

Solium CAPITAL

Leading the Evolution of Global Stock Plan Management



LEADERSHIP



VISION



SOLUTIONS

ANNUAL REPORT **2008**

leadership

continuously guiding progress to new heights.



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Overview



PRESIDENT'S MESSAGE 2008

Shareholder's Annual & Special Meeting

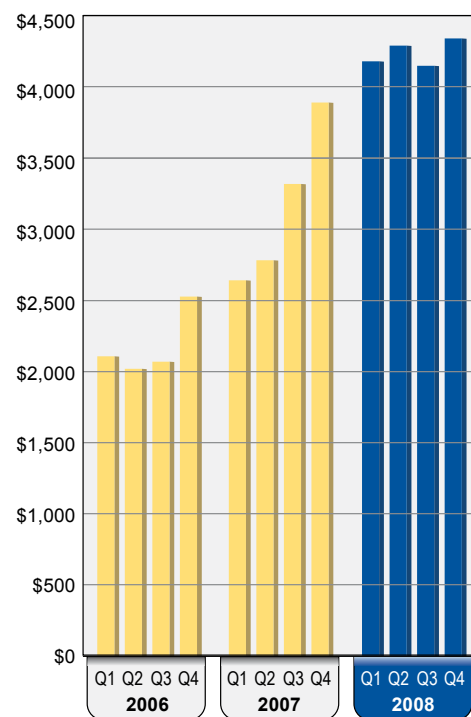
The Annual and Special Meeting of Shareholders of Solium Capital Inc. will be held at 2:00 pm in the Chinook Room 2 and 3 of the Telus Convention Centre, South building, main level, 120 9th Avenue SE. Calgary Alberta on June 10, 2009. We encourage all shareholders unable to attend to sign and return the proxy form prior to the meeting or vote their shares via telephone or internet as per the instructions on the proxy form.

Introduction

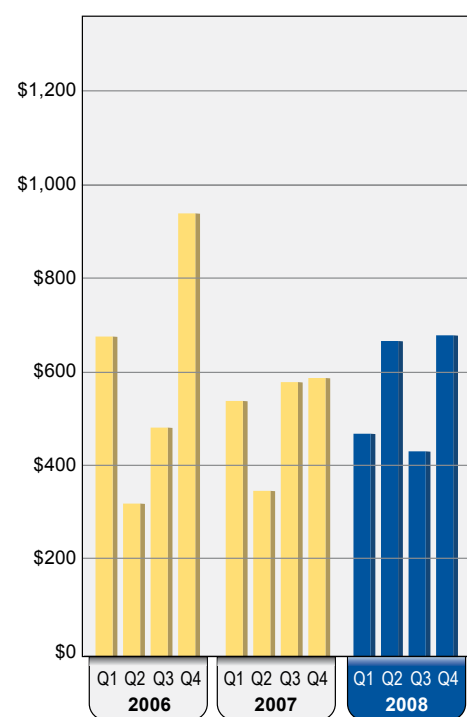
Solium was founded in 1999 and is based in Calgary, Alberta, Canada. Solium is a public company listed on the TSX under the symbol SUM.

The following charts show the financial highlights of the Company for the last three years. See Management's Discussion and Analysis for an explanation of the changes.

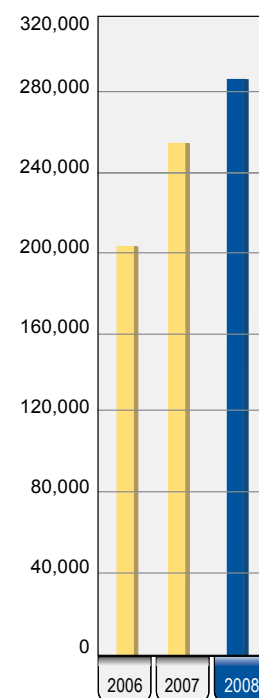
Revenue (\$000s)



EBITDA (\$000s)



Enrolled Participants



Dear Solium Shareholders,

With the conclusion of 2008, Solium Capital has closed a chapter on a year of profound and tumultuous macroeconomic strain that has spared literally no industry and no company from its overpowering grip. We are not isolated from these inescapable forces and it has challenged us every day to act nimbly while keeping a steely focus on our core fundamentals. Our business is closely aligned to share price performance in the broader capital markets and the air coming out of the balloon of our clients' valuations is a significant and unavoidable hindrance to margin performance. We have witnessed this in a dramatic way over the past year with no certainty of where the markets are headed through 2009. In spite of these obstacles, we continued to extend our market reach, grow our revenues and produce positive earnings. I would like to elaborate on a few elements of the past year that I think highlight where we stand today.

Testing the Business Model

I spoke in last year's annual report about the evolution of our revenue model through an announced arrangement with Canaccord Capital in which Solium would be paid fees in connection with access to Solium's Shareworks system and administrative services provided by Solium. The fees paid to Solium are based on the level of trade activity being conducted by Canaccord Capital. We launched this service in mid 2007 and continued to add clients throughout the remainder of that year, which has provided a new source of revenue. We significantly bolstered the expected revenues from this new service entering 2008 by negotiating a similar arrangement with our other long time brokerage partner in Canada – HSBC InvestDirect – assuring all Canadian based trades would be subject to administration and access fees. The constructs of these arrangements will without question positively impact our ongoing margins in the business, but the full impact of this initiative has largely been blunted by the dramatic decline in relative trade activity of Solium's clients, particularly in the last half of 2008.

For the fourth quarter of 2008 alone, the relative trade activity by Solium's clients was only 31% of the previous 5 year average and 26% of what we experienced in 2007. The impact to our operating margins was acute as the aggregate costs of servicing the business day to day are almost completely recognized regardless of the level of associated trade activity.

Under these difficult operating conditions, Solium has been able to grow its overall revenue and generate positive earnings which is a clarifying testament to the durability of the business model we have chosen to evolve. We have long appreciated the diminishing marginal cost of executing this business when we leverage the capabilities and scalability inherent in our technology. We have demonstrated, when under economic siege, we can withstand trying circumstances and still generate sustainable financial results. I would not suggest for a moment this represents the worst conditions Solium will endure, but it has tested us and will continue to test us in the near term and we have so far aptly prevailed. It is illustrative of the intrinsic value we are actively welding into our business model that provides the bedrock to steady us until we are able to harvest more enviable returns in revitalized capital markets.

The Table is Set in the United States

Our expansion into the U.S. market continues to be a work in progress. In mid 2007 we acquired Allecon Stock Associates providing Solium a talented team of U.S. based plan administrators and a profitable book of business. This acquisition was strategic because it solidified a U.S. based operating platform for servicing U.S. clients. We actively worked through the latter half of 2007 and the first half of 2008 integrating Allecon's people and book of business into Solium's operating model. This was largely completed by the end of the second quarter which unencumbered us to really begin in earnest to optimize the business and aggressively pursue new U.S. mandates as a viable and capable competitor amongst long standing U.S. incumbents. Throughout 2008, we signed new contracts valued at \$1.1 million of new annualized license revenue in the U.S. which was a sharp increase over 2007. It would be my expectation that the U.S. growth in 2009, measured in total new license revenue, will rival and even surpass Canada and if achieved, would be a strong validation of the groundwork that has been done over the last few years to establish our presence and credibility in this market.

Another key strategy for our U.S. business is to assemble a portfolio of U.S. based executing brokers to provide trade execution services under similar arrangements as our Canadian counterparts. Today, we count four recognized and well established brokers as partners in the U.S. and we are actively working on signing on more. We have created Solium Financial Services LLC as a separate operating entity to facilitate these arrangements from a regulatory perspective and we subsequently secured our license in December 2008. This now allows Solium to generate administration and access fees from our U.S. brokerage partners starting in 2009. It was a significant undertaking but an important one that layers in another building block of enterprise value.

Considering all the work done in the U.S. over the last year, I can confidently state the table really is set and we are fully ready to execute on our strategy with high expectations for success.

Extending our Revenue Reach

Last year I discussed at the annual meeting the launch of a new company in 2007 called StockVantage. This new venture was created to pursue small and mid cap companies that require better tools to manage and report their grant based plans but typically do not have enough participants in their plans to justify signing on for the Solium enterprise solution offered through Shareworks. StockVantage got out of the blocks quickly signing up 63 new clients by the end of 2007. Fast forward to the end of 2008 and StockVantage counted 252 clients, with annual revenues of \$678,000 and became earnings positive in the fourth quarter of 2008. This initiative has proved a significant success for Solium and provides our company unparalleled reach to every size of client in the market.

In 2008, we launched another new company which leverages the market reach and domain knowledge Solium enjoys today. Solium Equity Consulting Services Inc. will offer a broad spectrum of consulting expertise in the area of equity plans. It allows Solium to translate its extensive understanding of all types of equity plans into advisory services that will help existing clients and new prospects evolve new incentive plans for their employees. It not only further diversifies our mix of products and revenue sources, it further strengthens our brand recognition and can be a powerful stimulus to expand the market through the development of new and innovative equity plans for companies.

Tuning the Machinery

At no time in our history has the focus on driving operating efficiencies been more paramount. We have always been steadfast on uncovering ways in which our technology and processes can be evolved to improve efficiencies and lower operating costs. In 2008 we made significant strides towards that goal. A particular measure we monitor is total expense to recurring license revenue (exclusionary of transactional and one time items). In 2008 we reduced this relative expenditure ratio by 14.8% (excluding StockVantage) versus 2007. It was a combination of factors that drove the end result, but the core catalyst is a corporate culture orientated to continuous streamlining that has served us well – particularly in an environment like we are all operating under today. We will strive to further tune this measure in 2009 and we know there are areas where it can be accomplished.

The Hill Got Steeper

It remains a principal aspiration for Solium to strike significant channel arrangements and we have invested substantial time and resources to consummate such partnerships. Not achieving this in 2008 is a disappointment that I rightly acknowledge. In the same way the sharp deterioration of economic activity stymied transactional revenue, it has been a gale force headwind in our efforts to successfully achieve this objective as well. Many of the firms that represent the best opportunities for channel partnerships in the US are enduring business challenges of historic proportions given the state of the U.S. and global economy. It will require further patience to allow the economy to untangle itself before it becomes clear a deal can be completed. In the interim, we are actively working to develop these key relationships. Throughout these long engagements Solium has cemented its reputation as a best of breed technology solution that can improve the performance of the firms that are considering using our technology. We remain at the table and increasingly we believe it is not a question of if but when.

Over the past year, we have been busy stitching together some very large sails but the air has been frustratingly idle. We look forward to some brisk winds of economic recovery and when they arrive we foresee some swift sailing in our future. It's the looming question we all anxiously want answered - when will economic confidence return and the engines of growth ramp back up? In the time it takes for those answers to become more apparent, rest assured we are not standing still but actively pursuing opportunities in front of us and there are several. We will relentlessly continue to fine tune our Shareworks technology and this commitment to innovation is only widening our technology lead. In truly uncertain times, Solium is focused, healthy and confident in the path we are pursuing. I want to thank you as shareholders for your investment into Solium. We take no measure of solace that it was forces beyond anyone's control that imposed the pressure on our share price throughout 2008. Great companies and strong leadership do not accept such reasoning. Our commitment to your expectation of performance is unwavering and we will work hard to draw opportunity out of difficult circumstance, not succumb to it. Lastly, I extend my gratitude to our employees, Board of Directors, clients and strategic partners for your support and efforts this past year. Thank you for your commitment.

Sincerely,



Jeff English

President & CEO

Solium Capital Inc.

2008

PRESIDENT'S
MESSAGE



Management's Discussion and Analysis FOR THE YEAR ENDED DECEMBER 31, 2008

This Management's Discussion and Analysis ("MD&A") dated as of February 12, 2009 for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2008. The Financial Statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company 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 operating and other costs; business strategy and objectives; market trends; acquisition and disposition plans; the sufficiency of cash and working capital for future operations; and the timing and the completion of various development projects.

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; a continuing increase in 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; and the effect of new accounting pronouncements or guidance.

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. The Company uses future-oriented financial information for budgeting and planning purposes and the information may not be appropriate for other purposes.

Overview of the Company

Solium specializes in the administration and execution of equity-based incentive and savings plans and is setting the industry standard for service excellence, industry knowledge and innovative technical leadership. Solium's technology platform, Shareworks™, is an online solution that integrates the management of multiple equity plan types including stock options, share appreciation rights ("SARs"), share units, restricted stock awards, and employee share purchase and holdings plans on one comprehensive platform ("incentives").

For corporate clients, Shareworks streamlines an administrator's workflow with regards to the issuance of incentives, the exercise of incentives, reporting of incentives and day-to-day maintenance of the incentives database. Shareworks provides constant online access to reports for securities regulators, internal management and financial disclosure purposes.

Shareworks empowers plan participants by providing direct access to the financial markets through Solium's national online brokerage partners. Shareworks also extends online access to participants to review their stock incentive portfolios from any Internet-connected computer, anywhere in the world.

In March 2007, the Company expanded its product suite with the launch of StockVantage™. StockVantage leverages Solium's Shareworks technology to deliver solutions for companies with smaller stock option plans.

For the Shareworks product, revenues are generated from both the corporate clients and the employee participants. Each implementation of a corporate client typically results in a one-time implementation fee, as well as recurring monthly access fees based on the number of employee participants in the application. Revenue is generated from employee participants in the form of transaction fees when an exercise of a stock option, share unit, restricted stock award or SAR occurs, or upon withdrawal of assets from a share purchase or holdings plan. Revenue is also generated through access and administration fees paid to Solium by its brokerage partners in connection with the volume of share transactions driven to the brokerage partners from the Shareworks application.

For the StockVantage product, revenues are generated from the corporate clients in the form of implementation revenue and recurring annual access fees based on the number of employee participants in the application.

The Company markets and sells its products through a direct sales force in Canada and the United States ("U.S."). The Company also has a channel agreement with GRS Securities Inc. ("GRS Securities") in Canada. GRS Securities is a wholly-owned subsidiary of The Canada Life Assurance Company, which is a wholly-owned subsidiary of The Great-West Life Assurance Company. Under a revenue sharing arrangement, GRS Securities utilizes Solium's Shareworks platform as part of its service delivery to clients in Canada.

Strategic Progress Update

The following table shows the progress against several key areas of the Company's business strategy during 2008.

Business Strategy	2008 Results
Direct Sales Growth	<ul style="list-style-type: none"> Strong growth in direct sales clients with the implementation of 61 Shareworks and 188 StockVantage clients throughout 2008. Recurring access fees from direct sales clients grew by \$4.5 million or 62% between fiscal 2007 and 2008. Participants collectively using either grant-based or share purchase functionality on Shareworks or StockVantage increased by more than 33,000 participants or 13%.
Market Expansion	<ul style="list-style-type: none"> Transition of the Allecon Stock Associates LLC ("Allecon") client portfolio over to the Shareworks platform was materially completed. Client attrition associated with the transition of Allecon clients occurred within expectations. Direct sales team in the U.S. was expanded to five salespeople.
Channel Relationships	<ul style="list-style-type: none"> Canadian channel relationship with GRS Securities Inc. ("GRS Securities") was reduced significantly during 2008 due to the wind down of GRS Securities' equity administration business. GRS Securities participants serviced by Solium decreased from approximately 56,000 to 10,000 between fiscal 2007 and 2008. The exclusivity provision in the contract, as a result, has now expired. The Company continues to explore channel opportunities in the U.S.
Revenue Enhancement	<ul style="list-style-type: none"> New revenue stream from Solium's Canadian brokerage partners began to demonstrate its significance to the Company's operating results. Access and administration fees from brokerage partners related to their access to Shareworks was \$990,755 and made up approximately 6% of total revenue in 2008. The required regulatory approval to permit the collection of brokerage access and administration fees in the U.S. was obtained in December 2008.
Product Diversification	<ul style="list-style-type: none"> The StockVantage product gained momentum through 2008. Revenue from StockVantage was \$678,000 in 2008, approximately 4% of consolidated revenue. Implementation began on a new money movement solution that will transition money movement and foreign exchange services and the associated revenues from the Company's brokerage partners to the Company. Roll out of the new solution is largely completed in the U.S. and full roll out in Canada is anticipated during the first half of 2009.
Product Innovation	<ul style="list-style-type: none"> Ongoing enhancements were made to the Shareworks platform to further meet the needs of the U.S. market, support new business, enhance scalability and reduce ongoing operational costs.
Cost Optimization	<ul style="list-style-type: none"> The Company continued to strive for operational improvements aimed at reducing the average cost to service a participant. Operational costs associated with servicing clients as a percentage of recurring access fee revenue improved from 71% at the beginning of 2008 to 63% at the end of the year, an improvement of 8%. This is estimated to be equivalent to approximately \$930,000 in annual cost savings.

Financial Highlights

	2008	% Change	2007	% Change	2006
Total revenues	\$17,039,855	36%	\$12,544,270	44%	\$8,695,784
EBITDA ⁽¹⁾	\$2,240,273	9%	\$2,051,264	(13%)	\$2,370,132
Earnings before taxes	\$1,215,176	(13%)	\$1,403,596	(34%)	\$2,117,407
Net earnings	\$674,116	(46%)	\$1,244,442	(50%)	\$2,477,407
Per share - basic	\$0.022	(49%)	\$0.043	(51%)	\$0.087
Per share - diluted	\$0.022	(45%)	\$0.040	(52%)	\$0.083
Margins					
EBITDA	13%	(3%)	16%	(11%)	27%
Earnings before taxes	7%	(4%)	11%	(13%)	24%
Net earnings	4%	(6%)	10%	(18%)	28%
Total assets	\$15,233,944	2%	\$14,863,554	135%	\$6,312,980
Total long-term liabilities	\$2,144,459	(22%)	\$2,753,705	1,014%	\$247,244
Cash dividends declared	\$Nil	-	\$Nil	-	\$Nil

Note:

1. Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis. The measure is a key component in determining the annual bonus pool for staff and management.

The following is a reconciliation of EBITDA to net earnings:

	2008	2007	2006
EBITDA	2,240,273	2,051,264	2,370,132
Interest expense	(161,967)	(116,942)	-
Amortization	(863,130)	(530,726)	(252,725)
Income tax (expense) recovery	(541,060)	(159,154)	360,000
Net earnings	674,116	1,244,442	2,477,407

Key Aspects of Overall Performance in 2008

Despite a challenging economic environment in 2008, the Company experienced growth in its business. Top line revenue grew by 36% between fiscal 2007 and 2008, and EBITDA increased by 9%. Notwithstanding the growth in the business and cash flow, the Company did experience a decrease to its net earnings of 46% between fiscal 2007 and 2008 as a result of increased amortization, interest and tax expense.

Some of the key aspects of the Company's overall performance in 2008 were:

- **Strong organic growth:** The Company experienced strong organic growth in the addition of direct sales clients. Canadian clients with annualized access fees of approximately \$1.9 million and U.S. clients with annualized access fees of approximately \$680,000 were implemented onto Shareworks during the year. StockVantage clients with annualized access fees of approximately \$530,000 were added during the year.
- **Depressed transaction revenue:** Transaction activity was at its lowest level relative to participant population since the Company's inception. Due to weak capital market conditions and the overall decline in the share valuations of Solium's client portfolio, transaction activity and the associated revenues did not grow at a corresponding rate to the growth of the Company's book of direct sales clients in 2008 compared to previous years. Participant trade activity in Canada in 2008 relative to the number of direct sales participants was 52% of the average annual level in 2007, and was 62% of the average 5-year annual historical level. Trade activity fell most significantly in the fourth quarter of 2008, when it was 31% of the average 5-year annual historical level. For comparative purposes, the Canadian book of business represents the bulk of the Company's business and can reasonably be assumed to be indicative of the relative transaction activity expected in the Company's overall book of business.
- **Constrained impact of brokerage access and administration fees:** Brokerage access and administration fees were introduced as a new revenue stream in the latter part of 2007. These fees contributed to a growth in overall revenue year-over-year. However, similar to Solium transaction fees, brokerage access and administration fees are primarily driven by the level of transaction activity which, as noted above, exhibited relative weakness as compared to historical levels. Consequently, the full potential impact to the Company's financial results was constrained during 2008.

In 2008, brokerage access and administration fees were earned only in Canada. Regulatory approval to permit such payments in the U.S. was received in December 2008. Similar relationships have been entered into with brokers in the U.S. and access and administration fees will be payable to Solium by these brokers beginning in 2009.

- **Transition of Canadian channel relationship:** GRS Securities, the Company's Canadian channel partner, largely wound down its equity administration business and transitioned toward a focus on core non-equity products in 2008. This new focus resulted in GRS Securities significantly reducing its direct use of Solium's Shareworks technology. This process began in late 2007. Prior to the change in GRS Securities' business, Solium serviced approximately 105,000 participants under the channel relationship. As at December 31, 2008, approximately 44,000 participants had transitioned over to Solium as direct sales clients and approximately 51,000 participants had been removed from Solium's system. Approximately 10,000 participants were still being serviced under the channel relationship, and are expected to continue on a go-forward basis. The resulting decrease to the plans serviced by GRS Securities resulted in a decrease of \$1,693,180 in channel revenue between fiscal years 2008 and 2007.
- **Operational efficiency improvements:** The Company continued to focus on improving operational efficiencies throughout the organization. As a result, the Company improved core operational costs (which exclude expenses related to implementation, product development, sales and marketing, and administration) as a ratio of recurring access fee revenue from 71% at the beginning of 2008 to 63% at the end of the year. This represents an improvement of 8% (estimated to be equivalent to approximately \$930,000 in annual cost

savings). The recurring access fee revenue serves as the foundational, stable base for funding Solium's operations. As a result, the Company continually strives for operational improvements that allow for the addition of recurring access fee revenue at a greater rate than the addition of costs to service the business.

- **Full year impact of U.S. operational results:** Solium Capital LLC ("Solium LLC" - formerly known as Allecon) contributed a full year of operational results in 2008 compared to a partial year in 2007 following the acquisition of Allecon in July 2007. U.S. revenue of \$4,265,004 (2007 - \$1,937,698) was 25% of total consolidated revenue in 2008 (2007 - 18%).

The amortization of intangible assets totaling \$574,292 (2007 - \$283,155), and interest from the long-term debt used to finance the acquisition of Solium LLC (formerly known as Allecon) totaling \$161,967 (2007 - \$116,942) contributed to a total net loss from U.S. operations of \$442,733 in 2008 (2007 - \$805,717).

It is estimated that an allocation of costs from the Canadian operations to the U.S. operations for shared operational and development resources would decrease the operating margin, before taxes, of the U.S. operations by as much as \$1,200,000 in 2008. This estimate is calculated based on participant counts and partially represents costs of servicing the U.S. business that were incremental to the Canadian operations. A formal transfer pricing model between the Canadian and U.S. operations will become effective January 1, 2009.
- **Foreign exchange:** The converted value of the Company's U.S. operations is impacted by fluctuations in the U.S. dollar exchange rate relative to the Canadian dollar. In 2008, the Canadian dollar depreciated 22% on average relative to the U.S. dollar. The Company's net earnings were favorably impacted by approximately \$276,000 in 2008 due to the gain associated with translating U.S. dollar results and converting the value of U.S. dollar denominated monetary assets to Canadian dollars throughout the year.
- **Income taxes:** The Company's success and positive operating results in the Canadian market resulted in taxable income in Canada in 2008. Income tax expense was \$541,060 for the year ended December 31, 2008 (2007 - \$159,154). The future tax asset previously recognized on the balance sheet for Canadian tax loss carry forwards and tax pools was fully drawn down during 2008. As a result, the Company had income taxes payable for federal and provincial taxes of \$203,061 as at December 31, 2008.

Results from Operations - Comparison of Fiscal Year 2008 to 2007

Net Financial Results

The Company had earnings before taxes of \$1,215,176 in 2008 (2007 – \$1,403,596). After the effect of an income tax provision of \$541,060 (2007 – \$159,154), net earnings for 2008 were \$674,116 (2007 – \$1,244,442).

Revenue - Overview

Gross revenue in 2008 was \$17,039,855 (2007 - \$12,544,270). This represents an increase of \$4,495,585 or 36% over the results from 2007. Revenue from Canadian operations was \$12,774,851 in 2008 (2007 - \$10,606,572) while revenue from U.S. operations was \$4,265,004 (2007 - \$1,937,698).

Monthly access fees from full service direct sales clients were distributed in the following geographic locations as at December 31:

	2008 %	2007 %
Canada	75	67
United States	25	33
	100	100

The Company continues to experience strong organic growth in the addition of direct sales clients. Canadian clients with annualized access fees of approximately \$1.9 million and U.S. clients with annualized access fees of approximately \$680,000 were implemented onto Shareworks during 2008. New clients were partially offset by client losses. Canadian clients with annualized access fees of approximately \$470,000 were lost due to client mergers and acquisition activity, and approximately \$35,000 were lost due to client bankruptcies. U.S. clients with annualized access fees of approximately \$350,000 were lost due to clients' decisions not to transition from Allecon, and approximately \$110,000 were lost due to client bankruptcies.

Sales of StockVantage progressed well for the Company during 2008. As at December 31, 2008, 252 clients with 12,473 participants were using the StockVantage platform contributing approximately \$678,000 of revenue in the year (2007 - \$71,000).

Transaction activity was at its lowest level relative to participant population since the Company's inception. Due to weak capital market conditions and the overall decline in the share valuations of Solium's client portfolio, transaction activity and the associated revenues did not grow at a corresponding rate to the growth of the Company's book of direct sales clients in 2008 compared to previous years. Participant trade activity in Canada in 2008 relative to the number of direct sales participants was 52% of the average annual level in 2007. For comparative purposes, the Canadian book of business represents the bulk of the Company's business and can reasonably be assumed to be indicative of the relative transaction activity expected in the Company's overall book of business.

During the year, the Company generated \$990,755 of brokerage access and administration fees from its agreements with its brokerage partners in Canada (2007- \$54,909). Such fees were constrained by the level of transaction activity which, as noted above, exhibited a relative weakness as compared to historical levels. Consequently, the full potential impact to the Company's financial results was constrained during 2008. In 2008, brokerage access and administration fees were earned only in Canada. Regulatory approval was received in December 2008 allowing such fees to be collected from brokerage partners in the U.S. Similar relationships have been entered into with brokers in the U.S. and access and administration fees will be payable by these brokers beginning in 2009.

The increase to revenues from the prior year is attributable to the changes in the following categories:

	2008 \$	2007 \$
Grant based incentives services		
Direct Sales		
Access and implementation fees	8,021,326	4,975,608
Transaction fees	1,841,611	1,454,383
Brokerage access and administration fees	623,444	54,909
Channel	-	25,042
	10,486,381	6,509,942
Share purchase services		
Direct sales		
Access and implementation fees	3,902,046	2,365,870
Transaction fees	783,479	650,959
Brokerage access and administration fees	367,311	-
Channel	824,265	2,492,403
	5,877,101	5,509,232
Consulting services	676,373	525,096
	17,039,855	12,544,270

Grant Based Incentives

Grant based incentives include stock options, share appreciation rights, share unit and restricted stock award plans.

Access and implementation fees from direct sales clients totaled \$8,021,326 in 2008 (2007 - \$4,975,608). A full year of operations for clients previously serviced by Allecon resulted in access and implementation fees of \$3,015,669 from U.S. operations in 2008. The acquisition of Allecon occurred in July 2007, consequently \$1,346,122 included only six months of access and implementation fees from Allecon clients in 2007.

Total participant transaction and brokerage access fees generated from grant based incentive plans totaled \$2,465,055 in 2008 (2007 - \$1,509,292).

As at December 31, 2008, the Company had 164,887 grant-based incentive plan participants (2007 – 117,212) being serviced by the Company. U.S. clients accounted for approximately 50,000 of these participants. The Company implemented 40 Canadian grant based incentive plans with approximately 30,000 participants and annualized access fees of \$1.1 million onto Shareworks during the year. 26 U.S. grant based incentive plans with approximately 6,000 participants and annualized access fees of \$600,000 were implemented during 2008. 188 plans with 8,300 participants and annualized access fees of approximately \$530,000 were implemented onto the StockVantage application during 2008.

Share Purchase

Share purchase access and implementation fees from direct sales clients totaled \$3,902,046 in 2008 (2007 - \$2,365,870). Total participant transaction and brokerage access fees generated from share purchase plans totaled \$1,150,790 in 2008 (2007 - \$650,959).

Share purchase channel revenue from GRS Securities totaled \$824,265 in 2008 (2007 - \$2,492,403). The decrease in channel revenue compared to 2007 is mainly due to the business recalibration that GRS initiated in 2007.

As at December 31, 2008, the Company had 120,820 share purchase plan participants (2007 – 135,151) being serviced by the Company. 110,078 participants were from direct sales clients (2007 – 79,529) and 10,742 (2007 – 55,622) were from the GRS Securities channel relationship. U.S. clients accounted for approximately 10,000 of the direct sales participants. During the year, the Company implemented 19 Canadian share purchase plans with approximately 11,000 participants and annualized access fees of \$760,000 onto Shareworks. Five U.S. share

purchase plans with approximately 1,300 participants and annualized access fees of \$70,000 were implemented in 2008. The decline in the number of GRS Securities participants serviced was a result of the business recalibration by GRS Securities that took place in 2008 (see Key Aspects of Overall Performance in 2008 section of this MD&A for further discussion).

Consulting services

Consulting services revenue totaled \$676,373 in 2008 (2007 - \$525,096). Consulting services were comprised of special projects for clients related to designing new entitlement plans, amending existing entitlement plans, or performing tasks associated with special events such as stock splits, or mergers and acquisitions.

Expenses - Overview

Total operating expenses in 2008 were \$15,824,679 (2007 - \$11,140,674).

The Company continues to invest in its U.S. operations and initiatives. Expenses incurred in the U.S. operations were \$4,812,679 in 2008 (2007 - \$2,779,989) of which approximately \$3.9 million related to Solium LLC (formerly known as Allecon).

The increase in expenses also resulted partially from the expansion of personnel and operational capabilities in response to the increase in direct sales clients and in preparation for continued growth. In addition, the Company invested in its Shareworks technology through the addition of development staff throughout 2007 and in the first quarter of 2008.

Expenses incurred in connection with StockVantage totaled \$720,841 in 2008 (2007 - \$301,286).

During 2008, the Company continued its focus on improving operational efficiencies throughout the organization. As a result, the Company improved core operational costs (which exclude expenses related to implementation, product development, sales and marketing, and administration) as a ratio of recurring access fee revenue from 71% at the beginning of 2008 to 63% at the end of the year. This represents an improvement of 8% (estimated to be equivalent to approximately \$930,000 in annual cost savings). The recurring access fee revenue serves as the foundational stable base for funding Solium's operations. As a result, the Company continually strives for operational improvements that allow for the addition of recurring access fee revenue at a greater rate than the addition of costs to service the business.

Salaries and Wages

Salaries and wages expense was \$10,823,328 in 2008 (2007 - \$7,353,044). The Company ended 2008 with 128 employees (2007 - 118), of which 28 employees were from Solium LLC (formerly known as Allecon). Staffing additions and the inclusion of Solium LLC (formerly known as Allecon) for a full year of operations in 2008 contributed to the increased salaries and wages expense between fiscal years 2008 and 2007.

A non-recurring charge of U.S. \$125,000 was paid during the third quarter of 2008 to an executive in the U.S. in relation to certain conditions in his employment agreement. These conditions were met during the third quarter and consequently the expense was fully recognized in 2008.

Year-end staff bonuses accrued by the Company at December 31, 2008 totaled \$660,080 (2007 - \$325,187). Bonuses to staff are paid out after year-end based on individual and corporate performance during the year.

Stock based compensation expense recognized in 2008 totaled \$675,427 (2007 - \$423,338). Stock options to acquire an aggregate of 1,782,500 common shares were granted during 2007 and stock options to acquire a further 672,500 common shares were granted during 2008, resulting in increased stock based compensation expense between fiscal 2008 and 2007.

\$95,957 was incurred during 2008 (2007 - \$57,590) for employer contributions to the Company's Employee Profit Sharing and Employee Share Purchase Plans.

General and Administrative

General and administrative expenses totaled \$4,244,784 in 2008 (2007 - \$3,127,294), of which approximately \$818,864 were attributable to Solium LLC (formerly known as Allecon). The increase from the prior year is attributable to the changes in the following categories:

	2008 \$	2007 \$
Data feeds	169,811	65,451
Directors fees	57,713	10,125
Insurance	126,368	116,370
IT systems and phones	620,044	583,210
Outsourced customer services	567,546	255,052
Professional fees	673,075	511,691
Regulatory compliance	59,891	156,331
Rent and occupancy	808,356	457,735
Travel and entertainment	617,874	492,767
Other	544,106	478,562
	4,244,784	3,127,294

Data feeds increased by \$104,360 between 2008 and 2007. The increase was mainly due to a billing adjustment of \$65,000 in the fourth quarter of 2007 from its major data feed provider relating to disputed charges dating back to 2005, coupled with a price increase from all data feed providers effective January 1, 2008.

Outsourced customer services increased by \$312,494 between 2008 and 2007 as a result of increased usage of temporary staff as well as the increased usage of an outsourced service provider for the issuance of tax slips and participant statements.

Professional fees increased by \$161,384 between 2008 and 2007 as a result of increased audit, accounting and tax services.

Regulatory and compliance expenses decreased by \$96,440 between 2008 and 2007. This decrease is mainly attributable to a one-time fee of \$93,657 paid to the TSX with respect to the new listing of the common shares of the Company on the TSX in March 2007.

Rent and occupancy expenses increased by \$350,621 between 2008 and 2007. The addition of new subleased office space in Calgary during the fourth quarter of 2007 resulted in increased rent and occupancy costs in Canada of approximately \$130,636 between 2008 and 2007. The inclusion of Solium LLC (formerly known as Allecon) for a full year of operations in 2008 added approximately \$178,443 in rent and occupancy costs during fiscal 2008 compared to 2007.

Travel and entertainment expenses increased by \$125,107 between 2008 and 2007. The Company incurs travel expenses due to sales and business development in Canada and the U.S., and due to travel associated with clients located in various geographic locations. Such travel increased between 2008 and 2007. In addition, costs specifically associated with Solium LLC integration were \$46,125 during 2008.

Other general and administrative expenses include, among other things, such costs as office supplies, postage and courier, service charges, business taxes, and marketing and promotion.

Amortization

Amortization expense was \$863,130 in 2008 (2007 - \$530,726). The increase between 2008 and 2007 is attributable to the addition of \$456,978 of capital assets during 2008 (2007- \$411,374), and \$291,137 of amortization expense (2007- \$130,698) recognized on intangible assets added through the acquisition of Solium LLC (formerly known as Allecon). Intangible assets are comprised of customer contracts and key employment agreements.

Interest on Long-term Debt

Solium obtained a \$3.5 million term loan in connection with the acquisition of Solium LLC (formerly known as Allecon). The term loan is due on July 19, 2010, bears interest at the prime rate plus 1% per annum, and is repayable in monthly installments of \$97,223 plus interest. \$161,967 of interest expense was incurred on this term loan during 2008 (2007 - \$116,942) at an average rate of interest of 5.18% per annum (2007 - 6.23%).

Foreign Exchange Gain or Loss

A \$268,530 foreign exchange gain was recorded during 2008 (2007 - \$12,668 loss). Foreign exchange gains and losses arise from the conversion of certain U.S. dollar transactions recorded in the Canadian operations, the conversion of U.S. dollar assets and liabilities carried in Canadian operations, and the conversion of the net assets held in the U.S. from U.S. dollars to Canadian dollars. The foreign exchange gain during 2008 reflects the increasing strength of the U.S. dollar against the Canadian dollar during the year. In 2008, the Canadian dollar depreciated 22% on average relative to the U.S. dollar.

Income Taxes

\$541,060 of income tax expense was recorded in 2008 (2007 - \$159,154).

The future tax asset previously recognized on the balance sheet for Canadian tax loss carry forwards and tax pools was fully drawn down during 2008. As a result, the Company had income taxes payable for federal and provincial taxes of \$203,061 as at December 31, 2008.

Summary of Quarterly Results

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

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Grant based participants ¹	164,887	162,444	132,660	120,151	117,212	120,381	69,605	66,657
Share purchase participants	120,820	105,695	123,411	128,920	135,151	146,896	140,451	142,960
Revenues	\$4,371,511	\$4,162,775	\$4,313,028	\$4,192,541	\$3,887,287	\$3,344,542	\$2,706,054	\$2,606,387
Expenses	\$3,917,753	\$3,972,313	\$3,903,836	\$4,030,777	\$3,546,574	\$2,969,742	\$2,462,198	\$2,162,160
EBITDA ²	\$672,877	\$434,839	\$663,641	\$468,916	\$588,095	\$579,063	\$345,688	\$538,418
Earnings before taxes	\$453,758	\$190,462	\$409,192	\$161,764	\$340,713	\$374,800	\$243,856	\$444,227
Net earnings	\$358,173	\$47,595	\$215,974	\$52,374	\$126,946	\$395,413	\$270,356	\$451,727
Per share								
- basic	\$0.012	\$0.002	\$0.007	\$0.002	\$0.004	\$0.014	\$0.010	\$0.016
- diluted	\$0.012	\$0.002	\$0.007	\$0.002	\$0.004	\$0.013	\$0.009	\$0.015

Notes:

- Grant based participants include participants in stock option plans, share appreciation rights plans, share unit plans, and restricted stock award plans.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis. The measure is a key component in determining the annual bonus pool for staff and management.

The following is a reconciliation of EBITDA to net earnings:

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBITDA	672,877	434,839	663,641	468,916	588,095	579,063	345,688	538,418
Interest expense	(29,938)	(36,462)	(41,800)	(53,767)	(68,055)	(48,887)	-	-
Amortization	(189,181)	(207,915)	(212,649)	(253,385)	(179,327)	(155,376)	(101,832)	(94,191)
Income tax (expense) recovery	(95,585)	(142,867)	(193,218)	(109,390)	(213,767)	20,613	26,500	7,500
Net earnings	358,173	47,595	215,974	52,374	126,946	395,413	270,356	451,727

Factors Contributing to Quarterly Results

Seasonality

Fees collected from clients in the form of annual access fees are recurring in nature and are not affected by seasonal factors. However, transaction fees collected from participants upon the exercising of stock based incentive plans or the withdrawal of assets from share purchase plans have displayed a seasonal trend. The Company typically experiences increased transaction revenue during the first quarter of the year in line with the seasonal nature of participant transaction activity.

Solium Capital LLC

On July 19, 2007, the company acquired all of the outstanding membership interests of Allecon based in Southfield, Michigan. Allecon was renamed Solium Capital LLC subsequent to the acquisition. The financial results of Solium LLC were included in the consolidated results of the Company effective July 19, 2007 resulting in a step up to revenues and expenses starting in the third quarter of 2007. Revenue increased by approximately \$700,000 and expenses increased by approximately \$550,000 between the second and third quarters of 2007 immediately after the addition of Solium LLC. Net earnings were affected by approximately \$50,000 between the same quarters.

Market Volatility

Transaction fees collected from participants upon the exercising of stock based incentive plans or the withdrawal of assets from share purchase plans are variable in nature. The magnitude of transaction fees earned in a period is dependent upon such factors as the overall condition of the stock market, the trading price of the stock of a client, the specific vesting terms within a client's plan and other rules stipulated within a client's plan.

During 2008, transaction activity was at its lowest level relative to participant population since the Company's inception. Due to weak capital market conditions and the overall decline in the share valuations of Solium's client portfolio, transaction activity and the associated revenues did not grow at a corresponding rate to the growth of the Company's book of direct sales clients in 2008 compared to previous years. Participant trade activity in Canada in 2008 relative to the number of direct sales participants was 52% of the average annual level in 2007, and was 62% of the average 5-year annual historical level. Trade activity fell most significantly in the fourth quarter of 2008, when it was 31% of the average 5-year annual historical level. For comparative purposes, the Canadian book of business represents the bulk of the Company's business and can reasonably be assumed to be indicative of the relative transaction activity expected in the Company's overall book of business.

StockVantage

At the end of the second quarter of 2007, the Company began selling a scaled down, self-service stock option product called StockVantage. The introduction of StockVantage resulted in added revenue and expenses of approximately \$20,000 and \$81,000, respectively. StockVantage has continued to contribute increasing revenue over past quarters with approximately \$240,760 in the most recent fourth quarter of 2008. Net operating results from StockVantage have also progressively increased since its introduction in the second quarter of 2007, with net earnings of approximately \$14,296 in the fourth quarter of 2008.

GRS Securities Inc.

GRS Securities Inc., the Company's channel partner began a process in the fourth quarter of 2007 of winding down its equity administration business whereby it transitioned toward a focus on core non-equity products within its business. This new focus resulted in GRS Securities significantly reducing its direct use of Solium's Shareworks technology. Prior to the recalibration of GRS Securities' business, Solium serviced approximately 105,000 participants under the channel relationship. As at December 31, 2008, approximately 44,000 participants had transitioned over to Solium as direct sales clients and approximately 51,000 participants had been removed from Solium's application. Approximately 10,000 participants were still being serviced under the channel relationship, and are expected to continue on a go-forward basis. The resulting decrease to the plans serviced by GRS Securities resulted in a decrease of \$1,693,180 in channel revenue between fiscal years 2008 and 2007.

As a result of the transition of participants from the channel relationship to direct sales clients, approximately \$1.8 million of annualized access fees have been added. Factoring in transaction revenue and brokerage administration fees associated with these direct sales clients, which had not previously been included in the channel arrangement, along with new plans implemented for these clients, it is expected that the comparative revenue will not be significantly different than the channel revenue previously generated. However, it is anticipated that margins related to this business being served directly versus through the channel arrangement will be relatively compressed.

Brokerage Access and Administration Fees

The Company has agreements in place with its brokerage partners in Canada (the "Brokers") whereby the Brokers pay to Solium administration fees related to their access to Shareworks. The brokerage access and administration fees from the Brokers vary in line with transactional activity. Brokerage access and administration fees have totaled \$211,428, \$366,954, \$216,729 and \$195,644 in the consecutive four quarters of 2008.

Currently, brokerage access and administration fees are earned only in Canada. Similar relationships have been entered into with brokers in the U.S. and access and administration fees will be payable to Solium by these brokers beginning in January 2009.

Income Taxes

Through 2006 and 2007, the Company recorded the benefit of Canadian loss carry forward and tax pool amounts to the extent that management believed these assets would be utilized to offset future taxable income. This resulted in net tax recoveries being recorded over the period. During 2008, future tax assets previously recorded for Canadian tax pools were utilized to offset taxable income and federal taxes payable for the Canadian parent company. As at December 31, 2008, these future tax assets had been fully utilized.

Analysis of Fourth Quarter 2008

Net earnings of \$358,173 (2007 - \$126,946) increased in the fourth quarter of 2008 in comparison to the results of the fourth quarter in 2007. Earnings before taxes of \$453,758 in the fourth quarter of 2008 (2007 - \$340,713) also increased compared to the fourth quarter of 2007.

Financial results between the comparable quarters in 2008 and 2007 increased mainly as a result of the following:

- Consolidated revenues in the fourth quarter of 2008 were \$4,371,511 (2007 - \$3,887,287), an increase of 12% over the same quarter in 2007, while expenses in the fourth quarter of 2008 were \$3,917,753 (2007 - \$3,564,574), an increase of 10% over the fourth quarter of 2007.
- Canadian clients with annualized access fees of approximately \$140,000 and U.S. clients with annualized access fees of approximately \$210,000 were implemented onto Shareworks during the fourth quarter of 2008. StockVantage clients with annualized access fees of approximately \$100,000 were implemented during the fourth quarter.
- Investment in the Company's strategic initiatives continued in the fourth quarter of 2008. Consolidated results were improved by a net profit in the U.S. operations of \$35,755 (2007 - loss \$117,379). A net profit of \$34,581 was also earned during the fourth quarter of 2008 (2007 - loss \$81,494) in the operation of StockVantage.
- Salaries and wages expense increased by \$360,266 between the comparable quarters as a result of the expansion in operations due to the addition of direct sales clients and the continued investment in building out the Shareworks technology, and the increase of the year-end bonus accrual.
- Income taxes decreased by \$114,842 between the comparable quarters.
- A foreign exchange gain of \$201,469 (2007 - \$38,525) was recorded in the fourth quarter of 2008 as a result of the strengthening of the U.S. dollar to the Canadian dollar.

Financial Condition, Liquidity and Capital Resources

Cash and Working Capital

Cash on hand as at December 31, 2008 was \$2,249,317 (2007 - \$1,706,265). Working capital as at December 31, 2008 was \$2,611,310 (2007 - \$1,414,028). The Company has historically incurred a nominal amount of bad debt expense. As at December 31, 2008, the Company incurred \$37,916 for bad debts (2007 - \$Nil). Due to the recent economic conditions, management focused on the collection of accounts receivable during the year. As at December 31, 2008, the balance of accounts receivable outstanding for greater than 60 days was 16% of total accounts receivable (2007 - 22%).

Cash Flows

Overall, \$543,052 of cash was generated during 2008 (2007 - usage \$1,368,502).

Cash flow from operating activities was \$3,031,262 in 2008 (2007 - \$1,452,743).

Cash flow from financing activities was negative \$948,191 in 2008 (2007 - \$3,139,467). In July 2007, the Company obtained long-term debt of \$3.5 million to finance the acquisition of Allecon. Principal repayments on this debt occurred for a full year in 2008 compared to a partial year in 2007, resulting in an increased usage of cash of \$680,561 between the fiscal periods.

Cash flow from investing activities was negative \$1,610,767 in 2008 (2007 - negative \$5,951,106). \$6.7 million of cash was utilized in the acquisition of Allecon during 2007. In 2008, the final cash payment of U.S. \$1 million was made in connection with the acquisition of Allecon. In addition, U.S. \$36,454 was paid as interest on these funds.

Liquidity

It is expected that the Company will generate enough cash and working capital from operations to fund ongoing operations and growth strategies. The Company does not foresee any material fluctuations in its liquidity or working capital position and based on the present level of recurring revenue and expenses, does not foresee any significant change to its working capital requirements.

Contractual Obligations

	Payments Due by Fiscal Period				
	Total	2009	2010	2011	2012 and beyond
Operating leases	951,836	348,757	304,757	221,568	76,754
Long-term debt obligations ¹	1,847,209	1,166,676	680,533	-	-
Purchase obligations	-	-	-	-	-
Total Contractual Obligations	2,799,045	1,515,433	985,290	221,568	76,754

Notes:

1. Long-term debt is due on July 19, 2010 and is repayable in monthly installments of \$97,223

Capital Expenditures

Capital expenditures of \$456,978 in 2008 (2007 - \$411,374) were comprised mainly of furniture, equipment, computer hardware, and computer software. In addition, costs of \$86,445 associated with obtaining the U.S. brokerage firm licensing in the U.S. was capitalized to intangible assets during 2008.

Capital purchases of computer equipment, furniture and fixtures are expected to be less than \$500,000 for 2009.

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

Capital Resources

The Company has a demand operating credit facility of \$1,500,000 available through a Canadian bank. To date, no amounts have been drawn on this credit facility. This facility bears interest at prime rate plus 0.25% per annum. The Company is currently in compliance with the financial covenants associated with this credit facility. Current economic conditions have not caused a change in the company's objectives, policies or procedures for managing capital.

Transactions with Related Parties

During the year ended December 31, 2008, the Company utilized legal services for general corporate matters totaling \$142,781 (2007 - \$199,824) plus applicable taxes, which were provided by a firm in which a Director of the Company is a partner. These services were measured at fair market value. As at December 31, 2008, \$10,345 (2007 - \$10,860) was payable, inclusive of applicable taxes.

Critical Accounting Estimates

The Company's significant accounting policies are detailed in Note 2 of the December 31, 2008 audited consolidated financial statements. In the determination of financial results, the Company must make certain significant accounting estimates as follows:

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax bases as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses the realizability of its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

In determining the valuation allowance to establish against these future tax benefits, the Company considers many factors, including the specific tax jurisdiction, the carry forward period, income tax strategies, and forecasted earnings. A valuation allowance is recognized if, based on the weight of available evidence, the Company concludes that it is more likely than not that some portion or all of the future tax benefits will not be realized. On the basis of consecutive quarters of profitability and the Company's forecasts of operating results for the foreseeable future, it has determined that it is more likely than not that a portion of the future income tax assets will be realized.

In evaluating the realizability of the future income tax asset, the financial results of the last four financial quarters are used as a key indicator. In addition, assumptions about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth are inherent in estimating the realizability of the future tax benefits.

Intangible Assets and Goodwill

Goodwill is not amortized but is evaluated for impairment annually during the fourth quarter or more often if events or circumstances indicate there may be an impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the business unit over the fair value of its net tangible and other intangible assets.

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

The valuation approaches used to test for impairment use key judgments and assumptions that are sensitive to change, which include appropriate sales growth rates, operating margins, weighted average costs of capital (WACC), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the estimated fair value of the business unit or intangible assets. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and key judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. For example, should a significant or prolonged deterioration in economic conditions occur, key judgments and assumptions could be impacted. A decline in estimated operating income or an increase in WACC or a prolonged decline in market conditions could result in an additional indication of impairment.

The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. At the end of fiscal 2008, the market capitalization of Solium was \$23

million compared to a book value of \$9.7 million. Consequently, a potential impairment of goodwill and intangible assets was not more than likely.

Based on results of the impairment tests as at December 31, 2008, the carrying values of goodwill for the U.S. operations and intangible assets exceeded their fair values and no impairment existed.

Changes in Accounting Policies Including Initial Adoption

Capital disclosures

As a result of the new CICA Handbook Section 1535 – *Capital Disclosures*, the Company has included additional information in the notes to the financial statements about its capital and the manner in which it is managed.

Disclosure and presentation of financial instruments

New accounting recommendations for disclosure and presentation of financial instruments in CICA Handbook Section 3862 – *Financial Statement Disclosures* and CICA Handbook Section 3863 – *Financial Statements Presentations* are effective for the Company beginning January 1, 2008. In accordance with the new recommendations, the Company has disclosed both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

Future Accounting Pronouncements

Goodwill and intangible assets

In February 2008, CICA Handbook Section 3064 - *Goodwill and Intangible Assets* was issued replacing Section 3062 - *Goodwill and Other Intangible Assets* and Section 3450 - *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect there to be a significant impact on its consolidated financial statements.

Business combinations

In January 2009, CICA Handbook Section 1582 – *Business Combinations* was issued replacing the former Section 1581 – *Business Combinations*. This section establishes standards for the accounting for a business combination under the acquisition method. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – *Business Combinations*. This new section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company will adopt the new standards for any acquisitions occurring in the fiscal year beginning January 1, 2011.

Consolidated financial statements

In January 2009, CICA Handbook Section 1601 – *Consolidated Financial Statements* was issued which, together with new Section 1602 – *Non-controlling Interests*, replaces the former Section 1600 – *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a *non-controlling interest* in a subsidiary in consolidated financial statements subsequent to a *business combination*. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – *Consolidated and Separate Financial Statements*. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

Convergence of Canadian GAAP with International Financial Reporting Standards

In April 2008, the CICA published the exposure draft "Adopting IFRSs in Canada". The exposure draft proposes to incorporate IFRSs into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRSs. The company is currently assessing the impact of the ultimate adoption of IFRS on its consolidated financial statements.

Financial Instruments

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

The Company has credit risk as a result of its trade accounts receivable. The Company mitigates this risk by dealing with financially sound companies and, accordingly, does not anticipate any significant credit losses.

The Company has foreign exchange risk because it is exposed to foreign currency fluctuations due to its operations in the United States.

The Company has interest rate risk because the Company is exposed to fluctuations in interest rates from its long-term debt.

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. As at December 31, 2008, the Company's Chief Executive Officer and EVP, Finance have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Solium is made known to them for disclosure purposes.

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 Canadian GAAP.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, 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, 2008, the Company's internal control over financial reporting is 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, 2008.

Management had identified a material weakness in internal control over financial reporting as at December 31, 2007, being that due to the limited number of accounting staff at Solium, it was not possible to achieve a complete segregation of duties in certain areas of accounting. Remediation of this weakness occurred during 2008 through the hiring of additional staff. No other changes were made in the Company's internal control over financial reporting during the year ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

Business Prospects

As at December 31, 2008, the Company had approximately 8,998 participants and \$685,458 in expected annualized access fee revenue in the implementation pipeline.

U.S. Market

The Company is continuing to develop its operations in the U.S. Approximately 2,800 of the above-mentioned participants awaiting implementation are from U.S. based clients. Approximately \$135,000 of expected annualized access fee revenue is estimated from these U.S. based clients.

The Company also continues to explore channel opportunities in the U.S.

StockVantage Inc.

Since December 31, 2008, StockVantage has added an additional 21 contracts representing approximately \$76,000 in annualized access fee revenue.

GRS Securities

In light of the recalibration that GRS Securities underwent in 2008, the exclusivity provision in the contract has expired. The expiry of the exclusivity provision within the GRS Securities contract opens up the possibility for Solium to pursue other channel opportunities in Canada where available.

Following the completion of GRS Securities' business recalibration, the total number of participants transitioned over to Solium as direct sales clients is less than the total number of participants previously serviced under the channel relationship. Factoring in transaction revenue and brokerage administration fees associated with these direct sales clients, which had not previously been included in the channel arrangement, along with new plans implemented for these clients, it is expected that the comparative revenue will not be significantly different than the channel revenue previously generated. However, it is anticipated that margins related to this business being served directly versus through the channel arrangement will be relatively compressed.

GRS Securities recently announced an acquisition of a competitor's Canadian book of business which contains a number of share purchase plans. GRS Securities has advised Solium of its intention to bring these share purchase plans onto the Shareworks system in the near future and consequently, GRS and Solium have amended certain pricing terms in the existing channel agreement to accommodate such a transition.

Brokerage Partner Access Fees

Similar to the arrangement with the Company's brokerage partners in Canada, the Company has similar agreements with brokers in the U.S. The Company has obtained the required licensing in the U.S. to qualify for collecting the broker access and administration fees from its U.S. brokerage partners. The aggregate amount of the administration fees ultimately achievable through the Company's agreements with the U.S. brokers that enter into strategic relationships with the Company will be subject to the volume of securities transactions that the brokers execute which is dependent on a number of factors including the status of vested assets within the incentive plans that Solium administers on behalf of issuers, accounts managed, the trade activity of plan participants, and general market conditions. Subject to the foregoing factors, Solium believes that the economic terms associated with these strategic relationships will have a positive material impact on Solium's future earnings.

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, there were 30,673,679 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, there were options outstanding to purchase 2,787,500 common shares.

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 of.

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 errors & omissions insurance to cover the risk of significant loss due to errors made by its employees or systems. The Company experienced a loss of approximately \$136,000 during 2008 as a result of such errors (2007 - \$57,000).

Economic conditions

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions. In such cases, customers may reduce their purchases of new outsourced services. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the Company's bad debt expense. During an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately 67% of the Company's revenues are recurring in nature. However, the Company does not expect that the current difficult economic and market conditions are likely to improve significantly in the near future, and any continuation or worsening of the credit crisis could intensify the adverse effect caused by these difficult economic and market conditions and adversely affect the Company's operating results, prospects and financial condition.

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 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. Although Solium believes that it has a good relationship with its partners, the termination of these relationships for any reason whatsoever could have a material adverse effect on the Company's business, results of operation and financial condition.

Regulatory Environment

The Company conducts business in a highly regulated industry. Any changes in regulations could have an adverse effect on the Company's business, results of operation and financial condition.

Limited Operating History

There is very little significant historical basis to assess how the Company, as a company whose business involves new and rapidly developing technologies, will respond to competitive, economic and technological challenges. If the Company fails to meet any of these challenges, its operating results could suffer. To continue its profitability, the Company must generate and sustain increased revenues and control future expense levels.

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 key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to Manage Growth Successfully

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

- build and train sales and marketing 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 and enhance financial controls significantly to maintain control over operations and provide support to other functional areas within Solium.

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

Competition

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

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

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

Risks Associated with International Growth

Management of the Company believes that its continued growth will require additional expansion of its sales in foreign markets. Initially, the Company plans to expand its operations in the United States and eventually in the United Kingdom. This expansion has required, and will continue to require, significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish foreign operations, and hire additional personnel. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

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 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 purchaser typically needs to obtain approval at a number of management levels, which may delay a decision to purchase any of the Company's solutions.

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.

vision

and talent to create the most innovative solution for stock plan administration in the industry.





Management's Report

Auditors' 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 Canadian generally accepted accounting principles 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 & Touche LLP, have audited the consolidated financial statements in accordance with generally accepted standards in Canada. Deloitte & Touche LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings. Their auditors' report is presented with the consolidated financial statements.

Jeff English
President & Chief Executive Officer

February 11, 2009

Lynn Leong
Executive Vice President, Finance & Administration

To the Shareholders of **Solium Capital Inc.:**

We have audited the consolidated balance sheets of **Solium Capital Inc.** as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

February 11, 2009

CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND DEFICIT

AMOUNTS IN CANADIAN DOLLARS
YEARS ENDED DECEMBER 31,

	2008 \$	2007 \$
Revenue		
Grant based incentive services	10,486,381	6,509,942
Share purchase services	5,877,101	5,509,232
Consulting services	676,373	525,096
	17,039,855	12,544,270
Expenses		
Salaries and wages (Note 11)	10,823,328	7,353,044
General and administrative	4,244,784	3,127,294
Amortization of capital assets	571,993	400,028
Amortization of intangible assets	291,137	130,698
Interest on long-term debt	161,967	116,942
Foreign exchange (gain) loss	(268,530)	12,668
	15,824,679	11,140,674
Earnings Before Taxes	1,215,176	1,403,596
Income Taxes (Note 12)		
Current income tax expense	203,061	17,611
Future income tax expense	337,999	141,543
	541,060	159,154
Net Earnings and Comprehensive Income	674,116	1,244,442
Deficit, Beginning of Year	(3,977,232)	(5,221,674)
Deficit, End of Year	(3,303,116)	(3,977,232)
Net Earnings per Share (Note 9)		
Basic	0.022	0.043
Diluted	0.022	0.040

See Notes to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

AMOUNTS IN CANADIAN DOLLARS
AS AT DECEMBER 31,

	2008 \$	2007 \$
Assets		
Current		
Cash	2,249,317	1,706,265
Accounts receivable	3,189,538	2,742,881
Prepaid expenses	432,764	309,022
Current portion of deferred charges (Note 2)	99,088	118,683
Future income taxes (Note 12)	-	484,966
	5,970,707	5,361,817
Future income taxes (Note 12)	199,610	167,209
Deferred charges (Note 2)	200,866	55,871
Capital assets (Note 4)	539,465	740,924
Intangible assets (Note 3 and 5)	1,574,215	1,778,907
Goodwill (Note 3)	6,749,081	6,758,826
	15,233,944	14,863,554
Liabilities		
Current		
Accounts payable and accrued liabilities	1,760,412	2,295,996
Current portion of deferred revenue	402,042	466,652
Current portion of deferred tenant inducement (Note 6)	38,989	35,000
Current portion of long-term debt (Note 7)	1,157,954	1,150,141
	3,359,397	3,947,789
Deferred revenue	834,513	147,350
Deferred tenant inducement (Note 6)	95,318	128,965
Future income taxes (Note 12)	535,597	640,406
Long-term debt (Note 7)	679,031	1,836,984
	5,503,856	6,701,494
Commitments and Guarantees (Note 17 and 19)		
Shareholders' Equity		
Share capital (Note 9)	11,962,766	11,574,300
Contributed surplus (Note 10)	1,070,438	564,992
Deficit	(3,303,116)	(3,977,232)
	9,730,088	8,162,060
	15,233,944	14,863,554

See Notes to the Consolidated Financial Statements

APPROVED BY THE BOARD:



Anthony Webb
Director



Michael Broadfoot
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

AMOUNTS IN CANADIAN DOLLARS
YEARS ENDED DECEMBER 31,



	2008 \$	2007 \$
Cash flows related to the following activities:		
Operating		
Net earnings	674,116	1,244,442
Adjustments for items not involving cash:		
Future income taxes	337,999	141,543
Amortization of capital assets	571,993	400,028
Amortization of intangible assets	291,137	130,698
Stock-based compensation expense	675,427	423,338
Amortization of tenant inducement	(38,791)	(34,996)
Deferred financing costs	16,535	9,355
Loss on disposal of capital assets	-	592
	2,528,416	2,315,000
Future income taxes	9,624	(19,198)
Tenant inducements received (Note 6)	9,133	9,397
Changes in non-cash working capital	484,089	(852,456)
	3,031,262	1,452,743
Financing		
Proceeds from long-term	-	3,500,000
Payment of financing costs	-	(36,115)
Repayments of long-term debt	(1,166,676)	(486,115)
Issuance of common shares (Note 9)	218,485	307,139
Purchase of common shares in issuer bid	-	(130,367)
Changes in non-cash working capital	-	(15,075)
	(948,191)	3,139,467
Investing		
Purchase of capital assets	(456,978)	(411,374)
Acquisition of subsidiary, net of cash acquired (Note 3)	9,745	(6,652,675)
Changes in non-cash working capital	(1,163,534)	1,112,943
	(1,610,767)	(5,951,106)
Effect of foreign exchange on cash held in foreign currency	70,748	(9,606)
Net increase (decrease) in cash	543,052	(1,368,502)
Cash, beginning of year	1,706,265	3,074,767
Cash, end of year	2,249,317	1,706,265
Supplemental cash flow information:		
Interest paid	178,502	98,600
Income taxes paid	19,016	17,611

See Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

AMOUNTS IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2008 AND 2007

1. DESCRIPTION OF BUSINESS

Solium Capital Inc. (the "Company" or "Solium") is a corporation existing under the laws of Alberta. The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, StockVantage Inc., Solium Equity Consulting Services, Inc., Solium Holdings USA Inc., Solium Capital Ltd., Solium Capital LLC, and Solium Financial Services LLC. StockVantage Inc. was incorporated under the laws of Alberta. Solium Holdings USA Inc., Solium Capital Ltd. and Solium Financial Services LLC were incorporated under the Business Corporations Act of Delaware in the United States. Solium Capital LLC (formerly known as Allecon Stock Associates, LLC) is a Michigan limited liability company.

Solium specializes in technology and services for the administration of equity-based incentive and savings programs for public corporations and their employees. Solium services its clients through a web-based, real-time application called Shareworks™.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries.

b) Accounting changes

Capital disclosures

As a result of the new CICA Handbook Section 1535 – *Capital Disclosures*, the Company has included additional information in the notes to the financial statements about its capital and the manner in which it is managed.

Disclosure and presentation of financial instruments

New accounting recommendations for disclosure and presentation of financial instruments in CICA Handbook Section 3862 – *Financial Statement Disclosures* and CICA Handbook Section 3863 – *Financial Statements Presentations* are effective for the Company beginning January 1, 2008. In accordance with the new recommendations, the Company has disclosed both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

c) Translation of foreign currencies

For domestic and integrated foreign operations, assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Income and expenses are translated at average exchange rates prevailing during the year with the exception of depreciation which is translated at historical exchange rates. Exchange gains or losses are included in earnings.

d) Cash equivalents

Cash may include cash equivalents, which are short-term, highly liquid investments that have an original maturity of 90 days or less at the time of purchase.

e) Deferred charges

Deferred charges include costs incurred in the implementation of certain client contracts. Where such costs can be readily identified, the costs are deferred and amortized on a straight-line basis over the life of the applicable contract in line with the implementation fees charged to the client, which are also deferred and amortized on a straight-line basis over the life of the client contract.

f) Capital assets

Capital assets are recorded at cost and amortization is provided on a straight-line basis over the following periods:

Computer equipment	3 years
Furniture and office equipment	5 years
Leasehold improvements	5 to 7 years
Computer software	1 year
Incorporation costs	3 years
Trademarks	3 years

g) Business combinations, goodwill and intangible assets

All business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from goodwill. Goodwill represents the excess of the price paid for the business acquired over the fair value of the net identifiable assets acquired.

Goodwill is not amortized but is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the business unit over the fair value of its net tangible and other intangible assets.

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

Acquired intangible assets are comprised of customer contracts and non-competition agreements resulting from the acquisition of Allecon Stock Associates, LLC (See Note 3). Amortization is provided on a straight-line basis over the following periods:

Customer contracts	10 years
Non-competition agreements	2 years

Acquired intangible assets also include the cost of obtaining the brokerage membership in the U.S. This membership does not expire, however certain financial and reporting standards must be maintained or the company is expelled from membership. The membership can be sold or transferred if the brokerage firm is sold. In order to match the cost of obtaining the membership to the period over which the benefit will be fully realized, the Company has chosen to amortize the membership over a period of 12 months.

h) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted tax rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax basis as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses the realizability of its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

i) Revenue recognition

The Company derives revenues from corporate solutions for the administration of employee stock compensation plans. Corporate access fees are recognized monthly as they are earned over the term of the contract with the client. Corporate implementation fees are deferred and recognized monthly over the life of the applicable client contract or a period of 24 to 36 months if the contract has no finite life. Transaction fees, and brokerage access and administration fees are recognized as transactions are completed.

The Company also derives revenues from channel partners and consulting services. Channel revenue is recognized in the period that services are provided to the channel partner. Consulting revenues are recognized as the services are provided to the client.

j) Research and development costs

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria under Canadian generally accepted accounting principles, in which case they are deferred and amortized 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 reasonable assurance to realizability.

k) Stock-based compensation plans

The Company has stock-based compensation plans.

The Company applies the fair value based method of accounting for stock options. On the grant date, accruals of compensation cost are calculated based on the best available estimate of the number of options that are expected to vest. Compensation cost is adjusted for subsequent changes in the actual outcome of service until the vesting date. The cumulative effect of a change in the estimated number of options expected to vest is recognized in the period of change.

Compensation expense is recognized on a straight-line basis over the vesting period of the stock options with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the fair value amount initially recorded in contributed surplus are credited to common shares.

The Company's contributions to the employee profit sharing and share purchase plans are expensed as incurred.

l) Financial instruments

The Company classifies its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative instruments, if utilized, are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in earnings except for derivatives designated as effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation, the changes in fair value of which are recognized in other comprehensive income.

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading and are recorded at fair value. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.
- Accounts receivable are classified as loans and receivables. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- Bank overdrafts, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the allowance for doubtful accounts, useful lives of long-lived and intangible assets, long-lived asset impairment testing, goodwill, realization of future tax assets, and valuation of stock-based compensation. Management makes its estimates based on historical experience and on various other assumptions it believes are reasonable. Actual results could differ from these estimates.

n) Future accounting pronouncements

Goodwill and intangible assets

In February 2008, CICA Handbook Section 3064 - *Goodwill and intangible assets* was issued replacing Section 3062 - *Goodwill and other intangible assets* and Section 3450 - *Research and development costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect there to be a significant impact on its consolidated financial statements.

Business combinations

In January 2009, CICA Handbook Section 1582 - *Business Combinations* was issued replacing the former Section 1581 - *Business Combinations*. This section establishes standards for the accounting for a business combination under the acquisition method. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 - *Business Combinations*. This new section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company will adopt the new standards for any acquisitions occurring in the fiscal year beginning January 1, 2011.

Consolidations

In January 2009, CICA Handbook Section 1601 - *Consolidated Financial Statements* was issued which, together with new CICA Handbook Section 1602 - *Non-controlling Interests*, replaces the former Section 1600 - *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - *Consolidated and Separate Financial Statements*. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

Convergence of Canadian GAAP with International Financial Reporting Standards

In April 2008, the CICA published the exposure draft "Adopting IFRSs in Canada". The exposure draft proposes to

incorporate IFRSs into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRSs. The Company is currently assessing the impact of the ultimate adoption of IFRS on its consolidated financial statements.

3. ACQUISITION OF ALLECON STOCK ASSOCIATES, LLC

On July 19, 2007, all of the issued and outstanding membership interests of Allecon Stock Associates, LLC ("Allecon") were acquired by Solium Holdings USA Inc., a wholly-owned subsidiary of Solium Capital Inc. The purchase price for the membership interests consisted of US\$7,097,767 in cash, including a US\$936,313 working capital adjustment, 474,381 common shares in the capital of Solium ("Solium Common Shares"), and US\$207,617 in transaction costs.

The estimated fair value of the assets acquired and liabilities assumed in the acquisition are as follows:

	\$
Net current assets, excluding cash	22,076
Capital assets	196,108
Intangible assets:	
Customer contracts	1,659,165
Non-competition agreements	250,440
Goodwill (following adjustment of \$9,745 described below)	6,749,081
Future taxes	(687,458)
	8,189,412
Cash acquired	980,238
Total net assets acquired	9,169,650
Cost of purchase:	
Common shares issued (474,381 shares @ \$3.26 per share)	1,546,482
Cash consideration:	
Cash paid on closing	5,347,938
Cash paid for working capital adjustment	977,043
Final cash payment on July 19, 2008	1,091,285
Transaction costs	216,647
	7,632,913
Adjustment to final cash payment on July 19, 2008	(9,745)
	7,623,168
	9,169,650

At closing, US\$5,125,000 in cash was paid and 237,191 Solium Common Shares were transferred. The working capital adjustment of US\$936,313 was paid on October 19, 2007.

On July 18, 2008, the Company made the final cash payment of US\$1,000,000. In addition, US\$36,454 was paid as interest on these funds, calculated at a rate per annum equal to the Federal Reserve Target Rate, compounded monthly from the closing date of July 19, 2007 of the acquisition. The actual interest paid differed by US\$9,339 from the amount originally calculated and included in the purchase price of the acquisition on July 19, 2007. Consequently, goodwill resulting from the purchase price allocation was decreased by the Canadian dollar equivalent of \$9,745.

The remaining 237,190 Solium Common Shares are to be released from escrow on July 19, 2009.

The number of Solium Common Shares used as consideration was determined on the date of signing the letter of intent based on a weighted average market price of \$2.26 per share. However, for purposes of recording the acquisition, the Solium Common Shares were assigned an ascribed value of \$3.26 per share. The ascribed value was based on the average market share price of Solium Common Shares for several days before, on, and several days after the date the acquisition was announced to the public on July 20, 2007.

The goodwill is not deductible for income tax purposes. The goodwill and intangible assets are included in the Company's U.S. operations for segmented reporting purposes (see Note 18).

4. CAPITAL ASSETS

	2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer equipment	1,000,727	895,774	104,953
Furniture and office equipment	640,606	454,999	185,607
Leasehold improvements	423,270	209,770	213,500
Computer software	332,406	298,061	34,345
Incorporation costs	4,767	3,707	1,060
Trademarks	2,823	2,823	-
	2,404,599	1,865,134	539,465

	2007		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer equipment	746,436	612,397	134,039
Furniture and office equipment	568,904	333,071	235,833
Leasehold improvements	417,032	130,865	286,167
Computer software	293,116	211,674	81,442
Incorporation costs	4,767	1,324	3,443
Trademarks	2,823	2,823	-
	2,033,078	1,292,154	740,924

5. INTANGIBLE ASSETS

	2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Customer contracts (Note 3)	1,659,165	240,267	1,418,898
Non-competition agreements (Note 3)	250,440	181,568	68,872
Programming libraries	152,457	152,457	-
U.S. brokerage firm membership	86,445	-	86,445
	2,148,507	574,292	1,574,215

	2007		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Customer contracts (Note 3)	1,659,165	74,350	1,584,815
Non-competition agreements (Note 3)	250,440	56,348	194,092
Programming libraries	152,457	152,457	-
	2,062,062	283,155	1,778,907

The fully amortized programming libraries are intangible assets purchased in a business acquisition in 2003.

6. DEFERRED TENANT INDUCEMENT

During 2007, the Company leased new office space for its sales offices in Eastern Canada. Tenant inducements amounting to \$18,530 were received to the end of December 31, 2008 with respect to free rent on these offices. The tenant inducements are being deferred and will be recognized as a reduction of rent during the term of the leases.

In 2006, the Company undertook certain leasehold improvements on new head office space. A tenant inducement in the amount of \$244,975 was received from the landlord with respect to the leasehold improvements. The tenant inducement was deferred and is being recognized as a reduction of rent during the seven year term of the lease.

7. LONG-TERM DEBT

	2008 \$	2007 \$
Term loan, due on July 19, 2010, bearing interest at prime plus 1% per annum, payable in instalments of \$97,223 per month. Secured by an interest in all the Company's assets.	1,847,209	3,013,885
Less: net unamortized financing costs	(10,224)	(26,760)
	1,836,985	2,987,125
Less: current portion of long-term debt	(1,166,676)	(1,166,676)
Add: current portion of amortization	8,722	16,535
	679,031	1,836,984

As at December 31, 2008, the prime interest rate was 3.5% per annum. The Company is in compliance with all financial covenants of the term loan.

Deferred financing costs of \$10,224 relating to long-term debt have been netted against long-term debt. These costs are taken into earnings using the effective interest method over the life of the related debt.

8. CREDIT FACILITY

The Company has a revolving credit facility of \$1,500,000 with a Canadian bank. The credit facility is secured by a fixed and floating charge on the assets of the Company. Interest is charged at the bank's prime rate plus 0.25% per annum. The provisions under this facility require the maintenance of certain financial ratios. As at December 31, 2008, no amounts had been drawn on the credit facility.

9. SHARE CAPITAL

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

	Number of Shares	Amount \$
<i>Issued - common shares</i>		
Balance, December 31, 2006	28,603,899	9,780,085
Issued on acquisition of Allecon Stock Associates, LLC (Note 3)	474,381	1,546,482
Issued on exercise of stock options (Note 11)	1,187,918	307,139
Cancellation of shares purchased in issuer bid	(266,600)	(91,154)
Adjustment on exercise of stock options (Note 10)	-	31,748
Balance, December 31, 2007	29,999,598	11,574,300
Issued on exercise of stock options (Note 11)	624,081	218,485
Adjustment on exercise of stock options (Note 10)	-	169,981
Balance, December 31, 2008	30,623,679	11,962,766

In December 2006 and January 2007, 266,600 common shares were purchased in a Normal Course Issuer Bid at a cost of \$378,487. These shares were cancelled effective January 15, 2007. Upon cancellation, \$91,154 was applied against share capital representing the book value of such shares. The remaining \$287,333 was applied against contributed surplus.

Earnings per share

Earnings per common share is calculated by dividing the earnings applicable to common shareholders by the weighted average number of common shares outstanding. The treasury stock method is used to determine the dilutive impact of stock options. This method assumes that any proceeds from the exercise of stock options would be used to purchase common shares at the average market price during the period.

	2008	2007
Weighted average shares outstanding - basic	30,623,679	29,069,538
Effect of dilutive stock options	524,924	1,729,428
Diluted weighted average shares outstanding	31,148,603	30,798,966

As at December 31, 2008, there were 132,949 shares that could potentially dilute basic earnings per share in the future but that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the year presented.

10. CONTRIBUTED SURPLUS

	Amount \$
Balance, December 31, 2006	460,735
Stock-based compensation expense for the year (Note 11)	423,338
Cancellation of shares purchased in issuer bid (Note 9)	(287,333)
Adjustment on exercise of stock options during the year (Note 9)	(31,748)
Balance, December 31, 2007	564,992
Stock-based compensation expense for the year (Note 11)	675,427
Adjustment on exercise of stock options during the year (Note 9)	(169,981)
Balance, December 31, 2008	1,070,438

11. STOCK-BASED COMPENSATION PLANS

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 each of the 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:

	2008	2007
Weighted-average fair value (per share) of options granted	\$0.81	\$0.89
Expected dividend yield	0%	0%
Expected volatility	63.01%	81.14%
Risk-free interest rate	3.33%	3.56%
Expected life	4 years	4 years

Compensation expense totaled \$675,427 for the year ended December 31, 2008 (2007 - \$423,338).

The following table summarizes the stock option activity with respect to all of the Company's stock options for the years ended December 31, 2008 and 2007:

	Number of Options	Weighted Average Exercise Price \$
Outstanding options		
Outstanding, December 31, 2006	3,104,499	0.52
Granted	1,782,500	2.73
Exercised	(1,187,918)	0.26
Forfeited	(82,500)	1.36
Outstanding, December 31, 2007	3,616,581	1.67
Granted	672,500	2.27
Exercised	(624,081)	0.35
Cancelled	(502,500)	2.97
Forfeited	(130,000)	1.80
Outstanding, December 31, 2008	3,032,500	1.86

Effective February 21, 2008, the Company's Board of Directors approved the cancellation of options to acquire an aggregate of 555,000 Common Shares that had previously been granted at an exercise price of \$2.97 per share, and approved the granting of new options to acquire an aggregate of 555,000 Common Shares at an exercise price of \$2.25 per share to the optionees in order to re-align the exercise price of such options with the then current market price of the Common Shares and reset the vesting and termination periods of such options. The cancellation and granting of the new stock options were approved by shareholders at the Company's Annual Meeting of Shareholders in May 2008. Of the options to acquire 555,000 Common Shares that were originally approved for the cancellation and re-grant, options to acquire 502,500 Common Shares were actually cancelled and re-granted representing those options held by optionees who elected to accept this arrangement. An incremental fair value of \$93,355 was calculated for the modification to the options and is being amortized over the estimated life of the re-granted options.

Of the 624,081 stock options that were exercised during the year ended December 31, 2008, 474,081 represented options scheduled to expire during the year. The expiry date necessitated the exercise of these options by employees.

	Number of Options	Weighted Average Exercise Price \$
Vested options		
Vested options, December 31, 2006	1,971,359	0.30
Vested during the year	330,640	0.52
Exercised	(1,187,918)	0.26
Forfeited	(6,250)	0.50
Vested options, December 31, 2007	1,107,831	0.40
Vested during the year	398,750	0.87
Exercised	(624,081)	1.13
Vested options, December 31, 2008	882,500	0.69

The following table summarizes additional information relating to stock options outstanding and vested as at December 31, 2008:

Exercise Price	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
\$0.25 to \$0.50	575,000	0.5 years	\$0.47	575,000	\$0.47
\$0.51 to \$1.00	130,000	1.3 years	\$0.71	85,000	\$0.69
\$1.01 to \$1.50	527,500	2.4 years	\$1.29	222,500	\$1.25
\$1.51 to \$2.00	-	-	-	-	-
\$2.01 to \$2.50	1,017,500	3.8 years	\$2.23	-	-
\$2.51 to \$3.00	782,500	3.6 years	\$2.97	-	-
	3,032,500	2.8 years	\$1.86	882,500	\$0.69

Share Award Incentive Plan

The Company has a share award incentive plan open to Directors, officers, employees, consultants and other key personnel of the Company and its subsidiaries. Under this plan, restricted share unit awards granted to Directors, officers, employees and consultants, plus any common shares issued pursuant to any other security based compensation arrangements, may not exceed 15% of the aggregate number of issued and outstanding common shares of the Company. Each restricted share unit award shall vest in accordance with the terms determined by the Company's Governance and Human Resources Committee, which may include performance conditions. Payment in respect of restricted share units that have vested shall be made by delivering common shares of the Company. The Board of Directors may elect in its sole discretion, on any vesting date pertaining to a restricted share unit award, to pay, in lieu of delivering all or any part of the common shares that would otherwise be deliverable, a cash amount equal to the aggregate fair market value of such common shares that would otherwise be delivered, less all amounts as may be required by law to be withheld.

As at December 31, 2008, no awards had been granted under this plan.

Employee Profit Sharing Plan and Share Purchase Plan

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

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

The Company's contributions to the EPSP and ESPP, and costs associated with administering the plans totaled \$95,957 for the year ended December 31, 2008 (2007 - \$57,590).

12. INCOME TAXES

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

	2008 \$	2007 \$
Earnings before income taxes	1,215,176	1,403,596
Corporate income tax rate	30.4%	32.1%
Computed income tax provision	369,414	450,554
<i>Increase (decrease) resulting from:</i>		
Losses of Canadian subsidiaries not yet utilized	14,683	341,958
Losses in foreign jurisdiction not yet utilized	164,037	17,611
Non-deductible or non-taxable amounts	100,577	535,210
Loss carryforwards or timing differences utilized	(107,651)	(968,123)
Change in valuation allowance	-	(218,056)
Total income tax expense	541,060	159,154
Current	203,061	17,611
Future	337,999	141,543
	541,060	159,154

The Company's future income tax assets and liabilities consist of the following:

	2008 \$	2007 \$
Future income tax assets		
Capital assets	137,500	87,250
Tenant inducement	40,964	49,190
Alternative minimum tax	21,146	30,770
Non-capital loss carryforwards	763,467	473,476
Capital loss carryforwards	4,350	4,350
Research and development expenditure tax pool	-	245,236
Investment tax credits	-	239,730
	967,427	1,130,002
Future income tax liabilities		
Intangible assets	(535,597)	(640,407)
	431,830	489,595
Valuation allowance	(767,817)	(477,826)
Net future income tax assets (liabilities)	(335,987)	11,769
Future income tax assets		
Current	-	484,966
Non-current	199,610	167,209
Non-current future income tax liabilities	(535,597)	(640,406)
	(335,987)	11,769

In assessing the realizability of a future tax asset, management considers whether it is more likely than not that some portion or all of the future tax asset will be realized. The financial results of the last four financial quarters is used as a key indicator. In addition, assumptions are made about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth.

The Company's Canadian subsidiaries have unused non-capital losses of approximately \$274,000 carried forward for Canadian tax purposes. These losses begin to expire in 2014. The Company has not recorded the benefit of such tax loss carryforwards.

The Company also has U.S. federal net operating loss carryforwards of approximately \$1.8 million, which begin to expire in 2025. The Company has not recorded the benefit of such tax loss carryforwards.

The Company has capital losses of approximately \$29,000 available to offset future Canadian capital gains.

The Company has paid \$21,146 (2007 - \$30,770) in alternative minimum tax which is available to offset future income taxes payable in a particular province of Canada.

13. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

- Maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions;
- Deploy capital to provide an appropriate investment return to its shareholders; and
- Maintain a capital structure that allows multiple financing options to the Company should a financing need arise.

The Company defines its capital as shareholders' equity and long-term debt, including the current portion.

	December 31, 2008	December 31, 2007
Shareholders' equity	9,730,088	8,162,060
Long-term debt (principal payments outstanding)	1,847,209	3,013,885
Total capital	11,577,297	11,175,945

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

The Company periodically monitors capital as required under the financial covenants of its credit facility using the following financial metric:

- Total debt to EBITDA (earnings before interest, taxes, depreciation and amortization)

Total debt is the balance of principal payments outstanding on long-term debt (including the current portion). EBITDA, a non-GAAP measure, is calculated as earnings from operations before interest, taxes, depreciation and amortization.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis ended December 31, 2008 compared to fiscal 2007:

	Guidelines	December 31, 2008	December 31, 2007
Earnings from operations		674,116	1,244,442
Plus:			
interest		161,967	116,942
amortization		863,130	530,726
income tax expense		541,060	159,154
EBITDA		2,240,273	2,051,264
Long-term debt (principal payments outstanding)		1,847,209	3,013,885
EBITDA		2,240,273	2,051,264
Total Debt to EBITDA	Less than 3:1	0.82	1.47

The financial covenants in the Company's credit facility arrangements are measured on a quarterly basis. The Company is in compliance with all financial covenants.

The Company believes that its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

14. FINANCIAL INSTRUMENTS

Fair value estimates:

Financial Instrument Category	December 31, 2008		December 31, 2007	
	Carrying Value \$	Estimated Fair Value \$	Carrying Value \$	Estimated Fair Value \$
Held for trading				
Cash ^(a)	2,249,317	2,249,317	1,706,265	1,706,265
Loans and receivables				
Accounts receivable ^(b)	3,189,538	3,189,538	2,742,881	2,742,881
Other financial liabilities				
Accounts payable and accrued liabilities ^(b)	1,760,412	1,760,412	2,295,996	2,295,996
Long-term debt ^(c)	1,836,985	1,836,985	2,987,125	2,987,125

a) Due to the nature and short-term maturity of these financial instruments, carrying value approximates fair value.

b) Carrying value approximates amortized cost.

c) Carrying value is measured at amortized cost using the effective interest rate method. Fair value is equal to carrying value as the debt bears interest at a floating market rate.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment.

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Exposure to credit risk, interest rate risk, foreign currency risk and liquidity 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 has credit risk as a result of its accounts receivable. The Company mitigates this risk by dealing with financially sound companies and, accordingly, does not anticipate any significant credit losses.

Total accounts receivable (net of allowances) held by the Company at December 31, 2008 amounted to \$3,189,538. 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.

Accounts receivable consist of a large number of customers, spread across diverse industries. The Company does not have significant credit risk exposure to any single counterparty. Of the accounts receivable balance at December 31, 2008, \$256,143 was due from a large direct sales client for license fees and some special projects work. No other customer had an outstanding balance greater than 5% of the total balance of accounts receivable.

As at December 31, 2008, accounts receivable in Canada totaled \$2,538,436 and \$651,102 in the U.S.

Aging of trade accounts receivable that are past due but not impaired:

	December 31, 2008 \$	December 31, 2007 \$
61 - 90 days	272,358	236,465
91 - 120 days	184,913	154,833
Greater than 120 days	49,221	209,299
Total	506,492	600,597

The Company had an allowance for doubtful accounts balance of \$10,400 at the end of the year.

Interest Rate Risk

The Company is exposed to interest rate risk because the cash flows associated with its floating rate long-term debt will fluctuate with changes in Canadian interest rates.

Increases of 0.5% in annual Canadian interest rates would have had an adverse effect on earnings before taxes of approximately \$9,700 for the year ended December 31, 2008. This calculation is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

Foreign Currency Risk

The Company operates in Canada and the United States. The functional currency of the parent company is Canadian dollars (CAD) and the reporting currency is CAD. Foreign exchange risk arises because the amount of local currency receivable or payable for transactions denominated in U.S. dollars (USD) may vary due to changes in exchange rates ("transaction exposures") and because the USD denominated monetary net assets of the Company's U.S. subsidiaries may vary on consolidation and revaluation into CAD ("translation exposure").

The carrying amounts of the Company's USD denominated monetary assets and monetary liabilities at December 31, 2008 are as follows:

	December 31, 2008 USD	December 31, 2007 USD
Monetary assets	1,216,278	835,134
Monetary liabilities	207,680	1,234,040
Net monetary assets (liabilities) exposed to foreign currency risk	1,008,598	(398,906)

Based on the balance of net monetary assets as at December 31, 2008, an increase of 1% in the exchange rate of USD to CAD would, everything else being equal, have had a positive effect on earnings before taxes for the year ended December 31, 2008 of approximately \$10,086.

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 and cash equivalents balances and through the availability of funding from committed credit facilities. As at December 31, 2008, the Company had cash of \$2,249,317 on hand and a \$1.5 million credit facility available to be drawn against.

The following are the contractual maturities of financial liabilities as at December 31, 2008:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	After 12 months
Accounts payable and accrued liabilities	1,760,412	1,760,412	1,760,412	-	-
Long-term debt	1,836,985	1,847,209	583,338	583,338	680,533
Total	3,597,397	3,607,621	2,343,750	583,338	680,533

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

16. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Company utilized legal services for general corporate matters totaling \$142,781 (2007 - \$199,824) plus applicable taxes, which were provided by a firm in which a Director of the Company is a partner. These services were measured at fair market value. As at December 31, 2008, \$10,345 (2007 - \$10,860) was payable, inclusive of applicable taxes.

17. COMMITMENTS

Operating leases

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

	\$
2009	348,757
2010	304,757
2011	221,568
2012	76,754
2013	-
	951,836

18. SEGMENTED INFORMATION

The Company's operations fall into one dominant industry segment, the administration of equity-based incentive and savings programs for public corporations and their employees. Operations are located in Canada and the United States. Executive management assesses the performance of each segment based on income before income taxes.

The accounting policies used in the Company's segments are the same as those described in Note 2 to the consolidated financial statements. 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:

	2008 \$	2007 \$
Years ended December 31,		
Revenue		
Canada	12,774,851	10,606,572
United States	4,265,004	1,937,698
	17,039,855	12,544,270
Net earnings (loss) before income taxes		
Canada	1,762,851	2,245,887
United States	(547,675)	(842,291)
	1,215,176	1,403,596
Net earnings (loss)		
Canada	1,116,849	2,058,848
United States	(442,733)	(814,406)
	674,116	1,244,442
Capital expenditures		
Canada	351,603	382,616
United States	105,375	28,758
	456,978	411,374
As at December 31,		
Total assets		
Canada	4,988,238	5,049,816
United States	10,245,706	9,813,738
	15,233,944	14,863,554
Capital assets		
Canada	399,285	547,968
United States	140,180	192,956
	539,465	740,924

19. GUARANTEES

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

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CORPORATE INFORMATION

Executive Officers

Rudolph Bester
Executive Vice President, Sales and Marketing

June Davenport
Executive Vice President, Business Integration

Jeff English
President and Chief Executive Officer

Jeannie Kezama
Executive Vice President, Service Operations

Lynn Leong
Executive Vice President, Finance and Administration

Marcos Lopez
Executive Vice President, Corporate Strategy and Business Development

Solium Capital LLC

Vincent Alessi
Vice President

Stephanie Ceglia
Vice President, Strategic Integration - U.S.

Don Drybrough
Vice President, Corporate Solutions

Chris Groot
Vice President and General Manager

StockVantage Inc.

Kobe Davis
Vice President, Technology

Chris Groot
Vice President, Sales

Solium Equiting Consulting Services Inc.

Jim McBride
Managing Principal

Directors

James Aramanda
Director, Solium Capital Inc.

Michael Broadfoot
Director, Solium Capital Inc.

Brian Craig
Director, Solium Capital Inc.

Jeff English
President and CEO, Solium Capital Inc.

Justin Ferrara
Partner, Macleod Dixon, LLP

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2008

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Transfer Agent

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Legal Counsel

Macleod Dixon LLP

Auditors

Deloitte & Touche LLP

Stock Listing and Symbol

TSX
Symbol: SUM

Investor Contact

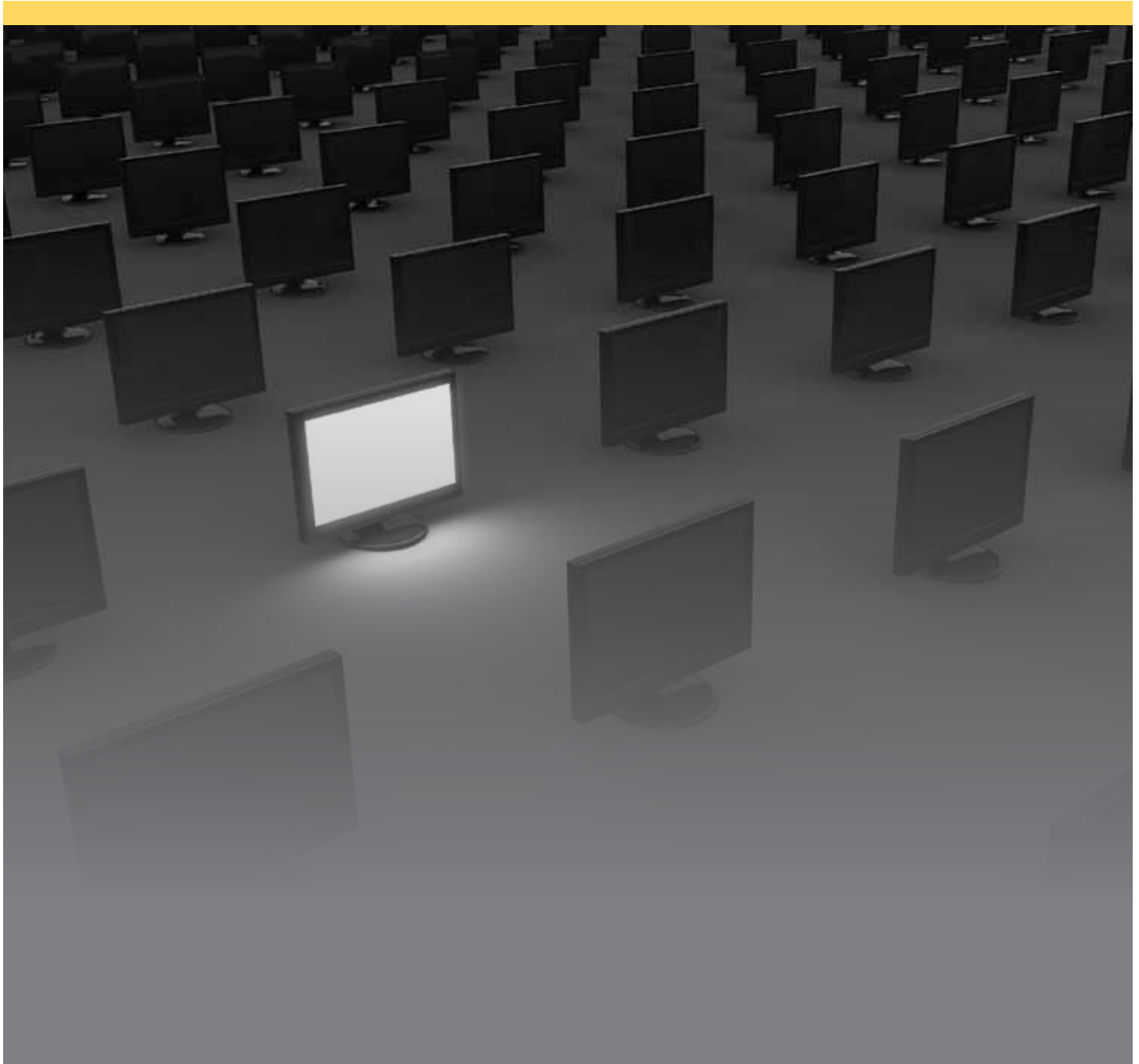
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