308,103)
Forfeited	(41,071)
Outstanding, December 31, 2013	549,156
Granted	205,716
Vested	(217,644)
Forfeited	(42,884)
Outstanding, December 31, 2014	<u>494,344</u>

During the year ended December 31, 2014, 217,644 common shares were issued in connection with the amount vested (2013 – 288,603), and no common shares were cancelled in lieu of the income tax withholdings remitted in cash by the Company to tax authorities on behalf of the employees (2013 – 19,500). Compensation expense relating to RSUs totalled \$736 for the year ended December 31, 2014 (2013 – \$868).

Employee Sharing Plan and Share Purchase Plan

Under the Company’s Employee Profit Sharing Plan (“EPSP”), employees can contribute up to 5% of their eligible earnings towards the EPSP. The Company contributes out of the Company’s profits 50% of the contributions made by employees. Contributions are used to purchase the Company’s shares in the open market and are subject to certain vesting rules.

Under the Company’s Employee Share Purchase Plan (“ESPP”), employees can contribute annually up to 20% of their eligible earnings to the ESPP. The Company matches employee contributions by 10%, and all such contributions are used to purchase the Company’s shares in the open market. Employees are able to participate in either the EPSP or the ESPP, but not both. Executives of the Company are only permitted to participate in the ESPP.

The Company’s contributions to the EPSP and ESPP, and costs associated with administering the plans totalled \$180 for the year ended December 31, 2014 (2013 – \$161).

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

Director Share Purchase Plan

Under the Company's Director Share Purchase Plan ("DSPP"), directors contribute the cash compensation portion of Director Fees, net of any withholding taxes, towards the DSPP. The Company does not make any matching contributions to the DSPP. Director contributions are used to purchase the Company's shares in the open market.

15 Operating Expenses

	Years ended December 31,	
	2014	2013
	\$	\$
Salaries, wages and compensation benefits	41,189	37,440
General and administration	19,766	14,728
Amortization of intangible assets	3,131	3,700
Depreciation of property & equipment	1,339	1,137
Investment tax credits	(1,027)	(923)
	64,398	56,082

The Company applies for investment tax credits ("ITCs") under the Canadian government's scientific and experimental development ("SRED") program. The Company has a history of successful SRED claims.

16 Finance Income

	Years ended December 31,	
	2014	2013
	\$	\$
Interest expense	-	(377)
Interest income	655	24
	655	(353)

For the year ended December 31, 2014, \$322 (2013: \$24) interest income was earned on the bearer deposit notes classified as short term investments. In 2013, interest expense includes \$368 of accretion on the Due to Computershare obligation which was extinguished during Q4 2013.

17 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share for the year ended December 31, 2014 was based on net earnings of \$9,631 (2013 - \$8,703) and a weighted average number of common shares outstanding of 47,422,572 (2013 - 43,141,033).

	Years ended December 31,	
	2014	2013
Weighted average shares outstanding – basic	47,422,572	43,141,033
Effect of dilutive stock options and share units	2,457,267	2,393,132
Effect of convertible notes to be issued as part of holdback	-	95,902
Weighted average shares outstanding - diluted	49,879,839	45,630,067

For the year ended December 31, 2014, there were 1,564,564 (2013 - 1,053,845) stock options and RSUs excluded from the diluted weighted average shares outstanding calculation due to an anti-dilutive effect.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

18 Commitments

Operating leases

The Company's obligations under operating leases for occupied premises are as follows:

	\$
2015	2,194
2016	2,027
2017	1,683
2018	752
2019 and thereafter	822
Total	<u>7,478</u>

19 Guarantees

In the normal course of operations, the Company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements and leasing transactions. These indemnification agreements may require the Company to compensate the counterparties for costs incurred as a result of various events, changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay counterparties. Historically, the Company has not made any payments under such indemnifications and no amounts have been accrued in the accompanying financial statements with respect to these indemnification guarantees.

20 Capital disclosures

The Company's objective is to maintain a cost effective capital structure that supports its long-term growth strategy while maintaining operating flexibility.

The Company defines its capital as shareholders' equity and long-term debt.

	December 31, 2014	December 31, 2013
	\$	\$
Shareholders' equity	<u>99,994</u>	<u>82,028</u>
Total capital	<u>99,994</u>	<u>82,028</u>

In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise debt.

The Company has regulated subsidiaries that are required to maintain minimum cash or short term investment balance, or a net capital requirement. As at December 31, 2014, the subsidiaries held more than the required amount of cash or short term investments, and met the net capital requirement.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

21 Financial instruments and risk management

Fair value of financial instruments

Cash and short-term investments are classified as loans and receivables. Their fair value approximates their carrying value. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term investments comprise bearer' deposit notes.

The three levels of the fair value hierarchy are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Risk management

Exposure to counterparty credit risk and foreign currency risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by the Company, is as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Cash	51,048	24,486
Short term investments	6,618	21,861
Trade receivables	9,348	9,920
	67,014	56,267

The credit risk on cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has credit risk as a result of its trade accounts receivable. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. As such, the Company does not anticipate any significant credit losses. The Company does not have significant credit risk exposure to any single counterparty.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

The following table presents an analysis of the age of customer accounts receivable not allowed for as at the dates of the consolidated statements of financial position.

	December 31, 2014	December 31, 2013
	\$	\$
Current	4,942	4,088
30 – 60 days past billing date	2,017	3,662
61 – 90 days past billing date	1,101	982
Greater than 90 days past billing date	1,290	1,188
	9,350	9,920
Trade receivables	9,350	9,920
Allowance for doubtful accounts	(2)	-
	9,348	9,920

Trade receivables are non-interest bearing and are generally on 30 day terms.

Allowances are provided against accounts receivable based on estimated unrecoverable amounts. In determining the recoverability of an account receivable, the Company considers the client's financial position, service history and payment history.

Also included in trade and other receivables is accrued receivables of \$2,610 and other receivables of \$1,220. Included in other receivables is income tax receivable of \$1,129.

Foreign Currency risk

The Company has foreign currency risk mainly because it is exposed to foreign currency fluctuations due to its operations in the United States, United Kingdom, Australia, and Europe.

The Company operates in Canada, the United States, the United Kingdom, Australia, and Europe. The Company's functional currency is CAD and the reporting currency is CAD. Foreign exchange risk arises because the amount receivable on revenue or payable on expenditures that are denominated in USD, GBP, AUD and EUR may vary when converted to CAD due to changes in exchange rates arising from timing differences between when the revenue or expense occurs and when actual payment is received or made ("transaction exposures") and because the foreign currency denominated net assets of the Company's foreign subsidiaries may vary on consolidation and revaluation into CAD ("translation exposure").

Based on the balance of net monetary assets carried on the consolidated statement of financial position of the Canadian operations as at December 31, 2014, an increase of 1% in the exchange rate of foreign currency to CAD would, everything else being equal, have had a positive effect on earnings before taxes for the year ended and retained earnings as at December 31, 2014 of approximately \$236 (December 31, 2013 - \$144).

Based on the balance of net assets carried in the statement of financial position of the U.S, U.K, Australia, and Europe operations as at December 31, 2014, an increase of 1% in the exchange rate of USD, GBP, AUD and EUR to CAD would, everything else being equal, have had a positive effect on other comprehensive income for the year ended and foreign currency translation reserve as at December 31, 2014 of approximately \$340 (December 31, 2013 - \$299).

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its obligations as they come due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash through the availability of funding from committed credit facilities. As at December 31, 2014, the Company had cash

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

of \$51,048, short-term investments of \$6,618 and a \$2,500 revolving credit facility available to be drawn against. Subsequent to December 31, 2014, the credit facility was cancelled by the Company.

The Company's financial liabilities, based on contractual undiscounted payments, were \$6,903 as at December 31, 2014 and all mature within 6 months. Management believes that future cash flows from operations will be adequate to support the financial liabilities. Trade payables are non-interest bearing and are normally settled on 30 day terms.

22 Segmented information

The Company's operations fall into one dominant industry segment, the administration of equity-based incentive and savings programs for corporations and their employees.

Where applicable, inter-segment transactions are reflected at the exchange value, which is the amount agreed to by the parties.

The following is a breakdown of financial information by geographic segment (included in the International reportable segment are results for the U.K., Australia, and Europe):

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
Revenue		
Canada	32,203	28,289
United States	38,253	35,132
International	8,690	4,658
	<u>79,146</u>	<u>68,079</u>
Earnings from operations		
Canada	11,469	9,169
United States	7,112	3,495
International	(3,833)	(667)
	<u>14,748</u>	<u>11,997</u>
Net earnings (loss)^a		
Canada	9,635	9,864
United States	4,081	(490)
International	(4,085)	(671)
	<u>9,631</u>	<u>8,703</u>
Depreciation of property & equipment and amortization of intangible assets		
Canada	989	771
United States	2,943	3,993
International	538	73
	<u>4,470</u>	<u>4,837</u>

- a) In the year ended December 31, 2013, the gain of \$2,948 on the reversal of the contingent obligation to Computershare related to the Canadian reportable segment, while the charge of \$3,752 to intangible assets and the associated deferred tax recovery of \$1,501 related to the reportable segment of the United States. These items impact net earnings of the corresponding years, but do not impact earnings from operations.

SOLIUM CAPITAL INC.

Notes to the Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except as otherwise noted)

	Years ended December 31,	
	2014	2013
	\$	\$
Income tax expense		
Canada	3,290	2,889
United States	3,030	(128)
International	(75)	4
	6,245	2,765
Capital expenditures		
Canada	1,042	601
United States	98	249
International	270	360
	1,410	1,210
	December 31,	December 31,
	2014	2013
	\$	\$
Total Assets		
Canada	77,567	69,548
United States	39,014	32,293
International	4,858	1,299
	121,439	103,140
Property & equipment and intangible assets, excluding goodwill		
Canada	2,070	2,016
United States	14,339	15,852
International	1,760	366
	18,169	18,234
Goodwill		
Canada	249	249
United States	24,918	21,819
International	2,236	-
	27,403	22,068

23 Subsequent event

In connection with the acquisition of Solium GSP (Note 6), the Company released one half of the shares that were held in escrow.