# SOLIUM CAPITAL INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE YEAR ENDED DECEMBER 31, 2015

**This Management's Discussion and Analysis ("MD&A") of Solium Capital Inc. ("Solium" or the "Company") for the year ended December 31, 2015 is dated March 14, 2016. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2015. The audited Consolidated 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; the sufficiency of cash and working capital for future operations and growth strategies; the timing and the completion of various development projects; 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 Inc. ("Computershare") and the corresponding requirement of the Company to make 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 amounts[2])**

| | **2015** | % Change | 2014 | % Change | 2013 |
|---|---|---|---|---|---|
| Total revenues | **92,571** | 17% | **79,146** | 16% | **68,079** |
| Adjusted EBITDA[1] | **17,459** | (9%) | **19,218** | 14% | **16,833** |
| Earnings before taxes | **16,950** | 7% | **15,876** | 38% | **11,468** |
| Net earnings | **10,686** | 11% | **9,631** | 11% | **8,703** |
| Per share – basic | **0.221** | 9% | **0.203** | -% | **0.202** |
| Per share – diluted | **0.213** | 10% | **0.193** | 1% | **0.191** |
| Margins | | | | | |
| Adjusted EBITDA | **19%** | (5%) | **24%** | (1%) | **25%** |
| Earnings before taxes | **18%** | (2%) | **20%** | 3% | **17%** |
| Net earnings | **12%** | -% | **12%** | (1%) | **13%** |
| Total assets | **147,354** | 22% | **121,156** | 17% | **103,140** |
| Total non-current liabilities | **2,020** | (11%) | **2,264** | 5% | **2,159** |

Notes:

1. 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:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Adjusted EBITDA** | 17,459 | 19,218 | 16,833 |
| Foreign exchange gain | 3,230 | 473 | 628 |
| Gain on reversal of contingent obligation | - | - | 2,948 |
| Intangibles and goodwill charges | - | - | (3,752) |
| **EBITDA** | 20,689 | 19,691 | 16,657 |
| Finance income (costs) | 793 | 655 | (352) |
| Depreciation and amortization | (4,532) | (4,470) | (4,837) |
| Income tax | (6,264) | (6,245) | (2,765) |
| **Net earnings** | 10,686 | 9,631 | 8,703 |

2. 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. The presentation currency of all operating results is the CAD.

Summary of results by geographic segment:

| | Canada | | U.S. | | International | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Revenues | **32,040** | 32,203 | **45,470** | 38,253 | **15,061** | 8,690 | **92,571** | 79,146 |
| Adjusted EBITDA | **9,945** | 12,457 | **8,165** | 10,056 | **(651)** | (3,295) | **17,459** | 19,218 |
| Net earnings (loss) | **9,219** | 9,635 | **2,463** | 4,081 | **(996)** | (4,085) | **10,686** | 9,631 |

## OVERALL PERFORMANCE

Revenue increased by 17% to $92.6 million (2014: $79.1 million) and earnings from operations decreased by 12% to $12.9 million (2014: $14.7 million) for the year ended December 31, 2015. Adjusted EBITDA [(a)] decreased by 9% to $17.5 million (19.2 million) for the year ended December 31, 2015.

**(a)** Adjusted EBITDA is a non-IFRS financial measure. A reconciliation of the adjusted EBITDA to net earnings is found under "Summary of Quarterly Results" in this MD&A.

The key factors affecting the results of the year ended December 31, 2015 are:

- **Operating expenses -** Expenses increased during 2015 as compared to 2014 as the Company continued to significantly build out its international operations and global product capabilities ahead of revenue. The Company also increased its sales and marketing investment in the U.S. and international regions.

- **Organic growth** - The Company experienced increased license and subscription fees during the year ended December 31, 2015 as compared to 2014. Trade activity per participant declined year over year as a result of declining market performance, in particular in the Canadian markets. In spite of lower per participant trade activity, overall revenue from trade activity increased as a result of a larger and growing client and participant base.

- **Foreign exchange** - The strength of the U.S. dollar (USD) against the Canadian dollar (CAD) increased during the year ended December 31, 2015 compared to 2014. This had a positive impact on the Company's overall financial results due to the translation of USD financial results into CAD for consolidated financial reporting purposes.

## RESULTS FROM OPERATIONS

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

***Revenue***

Revenue was $92.6 million in 2015 (2014: $79.1 million). This represents an increase of $13.5 million over the results from 2014.

Revenue from Canadian operations was $32.0 million in 2015 (2014: $32.2 million). Revenue decreased mainly due to lower transaction volumes and associated transaction based revenue compared to 2014, as well as a contraction in the number of participants in some of our existing clients.

Revenue from U.S. operations was $45.5 million in 2015 (2014: $38.3 million). Revenue increased during 2015 mainly due to favorable foreign exchange rates for the translation of USD to CAD, organic growth in license fees, and higher transaction revenue compared to 2014.

Revenue from International operations was $15.1 million in 2015 (2014: $8.7 million). Revenue increased during 2015 reflecting strong organic growth and strong associated transaction activity.

***Expenses***

Operating expenses were $79.6 million (2014: $64.4 million). This represents an increase of $15.2 million over the results from 2014.

Operating expenses increased over 2014 due to increased foreign exchange rates for the translation of foreign currency denominated expenses into CAD, the investment in regional operations outside of Canada, general overall growth of the business, and increased marketing expenditures targeted at U.S. and international markets.

***Finance Income***

Finance income of $0.8 million was recorded during 2015 (2014: $0.7 million) representing the accretion of value of the bearer deposit notes as they moved to maturity during the year ended December 31, 2015, and interest earned on cash during the year ended December 31, 2015.

***Foreign Exchange Gain***

A foreign exchange gain of $3.2 million was recorded during 2015 (2014: $0.5 million). The gain or loss predominantly represents unrealized translation gains or losses on foreign currency denominated cash, trade receivables and payables, and intercompany receivables held by the Canadian parent company as at December 31, 2015. A gain primarily reflects the weakening of the CAD against foreign currencies during the period, while a loss represents the strengthening of the CAD against such currencies.

***Income Taxes***

$6.3 million of income tax expense was recorded in 2015 (2014: $6.2 million). The effective income tax rate relative to accounting income was 37.0% in 2015, a decrease from 39.3% in 2014. The effective tax rate decreased compared to 2014 due to a) a decrease in operating losses in the international segment while still remaining non-taxable, thereby increasing consolidated accounting income without the associated increase in consolidated income tax expense; and b) as a result of increased intercorporate charges from Canada to the U.S. for associated services, reducing U.S. income tax expense and the average income tax rate for the consolidated group.

### *Other Comprehensive Income*

A foreign currency translation gain of $7.7 million was recorded in 2015 (2014: gain $3.0 million) resulting from the translation of the Company's assets and liabilities in its U.S., U.K., Europe and Australian operations. A gain primarily reflects the weakening of the CAD against the foreign currencies during the period, while a loss represents the strengthening of the CAD against such currencies.

## 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.

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| **Revenues[2]** | **22,586** | **22,451** | **22,936** | **24,598** | 18,680 | 18,696 | 20,028 | 21,742 |
| **Operating Expenses[2]** | **20,879** | **19,772** | **19,692** | **19,301** | 16,631 | 16,185 | 15,868 | 15,714 |
| **Earnings from operations[2]** | **1,707** | **2,679** | **3,244** | **5,297** | 2,049 | 2,512 | 4,161 | 6,027 |
| **Adjusted EBITDA[1, 2]** | **2,761** | **3,875** | **4,388** | **6,435** | 2,897 | 3,699 | 5,368 | 7,254 |
| **Earnings before income taxes[2]** | **3,583** | **3,541** | **3,277** | **6,549** | 2,209 | 2,813 | 3,791 | 7,062 |
| **Net earnings [2]** | **1,809** | **2,286** | **2,259** | **4,332** | 1,028 | 1,599 | 2,434 | 4,571 |
| **Per share** | | | | | | | | |
| **– basic[2]** | **$0.037** | **$0.047** | **$0.047** | **$0.091** | $0.021 | $0.034 | $0.052 | $0.097 |
| **– diluted[2]** | **$0.036** | **$0.045** | **$0.045** | **$0.087** | $0.021 | $0.032 | $0.049 | $0.092 |

Notes:

1. 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:

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| **Adjusted EBITDA** | **2,761** | **3,875** | **4,388** | **6,435** | 2,897 | 3,699 | 5,368 | 7,254 |
| Foreign exchange gain (loss) | **1,694** | **702** | **(176)** | **1,010** | 14 | 114 | (553) | 898 |
| **EBITDA** | **4,455** | **4,577** | **4,212** | **7,445** | 2,911 | 3,813 | 4,815 | 8,152 |
| **Finance income** | **182** | **160** | **209** | **242** | 147 | 188 | 184 | 136 |
| **Amortization** | **(1,054)** | **(1,196)** | **(1,144)** | **(1,138)** | (848) | (1,188) | (1,207) | (1,227) |
| **Income tax** | **(1,774)** | **(1,255)** | **(1,018)** | **(2,217)** | (1,182) | (1.214) | (1,358) | (2,490) |
| **Net earnings** | **1,809** | **2,286** | **2,259** | **4,332** | 1,028 | 1,599 | 2,434 | 4,571 |

2. 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.
3. 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. The presentation currency of all operating results is the CAD.

## *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 2015*

- Revenue increased by 21% to $22.6 million in the fourth quarter of 2015 (2014: $18.7 million) as a result of the positive impact of foreign currency translation, growth of license and subscription fees, and increased transactional based revenue. The level of trades per participant in the fourth quarter of 2015 was comparable to that in the fourth quarter of 2014. Organic growth in client and participant levels throughout 2015 translated to increased transactional based revenue in the quarter.

- Operating expenses increased by 26% to $20.9 million in the fourth quarter of 2014 (2014: $16.6 million) as a result of the negative impact of foreign currency translation, the continued build out of international operations and global product capabilities, as well as increased sales and marketing investment in the U.S. and international regions.

- Adjusted EBITDA decreased by 5% to $2.8 million in the fourth quarter of 2014 (2014: $2.9 million).

- Net earnings increased by 76% to $1.8 million in the fourth quarter of 2015 (2014: $1.0 million).

- Net earnings per share (basic) increased by 76% to $0.037 in the fourth quarter of 2015 (2014: $0.021).

Currently included in the International reportable segment are the results relating to the U.K., Europe, and Australia operations. Summary of results by geographic segment during the fourth quarter ended December 31, 2015 were as follows:

| | **Canada** | | **U.S.** | | **International** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| | **Q4, 2015** | Q4, 2014 | **Q4, 2015** | Q4, 2014 | **Q4, 2015** | Q4, 2014 | **Q4, 2015** | Q4, 2014 |
| Revenues | **8,017** | 7,137 | **11,285** | 9,670 | **3,284** | 1,873 | **22,586** | 18,680 |
| Adjusted EBITDA | **1,764** | 2,413 | **2,258** | 2,095 | **(1,261)** | (1,611) | **2,761** | 2,897 |
| Net earnings (loss) | **2,663** | 1,663 | **335** | 787 | **(1,189)** | (1,422) | **1,809** | 1,028 |

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### *Cash and Working Capital*

Cash on hand as at December 31, 2015 was $73.0 million (December 31, 2014: $51.0 million).

Working capital as at December 31, 2015 was $73.9 million (December 31, 2014: $53.8 million). Included in working capital was trade and other receivables of $20.0 million (December 31, 2014: $12.9 million), which increased as at December 31, 2015 compared to December 31, 2014 as a result of the positive impact of foreign currency translation, growth of license and subscription fees, increased transactional based revenue, and increased income tax receivable balance as at December 31, 2015.

### *Cash Flows*

During the year ended 2015, the Company had an overall net cash inflow of $22.0 million (2014: $26.6 million) mainly as a result of cash flow from operations and the maturing of bearer deposit notes during the year.

Funds from operations were $24.6 million for the year ended December 31, 2015 (2014: $22.9 million), while total cash inflow from operations inclusive of working capital changes was $12.8 million for the year ended December 31, 2015 (2014: $14.8 million).

Cash inflow from financing activities was $2.8 million in 2015 (2014: $0.6 million).

Cash inflow from investing activities was $5.6 million in 2015 (2014: $10.8 million) mainly as a result of the maturity of short term bearer deposit notes of $6.6 million (2014: $15.6 million), which offset cash outflow from changes in non-cash working capital, taxes and installments paid, 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 | 2016 | 2017 | 2018 | 2019 | 2020 and thereafter |
| Operating leases | 6,103 | 2,395 | 1,901 | 853 | 672 | 282 |

### *Capital Expenditures*

Capital expenditures of $1.1 million in 2015 (2014: $1.4 million) were comprised of computer hardware, computer software, and office furniture.

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

### *Capital Resources*

As at December 31, 2015, the Company had a revolving credit facility of $15 million available through a Canadian bank. Current economic conditions have not caused a change in the Company’s objectives, policies or procedures for managing capital.

The Company has regulated subsidiaries that are required to maintain a minimum cash or short term investment balance, or a net capital requirement. As at December 31, 2015, the subsidiaries held more than the required amount of cash or short term investments, and met the net capital requirement.

### *Share Capital*

As at December 31, 2015, the Company had 49.2 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. The Company's goodwill and intangible assets are currently predominantly in the U.S. segment.

### *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. The Company is currently incurring operating losses in its international segment. Deferred tax assets have not been recognized in respect of these losses because it is not certain that future taxable profit will be available against which the Company can utilize the benefits in the applicable business in these international jurisdictions.

### *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. The Company's goodwill and intangible assets currently are predominantly in the U.S. segment.

## FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

i) IFRS 9 'Financial instruments' was issued by the IASB in July 2014 as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

ii) IFRS 15 'Revenue from contracts with customers' was issued by the IASB in May 2014. IFRS 15 replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

iii) IFRS 16 'Leases' was issued by the IASB in January 2016. IFRS 16 replaces the existing standard (IAS 17) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same. IFRS 16 is effective January 1, 2019, with earlier application permitted.

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.

The Company did not adopt any new accounting standards in 2015.

## 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. Under the supervision of the Company's Chief Executive Officer and EVP, Finance, management have evaluated the Company's disclosure controls and procedures as at December 31, 2015 and have concluded that the Company's disclosure controls and procedures at December 31, 2015 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.

Under the supervision of the Chief Executive Officer and EVP, Finance, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, 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, 2015, 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, 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 14, 2016, there were 49,212,440 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 14, 2016, there were options outstanding to purchase 3,223,840 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 14, 2016, there were 541,531 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. The Company anticipates positive business opportunities across various regions, however, expects dampened market conditions to continue in the Canadian market.

## 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 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 favorable 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, 2015

**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 14, 2016

**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, 2015 and December 31, 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements 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, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
March 14, 2016
Calgary, Alberta

## SOLIUM CAPITAL INC.
## CONSOLIDATED FINANCIAL STATEMENTS
## Consolidated Statements of Financial Position

*(Expressed in thousands of Canadian dollars)*

| | Notes | As at December 31, 2015 $ | 2014 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | **15, 20** | **73,043** | 51,048 |
| Short term investments | **20** | **-** | 6,618 |
| Trade and other receivables | **20** | **19,999** | 12,895 |
| Current portion of prepaid expenses | | **1,912** | 2,093 |
| | | **94,954** | 72,654 |
| **Non-current assets** | | | |
| Property and equipment | **7** | **2,358** | 2,485 |
| Intangible assets | **6, 8** | **15,003** | 15,684 |
| Goodwill | **6, 9** | **32,314** | 27,403 |
| Deferred tax asset | **10** | **2,124** | 2,534 |
| Non-current portion of prepaid expenses | | **601** | 396 |
| | | **52,400** | 48,502 |
| **Total Assets** | | **147,354** | 121,156 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables and other accruals | **20** | **7,140** | 6,620 |
| Holdback and earn-out payable | **6** | **620** | 522 |
| Current portion of deferred revenue | | **13,083** | 11,490 |
| Current portion of deferred tenant inducements | | **229** | 266 |
| | | **21,072** | 18,898 |
| **Non-current liabilities** | | | |
| Deferred revenue | | **1,241** | 1,280 |
| Deferred tenant inducements | | **486** | 672 |
| Deferred tax liability | **6, 10** | **293** | 312 |
| | | **2,020** | 2,264 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | **12** | **62,491** | 57,820 |
| Contributed surplus | | **7,191** | 6,021 |
| Retained earnings | | **41,082** | 30,396 |
| Foreign currency translation reserve | | **13,498** | 5,757 |
| | | **124,262** | 99,994 |
| **Total Liabilities and Shareholders' Equity** | | **147,354** | 121,156 |

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Board on March 14, 2016 and were signed on its behalf.

Director (signed) "Tom Muir" Director (signed) "Laura Cillis"

# 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, 2015 $ | 2014 $ |
|---|---|---|---|
| **OPERATIONS** | | | |
| Revenue | | **92,571** | 79,146 |
| Operating expenses | **14** | **(79,644)** | (64,398) |
| **Earnings from operations** | | **12,927** | 14,748 |
| Finance income | | **793** | 655 |
| Foreign exchange gain | | **3,230** | 473 |
| **Earnings before income taxes** | | **16,950** | 15,876 |
| Income taxes | **10** | **(6,264)** | (6,245) |
| **Net earnings** | | **10,686** | 9,631 |
| **Other comprehensive income** | | | |
| Exchange gain on translating foreign operations | | **7,741** | 3,039 |
| **Total comprehensive income for the year** | | **18,427** | 12,670 |
| **Net earnings per share** | | | |
| Basic | **16** | **0.221** | 0.203 |
| Diluted | **16** | **0.213** | 0.193 |

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, 2015 and 2014
*(Expressed in thousands of Canadian dollars)*

| | **Share capital $** | **Contributed surplus $** | **Retained earnings $** | **Foreign currency translation reserve $** | **Total equity $** |
|---|---|---|---|---|---|
| As at January 1, 2014 | 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 12) | 288 | - | - | - | 288 |
| Transaction costs, net of tax (Note 12) | (27) | - | - | - | (27) |
| **As at December 31, 2014** | **57,820** | **6,021** | **30,396** | **5,757** | **99,994** |
| Net earnings | **-** | **-** | **10,686** | **-** | **10,686** |
| Foreign currency translation differences for foreign operations, net of tax | **-** | **-** | **-** | **7,741** | **7,741** |
| Share based payment expense, net of tax | **-** | **3,027** | **-** | **-** | **3,027** |
| Share unit releases, net of tax | **517** | **(413)** | **-** | **-** | **104** |
| Stock options exercised, net of tax | **4,184** | **(1,444)** | **-** | **-** | **2,740** |
| Transaction costs, net of tax (Note 12) | **(30)** | **-** | **-** | **-** | **(30)** |
| **As at December 31, 2015** | **62,491** | **7,191** | **41,082** | **13,498** | **124,262** |

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, 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows related to the following activities:** | | | |
| **Operating activities** | | | |
| Net earnings | | **10,686** | 9,631 |
| Adjustments for items not involving cash: | | | |
| Finance income | | **-** | (322) |
| Income taxes | **10** | **6,264** | 6,245 |
| Depreciation of property and equipment | **7, 14** | **1,340** | 1,339 |
| Amortization of intangible assets | **8, 14** | **3,192** | 3,131 |
| Share-based compensation expense | **13** | **3,027** | 2,488 |
| Amortization of tenant inducement | | **(288)** | (15) |
| Amortization of prepaid remuneration | **6** | **362** | 374 |
| Funds from operations | | **24,583** | 22,871 |
| Changes in non-cash working capital | | **(6,990)** | (1,364) |
| Cash taxes and installments paid | | **(4,785)** | (6,703) |
| Cash flow from operations | | **12,808** | 14,804 |
| **Financing activities** | | | |
| Issuance of common shares for cash, net of share issue costs | **12** | **2,814** | 628 |
| Cash flow from financing activities | | **2,814** | 628 |
| **Investing activities** | | | |
| Short-term investments | | **6,621** | 15,552 |
| Payments for property, equipment and intangible assets, net of changes in non-cash working capital | | **(1,067)** | (1,395) |
| Net cash outflow on business combinations | **6** | **-** | (3,298) |
| Payment of cash holdback related to acquisition | | **-** | (68) |
| Cash flow from investing activities | | **5,554** | 10,791 |
| Effect of foreign exchange on cash held in foreign currency | | **819** | 339 |
| **Increase in cash** | | **21,995** | 26,562 |
| Cash and cash equivalents, beginning of year | | **51,048** | 24,486 |
| **Cash and cash equivalents, end of year** | | **73,043** | 51,048 |

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

# 1 General information

Solium Capital Inc. ("Solium" or the "Company") was incorporated in September 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, Europe, and Australia, 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 Transcentive, 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") subsidiaries is the British Pound Sterling ("GBP"), and of the Company's European subsidiaries is the Euro ("EUR"), and of the Company's Australian subsidiaries is the Australian dollar ("AUD"). Translation gains and losses resulting from the consolidation of foreign operations in the U.S, U.K, Europe, and Australia, 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.

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:

| | |
|---|---|
| Computer equipment | 3 years |
| Computer software | 1 - 3 years |
| 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 - 10 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). 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 of 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.

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

***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.

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 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.

## 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.

**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 of 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.

## 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, 2015 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 as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

ii. IFRS 15 'Revenue from contracts with customers' was issued by the IASB in May 2014. IFRS 15 replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

iii. IFRS 16 'Leases' was issued by the IASB in January 2016. IFRS 16 replaces the existing standard (IAS 17) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same. IFRS 16 is effective January 1, 2019, with earlier application permitted.

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.

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

# 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** |
| | | | **4,927** |

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.

### 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. The shares held in escrow were released in two equal parts in early 2015 and 2016.

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. This revenue threshold was met.

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

***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 earned from the customer contract acquired as part of the acquisition as well as the revenue earned from certain customer contracts that are signed between the closing date of the acquisition and the subsequent 18 months. On the date of acquisition, management estimated that the amount of revenue earned would satisfy the condition and therefore the contingent consideration amount was included in the purchase price calculation shown above.

**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** |

**D) Goodwill arising on acquisition**

**2014**

| | Global Share Plans $ | 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 21).

**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.

*(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, 2014 | 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 |
| Additions | **437** | **514** | **131** | **30** | **1,112** |
| Disposals | **-** | **-** | **-** | **(24)** | **(24)** |
| Effect of foreign currency exchange differences | **239** | **30** | **141** | **76** | **486** |
| **At December 31, 2015** | **5,218** | **1,501** | **1,883** | **2,469** | **11,071** |
| | | | | | |
| **Accumulated Depreciation** | | | | | |
| At January 1, 2014 | 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 |
| Eliminated on disposal of assets | **-** | **-** | **-** | **(22)** | **(22)** |
| Depreciation expense | **539** | **217** | **211** | **373** | **1,340** |
| Effect of foreign currency exchange differences | **198** | **30** | **100** | **55** | **383** |
| **At December 31, 2015** | **4,421** | **1,138** | **1,405** | **1,749** | **8,713** |
| | | | | | |
| **Net book value** | | | | | |
| December 31, 2014 | 858 | 66 | 517 | 1,044 | 2,485 |
| **December 31, 2015** | **797** | **363** | **478** | **720** | **2,358** |

*(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, 2014 | 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 | 1,142 | 69 | 104 | 459 | 1,774 |
| At December 31, 2014 | 15,482 | 2,464 | 1,248 | 867 | 20,061 |
| Foreign exchange differences | **2,732** | **364** | **236** | **130** | **3,462** |
| **At December 31, 2015** | **18,214** | **2,828** | **1,484** | **997** | **23,523** |
| **Accumulated Amortization** | | | | | |
| At January 1, 2014 | 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 |
| Amortization expense | **2,077** | **917** | **172** | **26** | **3,192** |
| Foreign exchange differences | **512** | **222** | **90** | **127** | **951** |
| **At December 31, 2015** | **4,753** | **2,119** | **672** | **976** | **8,520** |
| **Net book value** | | | | | |
| December 31, 2014 | 13,318 | 1,484 | 838 | 44 | 15,684 |
| **December 31, 2015** | **13,461** | **709** | **812** | **21** | **15,003** |

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

# 9 Goodwill

| | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **27,403** | 22,068 |
| Addition arising from business combinations (Note 6) | **-** | 3,419 |
| Effect of foreign currency exchange differences | **4,911** | 1,916 |
| Balance, end of year | **32,314** | 27,403 |

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

| | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Canada | **249** | 249 |
| United States | **29,644** | 24,918 |
| Spain | **2,421** | 2,236 |
| | **32,314** | 27,403 |

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, 2015, 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 12.0% for the U.S. (2014 – 14.2%), and 9.9% for the Canadian and Spain CGUs respectively (2014 – 11.3%), and terminal growth rate in line with historical inflation of 2%.

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.

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

# 10 Income taxes

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

| | Years ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Current tax expense | **5,258** | 6,589 |
| Deferred tax expense | **1,006** | (344) |
| Income tax expense reported in the statement of comprehensive income | **6,264** | 6,245 |

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, | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Earnings before income taxes | **16,950** | 15,876 |
| Statutory Canadian federal and provincial income tax rate | **26.13%** | 25.33% |
| Computed income taxes at statutory rates | **4,429** | 4,021 |
| Increase (decrease) resulting from: | | |
| Non-deductible amounts | **1,149** | 571 |
| Unrecognized tax loss benefit | **157** | 1,130 |
| Rate differences | **676** | 1,019 |
| Other | **(147)** | (496) |
| Income tax expense recognized in net earnings | **6,264** | 6,245 |

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

| | Property & equipment and intangible assets | Tax Losses[(1)] | Deferred revenue and deferred inducement | Share issue costs | Other | Net deferred tax asset |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| As at January 1, 2014 | (1,172) | 2,709 | 242 | 386 | (159) | 2,006 |
| Recognized in net earnings | 310 | (437) | 23 | (74) | 521 | 343 |
| Acquisitions (Note 6) | (421) | - | - | - | - | (421) |
| Recognized in other comprehensive income | (73) | 223 | (2) | - | 47 | 195 |
| Recognized directly in equity | - | - | - | - | 99 | 99 |
| As at December 31, 2014 | (1,356) | 2,495 | 263 | 312 | 508 | 2,222 |
| Recognized in net earnings | 105 | (495) | (60) | (34) | (522) | (1,006) |
| Recognized in other comprehensive income | (235) | 447 | 23 | - | 150 | 385 |
| Recognized directly in equity | - | - | - | - | 230 | 230 |
| **As at December 31, 2015** | (1,486) | 2,447 | 226 | 278 | 366 | 1,831 |

(1) Tax losses are predominantly the net operating loss carry forwards acquired as part of the 2012 business acquisition of OptionEase Inc. in the amount of approximately U.S. $4,484 (2014 - U.S. $5,400). These net operating losses expire beginning in 2020 for state taxes and beginning in 2027 for federal taxes.

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

*Unrecognized Deferred Tax Assets*

As at December 31, 2015, the Company has net operating losses carried forward of $7,070 (2014 - $7,011) in international jurisdictions.

Deferred tax assets of $2,844 (2014 - $1,600) have not been recognized in respect to these items because it is not yet 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.

## 11 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 2015 | 2014 |
|---|---|---|---|
| Solium Holdings USA Inc. | United States | 100% | 100% |
| Solium Capital LLC | United States | 100% | 100% |
| Solium Plan Managers LLC | United States | 100% | 100% |
| Solium Transcentive LLC | United States | 100% | 100% |
| Solium Capital UK Limited | United Kingdom | 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.

**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, 2015 | 2014 |
|---|---|---|
| | **$** | $ |
| Short-term compensation | **2,366** | 2,580 |
| Share-based compensation | **704** | 713 |
| | **3,070** | 3,293 |

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

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

## 12 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, 2014 | 46,904,662 | 54,104 |
| Issued on exercise of stock options, net of tax (Note 13) | 425,107 | 1,347 |
| Issued on vesting of share units, net of tax (Note 13) | 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 |
| Issued on exercise of stock options, net of tax (Note 13) | **1,237,271** | **4,184** |
| Issued on vesting of share units, net of tax (Note 13) | **120,995** | **517** |
| Share issue costs, net of tax | **-** | **(30)** |
| **Balance, December 31, 2015** | **49,177,815** | **62,491** |

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.

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

# 13 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:

| | **2015** | 2014 |
|---|---|---|
| Weighted-average fair value (per share) of options granted | **\$2.77** | \$3.33 |
| Expected dividend yield | **0%** | 0% |
| Expected volatility | **45.67%** | 53.52% |
| Risk-free interest rate | **0.75%** | 1.42% |
| Expected life | **4 years** | 4 years |

Compensation expense related to stock options totalled \$1,758 for the year ended December 31, 2015 (2014 - \$1,653).

Stock option activity with respect to the Company's stock option plan for the year ended December 31, 2015 is shown below:

| | Number of Options | Weighted Average Exercise Price \$ |
|---|---|---|
| *Outstanding Options* | | |
| Outstanding, January 1, 2014 | 3,835,047 | |
| Granted | 807,435 | 7.91 |
| Exercised | (425,107) | 1.53 |
| Forfeited | (186,895) | 3.58 |
| Outstanding, December 31, 2014 | 4,030,480 | 3.64 |
| Granted | **745,631** | **7.35** |
| Exercised | **(1,237,271)** | **1.90** |
| Forfeited | **(239,425)** | **5.13** |
| **Outstanding, December 31, 2015** | **3,299,415** | **5.02** |
| **Exercisable, December 31, 2015** | **1,271,396** | **\$2.54** |

*(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, 2015:

| Exercise prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Vested | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $1.32 to $1.95 | 1,139,469 | 1.19 | $1.79 | 932,720 | $1.78 |
| $1.96 to $7.36 | 867,398 | 3.11 | $5.29 | 338,676 | $4.65 |
| $7.37 to $8.15 | 1,292,548 | 4.15 | $7.69 | - | - |
| | 3,299,415 | | | 1,271,396 | |

**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, 2015 is shown below:

| | Number of RSUs |
|---|---|
| *Outstanding RSUs* | |
| Outstanding, January 1, 2014 | 549,156 |
| Granted | 205,716 |
| Vested | (217,644) |
| Forfeited | (42,884) |
| Outstanding, December 31, 2014 | 494,344 |
| Granted | **211,173** |
| Vested | **(120,995)** |
| Forfeited | **(35,056)** |
| **Outstanding, December 31, 2015** | **549,466** |

Compensation expense relating to RSUs totalled $1,040 for the year ended December 31, 2015 (2014 – $736).

**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. Non-executive employees are able to participate in EPSP while the executives of the Company participate in the ESPP.

The Company's contributions to the EPSP and ESPP, and costs associated with administering the plans totalled $128 for the year ended December 31, 2015 (2014 – $180).

*(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.

## 14 Operating Expenses

| | Years ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Salaries, wages and compensation benefits | **52,017** | 41,189 |
| General and administration | **24,389** | 19,766 |
| Amortization of intangible assets | **3,192** | 3,131 |
| Depreciation of property & equipment | **1,340** | 1,339 |
| Investment tax credits | **(1,294)** | (1,027) |
| | **79,644** | 64,398 |

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.

## 15 Cash and cash equivalents

| | Years ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Cash | **60,905** | 51,048 |
| Cash equivalents | **12,138** | - |
| | **73,043** | 51,048 |

Cash and cash equivalents consist of cash in banks, and term deposit notes.

## 16 Earnings per share

*Basic and diluted earnings per share*

The calculation of basic earnings per share for the year ended December 31, 2015 was based on net earnings of $10,686 (2014 - $9,631) and a weighted average number of common shares outstanding of 48,441,291 (2014 – 47,422,572).

| | Years ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| Weighted average shares outstanding – basic | **48,441,291** | 47,422,572 |
| Effect of dilutive stock options and share units | **1,750,044** | 2,457,267 |
| Weighted average shares outstanding - diluted | **50,191,335** | 49,879,839 |

For the year ended December 31, 2015, there were 1,682,672 (2014 – 1,564,564) stock options and RSUs excluded from the diluted weighted average shares outstanding calculation due to an anti-dilutive effect.

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

# 17 Commitments

**Operating leases**

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

| | $ |
|---|---|
| 2016 | 2,395 |
| 2017 | 1,901 |
| 2018 | 853 |
| 2019 | 672 |
| 2020 and thereafter | 282 |
| Total | 6,103 |

# 18 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.

# 19 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, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Shareholders' equity | **124,262** | 99,994 |
| **Total capital** | **124,262** | 99,994 |

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, 2015, the subsidiaries held more than the required amount of cash or short term investments, and met the net capital requirement.

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

# 20 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 comprised of 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, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **73,043** | 51,048 |
| Short term investments | **-** | 6,618 |
| Trade receivables | **14,367** | 9,348 |
| | **87,410** | 67,014 |

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.

*(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, 2015 $** | December 31, 2014 $ |
|---|---|---|
| Current | **6,076** | 4,942 |
| 30 – 60 days past billing date | **3,469** | 2,017 |
| 61 – 90 days past billing date | **2,346** | 1,101 |
| Greater than 90 days past billing date | **2,476** | 1,290 |
| | **14,367** | 9,350 |
| | | |
| Trade receivables | **14,367** | 9,350 |
| Allowance for doubtful accounts | **-** | (2) |
| | **14,367** | 9,348 |

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 $1,511 (2014 - $1,110) and other receivables of $4,121 (2014 - $2,437). Included in other receivables is income tax receivable of $3,822 (2014 - $2,346).

*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, Europe, and Australia.

The Company operates in Canada, the United States, the United Kingdom, Europe, and Australia. 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, EUR and AUD 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, 2015, 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, 2015 of approximately $242 (December 31, 2014 - $236).

Based on the balance of net assets carried in the statement of financial position of the U.S, U.K, Europe, and Australia operations as at December 31, 2015, an increase of 1% in the exchange rate of USD, GBP, EUR and AUD 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, 2015 of approximately $358 (December 31, 2013 - $340).

*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, 2015, the Company had cash of $73,043, and a $15,000 revolving credit facility available to be drawn against. Amounts borrowed under the credit facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, LIBOR rate, bankers' acceptance rate, or letter of credit rate plus between 0.00% and 2.00% depending on the type of borrowing and the Company's debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. The credit facility is secured by a first priority security interest on the assets of the Company, an unlimited liability guarantee, and a negative pledge from each subsidiary of the Company. The revolving period for the credit facility will end in November 2018 unless extended at the option of the Company. As at December 31, 2015, the Company has not drawn against the credit facility.

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

The Company's financial liabilities, based on contractual undiscounted payments, were $7,140 as at December 31, 2015 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.

## 21 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., Europe, and Australia):

| | **Years ended December 31,** | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| **Revenue** | | |
| Canada | **32,040** | 32,203 |
| United States | **45,470** | 38,253 |
| International | **15,061** | 8,690 |
| | **92,571** | 79,146 |
| **Earnings (loss) from operations** | | |
| Canada | **8,956** | 11,469 |
| United States | **5,175** | 7,112 |
| International | **(1,204)** | (3,833) |
| | **12,927** | 14,748 |

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

| | **December 31, 2015 $** | December 31, 2014 $ |
|---|---|---|
| **Total assets** | | |
| Canada | **94,107** | 77,284 |
| United States | **46,328** | 39,014 |
| International | **6,919** | 4,858 |
| | **147,354** | 121,156 |
| **Intangible assets, excluding goodwill** | | |
| Canada | **351** | 432 |
| United States | **13,678** | 14,003 |
| International | **974** | 1,249 |
| | **15,003** | 15,684 |
| **Goodwill** | | |
| Canada | **249** | 249 |
| United States | **29,644** | 24,918 |
| International | **2,421** | 2,236 |
| | **32,314** | 27,403 |