

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

REDKNEE SOLUTIONS INC.

Three and six months ended March 31, 2015 and 2014
(Unaudited)

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in U.S. dollars)
(Unaudited)

	March 31, 2015	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 104,351,704	\$ 108,636,797
Trade accounts and other receivables (note 5)	74,938,515	71,393,983
Unbilled revenue	30,707,764	42,396,988
Prepaid expenses	2,730,994	4,339,650
Other assets (note 6)	753,890	898,871
Inventories	2,859,859	5,199,362
Total current assets	216,342,726	232,865,651
Restricted cash (note 13(a))	1,440,479	881,940
Property and equipment	7,227,646	8,708,115
Deferred income taxes	1,681,228	1,939,416
Investment tax credits	368,267	416,222
Other assets (note 6)	1,792,711	2,089,688
Intangible assets	29,921,643	32,819,313
Goodwill	7,638,590	7,638,590
Total assets	\$ 266,413,290	\$ 287,358,935
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 10,965,116	\$ 9,538,161
Accrued liabilities	30,388,396	38,566,558
Provisions (note 14)	10,918,879	14,967,576
Income taxes payable	1,235,724	1,595,569
Contingent consideration (note 3(a))	12,311,474	14,454,527
Deferred revenue	17,712,921	20,743,769
Loans and borrowings (note 7)	3,375,000	750,000
Total current liabilities	86,907,510	100,616,160
Deferred revenue	2,800,059	3,601,859
Other liabilities	3,069,539	2,281,341
Pension and non-pension post-employment benefit obligation	10,023,753	10,258,900
Loans and borrowings (note 7)	42,773,405	45,809,713
Provisions (note 14)	2,073,722	6,608,270
Deferred income taxes	-	36,016
Total liabilities	147,647,988	169,212,259
Shareholders' equity:		
Share capital	173,890,989	173,757,863
Treasury stock (note 8(c))	(141,917)	(21,226)
Contributed surplus	6,300,060	5,665,135
Deficit	(57,108,881)	(57,080,147)
Accumulated other comprehensive loss	(4,174,949)	(4,174,949)
Total shareholders' equity	118,765,302	118,146,676
Total liabilities and shareholders' equity	\$ 266,413,290	\$ 287,358,935

Commitments, guarantees and contingent liabilities (note 13)

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

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Revenue:				
Software, services and other	\$ 31,220,323	\$ 46,696,242	\$ 69,175,923	\$ 74,071,458
Support and subscription	22,522,584	25,737,078	47,143,913	58,765,102
	53,742,907	72,433,320	116,319,836	132,836,560
Cost of revenue	21,000,581	37,720,340	46,989,071	65,100,275
Gross profit	32,742,326	34,712,980	69,330,765	67,736,285
Operating expenses:				
Sales and marketing	7,700,464	9,087,347	17,162,703	17,595,744
General and administrative	7,511,581	7,667,655	14,573,965	15,842,404
Research and development	11,397,028	15,953,669	23,726,810	30,838,008
Restructuring costs (note 14)	251,635	–	588,349	–
Acquisition and related costs (note 3(b))	279,432	2,395,690	694,483	3,268,058
	27,140,140	35,104,361	56,746,310	67,544,214
Income (loss) from operations	5,602,186	(391,381)	12,584,455	192,071
Foreign exchange gain (loss)	(5,178,499)	582,571	(7,847,412)	(555,333)
Other income (note 3(a))	–	6,951,904	–	5,801,235
Finance income	7,192	9,427	11,674	24,186
Finance costs	(1,116,244)	(811,636)	(2,014,461)	(1,396,156)
Income (loss) before income taxes	(685,365)	6,340,885	2,734,256	4,066,003
Income taxes (recovery):				
Current	1,370,784	1,595,017	2,770,579	2,439,822
Deferred	(16,454)	(23,653)	(7,589)	(82,771)
	1,354,330	1,571,364	2,762,990	2,357,051
Net income (loss) and comprehensive income (loss)	\$ (2,039,695)	\$ 4,769,521	\$ (28,734)	\$ 1,708,952
Net income (loss) per common share:				
Basic	(0.02)	0.05	(0.00)	0.02
Diluted	(0.02)	0.05	(0.00)	0.02
Weighted average number of common shares (note 8(a)):				
Basic	109,089,428	98,362,310	109,017,472	97,015,120
Diluted	109,089,428	101,796,856	109,017,472	100,465,490

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

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

Six months ended March 31, 2015 and 2014
(Unaudited)

	Number outstanding	Share capital Amount	Treasury stock (note 8(c))	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, September 30, 2014	108,903,734	\$ 173,757,863	\$ (21,226)	\$ 5,665,135	\$ (57,080,147)	\$ (4,174,949)	\$ 118,146,676
Net loss and comprehensive loss	–	–	–	–	(28,734)	–	(28,734)
Purchase of treasury stock (note 8(c))	–	–	(536,507)	–	–	–	(536,507)
Share-based compensation	–	–	–	1,104,642	–	–	1,104,642
Issue of treasury stock	–	–	415,816	(415,816)	–	–	–
Stock options exercised	225,250	133,126	–	(53,901)	–	–	79,225
Balance, March 31, 2015	109,128,984	\$ 173,890,989	\$ (141,917)	\$ 6,300,060	\$ (57,108,881)	\$ (4,174,949)	\$ 118,765,302
Balance, September 30, 2013	95,510,022	\$ 109,017,145	\$ (132,050)	\$ 4,357,175	\$ (17,182,622)	\$ 1,497,031	\$ 97,556,679
Net income and comprehensive income	–	–	–	–	1,708,952	–	1,708,952
Share-based compensation	–	–	–	681,655	–	–	681,655
Issue of treasury stock	–	–	102,501	(102,501)	–	–	–
Stock options exercised	548,567	858,326	–	(310,149)	–	–	548,177
Issue of share capital	12,820,520	63,833,834	–	–	–	–	63,833,834
Balance, March 31, 2014	108,879,109	\$ 173,709,305	\$ (29,549)	\$ 4,626,180	\$ (15,473,670)	\$ 1,497,031	\$ 164,329,297

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

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ (2,039,695)	\$ 4,769,521	\$ (28,734)	\$ 1,708,952
Adjustments for:				
Depreciation of property and equipment	1,135,416	1,451,105	2,077,652	3,054,168
Amortization of intangible assets	1,527,207	1,736,206	3,339,589	3,426,340
Finance income	(7,192)	(9,427)	(11,674)	(24,186)
Finance costs	1,116,244	811,636	2,014,461	1,396,156
Pensions	(404,938)	430,061	(235,147)	834,567
Income tax expense	1,354,330	1,571,364	2,762,990	2,357,051
Unrealized foreign exchange loss (gain)	3,895,407	158,133	5,761,053	203,834
Share-based compensation	1,733,015	546,600	2,198,181	1,216,806
Revaluation of contingent consideration (note 3(a))	(1,566,810)	(6,951,904)	(2,143,053)	(5,801,235)
Change in provisions	(5,145,161)	(1,201,050)	(8,583,245)	(1,201,050)
Change in non-cash operating working capital (note 10)	10,143,262	(22,963,360)	1,047,258	(43,390,850)
	11,741,085	(19,651,115)	8,199,331	(36,219,447)
Interest paid	(39,082)	953	(88,836)	–
Interest received	(37,830)	8,108	11,674	22,867
Income taxes paid	(2,038,430)	(2,053,879)	(2,909,631)	(2,146,138)
	9,625,743	(21,695,933)	5,212,538	(38,342,718)
Financing activities:				
Issuance of share capital	–	63,833,834	–	63,833,834
Proceeds from exercise of stock options	15,095	507,404	79,225	548,177
Purchase of treasury stock	(536,507)	–	(536,507)	–
Interest paid on loans and borrowings	–	(636,472)	(931,655)	(636,472)
Proceeds from of loans and borrowings	–	3,500,000	–	13,500,000
Repayment of loans and borrowings	(375,000)	–	(750,000)	–
Transaction costs of loans and borrowings	–	10,032	–	–
	(896,412)	67,214,798	(2,138,937)	77,245,539
Investing activities:				
Purchase of property and equipment	(465,104)	(818,593)	(796,972)	(1,890,559)
Purchase of intangible assets	(626,761)	(735,708)	(763,057)	(892,136)
Decrease in restricted cash	(412,321)	(151,902)	(558,539)	(167,129)
	(1,504,186)	(1,706,203)	(2,118,568)	(2,949,824)
Effect of foreign exchange rate changes on cash and cash equivalents				
	(3,374,480)	(158,133)	(5,240,126)	(203,834)
Increase (decrease) in cash and cash equivalents				
	3,850,665	43,654,529	(4,285,093)	35,749,163
Cash and cash equivalents, beginning of period				
	100,501,039	71,149,391	108,636,797	79,054,757
Cash and cash equivalents, end of period				
	\$104,351,704	\$114,803,920	\$104,351,704	\$114,803,920

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

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

Redknee Solutions Inc. (the "Company" or "Redknee"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 2560 Matheson Blvd East, Suite 500, Mississauga, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange (TSX: RKN).

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, customer care and payments solutions for voice, messaging and data services to over 200 service providers in over 90 countries. The Company's software products manage and analyze, in real-time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. Redknee is the parent of the wholly owned operating subsidiary, Redknee Inc., and its various subsidiaries.

1. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual consolidated financial statements.

These condensed consolidated interim financial statements for the three and six months ended March 31, 2015 were authorized for issuance by the Board of Directors of the Company on May 6, 2015.

(b) Judgments and estimates:

In preparing these condensed consolidated interim financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended September 30, 2014.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

2. Significant accounting policies:

(a) Basis of measurement and presentation:

The notes presented in these condensed consolidated interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended September 30, 2014 (the "2014 annual financial statements"). Except as discussed below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the 2014 annual financial statements.

(b) Basis of consolidation:

The condensed consolidated interim financial statements include the financial statements of the Company, Redknee Inc. and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Functional currency:

The condensed consolidated interim financial statements are presented in U.S. dollars, which is the Company's functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (loss).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(d) Recent accounting pronouncements:

The following new standards and interpretations have been adopted by the Company, effective October 1, 2014:

(i) IAS 32, Financial Instruments - Presentation ("IAS 32"):

In December 2011, the IASB amended IAS 32 to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments are effective for annual periods beginning on or after October 1, 2014 and are required to be applied retrospectively.

The Company adopted the amendments to IAS 32 in its interim and annual financial statements beginning on October 1, 2014. The adoption did not have a material impact on the condensed consolidated interim financial statements.

(ii) International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21"):

In May 2013, the IASB issued IFRIC 21, which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (a) the liability is recognized progressively if the obligating event occurs over a period of time; and (b) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The standard is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted.

The Company adopted the amendments to IFRIC 21 in its interim and annual financial statements beginning on October 1, 2014. The adoption did not have a material impact on the condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(e) New accounting pronouncements:

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at March 31, 2015 and could have an impact on future periods.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

The IASB issued IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, and which establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

The IASB issued IFRS 15, which is effective for annual periods beginning on or after January 1, 2017. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time and over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

3. Business acquisition:

On March 29, 2013, the Company acquired Nokia Networks' Business Support Systems ("BSS") business. Nokia Networks' BSS business provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers. The completion of this acquisition marked a significant milestone in Redknee's long-term growth strategy by adding strong long-standing relationships with multiple Tier-1 operators from across the globe.

(a) Contingent consideration:

As part of the BSS acquisition, the Company agreed to pay additional consideration of up to a maximum of €25,000,000 for certain performance-based cash earn-outs over 12 to 48 months post-closing.

The fair value of the contingent consideration has been calculated by using probabilities-based outcomes. Subsequent changes in the estimated fair value are recorded in the condensed consolidated interim statements of comprehensive income (loss). The fair value of the contingent consideration liability was \$12,311,474 as at March 31, 2015 (September 30, 2014 - \$14,454,527). For the three and six months ended March 31, 2015, the change in the estimated fair value of \$1,566,811 and \$2,143,053, respectively, was related to foreign exchange gains recognized and is included in the condensed consolidated interim statements of comprehensive income (loss) as part of the foreign exchange gain (loss). For the three and six months ended March 31, 2015, there were no changes in fair value (three and six months ended March 31, 2014 - a credit of \$6,951,904 and \$5,801,235), respectively) recorded as other income in the condensed consolidated interim statements of comprehensive income (loss).

(b) Other items:

During the three and six months ended March 31, 2015, the Company incurred acquisition and related costs of \$279,432 and \$694,483 (2014 - \$2,395,690 and \$3,268,058), respectively, which included expenses for legal, professional, restructuring and other costs. These costs have been presented separately as acquisition and related costs in the condensed consolidated interim statements of comprehensive income (loss).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

4. Cash and cash equivalents:

	March 31, 2015	September 30, 2014
Cash	\$ 104,276,177	\$ 108,356,746
Cash equivalents	75,527	280,051
	<u>\$ 104,351,704</u>	<u>\$ 108,636,797</u>

5. Trade accounts and other receivables:

	March 31, 2015	September 30, 2014
Trade receivables, net of allowance for doubtful accounts	\$ 65,743,898	\$ 63,318,637
Other receivables (a)	8,515,668	7,344,753
Employee receivables (b)	678,949	730,593
	<u>\$ 74,938,515</u>	<u>\$ 71,393,983</u>

(a) The other receivables balance mainly includes trade receivables that were a part of the initial net working capital acquired as part of the BSS acquisition.

(b) Employee receivables represent advances for business travel.

6. Other assets:

	March 31, 2015	September 30, 2014
Deferred contract costs - current	\$ 753,890	\$ 898,871
Deferred contract costs - non-current	977,988	1,484,559
Lease deposits - non-current	814,723	605,129
	<u>1,792,711</u>	<u>2,089,688</u>
	<u>\$ 2,546,601</u>	<u>\$ 2,988,559</u>

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

6. Other assets (continued):

The Company recognized up-front direct costs related to certain customer contracts as an asset as it is probable that these assets will be recovered through future minimum contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenue. During the three and six months ended March 31, 2015, \$368,399 and \$651,552 was amortized (2014 - \$309,930 and \$621,268), respectively.

7. Loans and borrowings:

	March 31, 2015	September 30, 2014
Line of credit, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	\$ 19,411,493	\$ 19,411,493
Term Loan A, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	14,250,000	14,625,000
Term Loan B, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	14,250,000	14,625,000
	<u>47,911,493</u>	<u>48,661,493</u>
Less embedded derivative at inception	1,343,152	1,343,152
	<u>46,568,341</u>	<u>47,318,341</u>
Less unamortized deferred financing costs	969,843	1,164,367
Add loan accretion	549,907	405,739
	<u>46,148,405</u>	<u>46,559,713</u>
Less current portion of loans and borrowings	3,375,000	750,000
	<u>\$ 42,773,405</u>	<u>\$ 45,809,713</u>

On September 25, 2012, the Company entered into a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo"), which provided for a revolving line of credit for up to \$20,000,000.

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of \$15,000,000 each, for a total credit facility of \$50,000,000.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three and six months ended March 31, 2015 and 2014
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7. Loans and borrowings (continued):

The Company uses the credit facilities for working capital, general corporate purposes and capital expenditures. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at March 31, 2015, \$47,911,493 (September 30, 2014 - \$48,661,493) is outstanding and interest is payable monthly over the term of five years. In fiscal 2013, the Company incurred \$2,002,980 of financing costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the three and six months ended March 31, 2015, \$96,925 and \$194,524 was amortized (2014 - \$155,120 and \$306,248), respectively.

Interest is at LIBOR plus an applicable margin which was 4.5% at March 31, 2015 and September 30, 2014.

LIBOR is defined to have a floor of no less than 1.25%, which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at \$678,250 at March 31, 2015 (September 30, 2014 - \$688,437), using the assumption that the expected repayment of this line of credit will be at maturity and repayment of the term loans are per the repayment terms. The change in fair value of \$26,020 and \$10,189 for the three months and six months ended March 31, 2015 (2014 - \$84,424 and \$202,183), respectively, was recorded in finance costs in the condensed consolidated interim statements of comprehensive income (loss). The embedded derivative liability is included in other liabilities in the condensed consolidated interim statements of financial position.

The Company is required to comply with certain financial and non-financial covenants that exist under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the lender on demand. The Company is in compliance with all applicable covenants as of March 31, 2015.

For the three and six months ended March 31, 2015, interest expense in connection with loans payable of \$806,402 and \$1,443,850 (2014 - \$701,542 and \$1,251,542), respectively, has been recognized as finance costs in the condensed consolidated interim statements of comprehensive income (loss).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

8. Share capital:

(a) Income (loss) per common share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted income or loss per common share for the three and six months ended March 31 is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Basic weighted average number of common shares outstanding	109,089,428	98,362,310	109,017,472	97,015,120
Add dilutive stock options outstanding	–	3,434,546	–	3,450,370
Diluted weighted average number of common shares outstanding	109,089,428	101,796,856	109,017,472	100,465,490

Due to the net loss for three and six months ended March 31, 2015, all options were excluded from the calculation of diluted loss per common share as their inclusion would be anti-dilutive. The total number of options that was excluded from the calculation for the three and six months ended March 31, 2015 was 7,817,255.

The total number of anti-dilutive options that was out of the money and, therefore, excluded from the calculation of diluted net income per common share for the three and six months ended March 31, 2014 was 1,700,597 and 1,684,773, respectively.

(b) Normal course issuer bid ("NCIB"):

On May 30, 2014, the Company announced a NCIB under which it may purchase up to 9,358,502 of its common shares, commencing on June 3, 2014 and terminating on June 2, 2015 or on such earlier date as the Company may complete its purchases pursuant to the NCIB filed with the TSX. Purchases will be made on the open market by the Company through the facilities of the TSX in accordance with TSX requirements. The prices that the Company will pay for any purchased common shares will be the market price of such shares on the TSX at the time of acquisition. As of March 31, 2015, the Company has not purchased any common shares under this NCIB.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

8. Share capital (continued):

(c) Treasury stock:

During the six months ended March 31, 2015, the Company paid \$536,507 to a trustee to purchase 179,246 of the Company's common shares in the open market, to satisfy the delivery of common shares under its equity-based compensation plans. The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the six months ended March 31, 2015, 149,280 shares have been issued with cost of \$415,816 (2014 - 81,602 shares with a cost of \$102,501). As at March 31, 2015, the remaining number of treasury shares held by the Company is 46,864 with a cost of \$141,917 (September 30, 2014 - 16,898 with a cost of \$21,226).

(d) Share-based compensation:

The share-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares during the three and six months ended March 31, 2015 was \$1,733,015 and \$2,198,181 (2014 - \$546,600 and \$1,216,806), respectively.

(i) Stock options:

The table below is a summary of the stock option plans for the six months ended March 31, 2015:

	CAD stock options		GBP stock options	
	Number of stock options	Weighted average exercise price per share	Number of stock options	Weighted average exercise price per share
Outstanding, September 30, 2014	4,584,246	\$ 2.39	71,750	£ 0.45
Granted	3,537,472	3.49	—	—
Exercised	(211,250)	0.39	(14,000)	0.44
Forfeited	(147,213)	4.54	(3,750)	0.93
Outstanding, March 31, 2015	7,763,255	\$ 2.90	54,000	£ 0.42

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

8. Share capital (continued):

(ii) Share unit plan:

The table below is a summary of the restricted share units ("RSU") and performance share units ("PSU") for the six months ended March 31, 2015:

RSU & PSU	
Outstanding, September 30, 2014	805,421
Granted	795,646
Exercised	(51,872)
Forfeited	(83,992)
Outstanding, March 31, 2015	1,465,203

(iii) Deferred share unit plan:

During the six months ended March 31, 2015, there were 210,925 deferred share units ("DSUs") granted. The number of DSUs outstanding at March 31, 2015 was 661,195 (September 30, 2014 - 450,270).

9. Income tax expense:

The Company's income tax expense for the six-months ended March 31, 2015 mainly includes \$1,315,593 (2014 - \$1,750,028) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$1,454,986 (2014 - \$823,218) of foreign withholding taxes.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

10. Change in non-cash operating working capital:

The change in non-cash working capital for the three and six months ended March 31 is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Trade accounts and other receivables	1,064,913	(18,204,548)	(3,544,532)	(30,678,708)
Unbilled revenue	12,897,709	(5,831,621)	11,689,224	(7,364,085)
Prepaid expenses	(187,794)	(1,350,139)	1,608,656	(2,438,422)
Other assets	209,053	351,855	441,958	603,874
Inventories	(261,941)	(1,419,683)	2,339,503	(1,447,603)
Trade payables	(355,995)	5,226,083	1,426,955	5,351,681
Accrued liabilities and other liabilities	(2,764,379)	(3,822,544)	(9,138,781)	(3,905,382)
Income taxes payable	(996)	386,998	56,923	121,361
Deferred revenue	(457,308)	1,700,239	(3,832,648)	(3,633,566)
	\$ 10,143,262	\$ (22,963,360)	\$ 1,047,258	\$ (43,390,850)

11. Financial instruments and capital management:

Accounting classifications and fair values:

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e., unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

11. Financial instruments and capital management (continued):

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value at March 31, 2015 and September 30, 2014 are summarized below:

	March 31, 2015		September 30, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (Level 1)	\$ 104,351,704	\$ 104,351,704	\$ 108,636,797	\$ 108,636,797
Restricted cash (Level 1)	1,440,479	1,440,479	881,940	881,940
Contingent consideration liability (Level 3)	12,311,474	12,311,474	14,454,527	14,454,527
Embedded derivative liability (other liabilities) (Level 2)	678,250	678,250	688,437	688,437

There were no transfers of financial assets between levels during the six months ended March 31, 2015.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	March 31, 2015	September 30, 2014
Financial assets at FVTPL ^(a)	\$ 105,792,183	\$ 109,518,737
Loans and receivables ^(b)	74,938,515	71,393,983
Other financial liabilities ^(c)	103,564,057	118,521,619
Financial liabilities at FVTPL ^(d)	12,311,474	14,454,527

^(a)Includes cash and cash equivalents and restricted cash.

^(b)Includes trade accounts and other receivables.

^(c)Includes trade payables, accrued liabilities, other liabilities, current and long-term portions of loans and borrowings and provisions.

^(d)Includes contingent consideration.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

11. Financial instruments and capital management (continued):

The carrying values of trade accounts and other receivables, trade payables, accrued liabilities and provisions approximate fair values because of the short-term nature of these financial instruments.

The carrying values of contingent consideration and other liabilities approximate fair values.

The carrying value of loans and borrowings with floating interest rates approximates fair value because the interest rates approximate market rates.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

12. Segment reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware.

Revenue is attributed to geographic locations, based on the location of the external customer. The Company's revenue by geographic area for the three and six months ended March 31 is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Europe, Middle East and Africa	\$ 28,940,053	\$ 45,577,044	\$ 59,692,864	\$ 77,109,943
North America, Latin America and Caribbean	6,841,297	6,512,344	13,560,187	13,777,258
Asia and Pacific Rim	17,961,557	20,343,932	43,066,785	41,949,359
	<u>\$ 53,742,907</u>	<u>\$ 72,433,320</u>	<u>\$ 116,319,836</u>	<u>\$ 132,836,560</u>

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

12. Segment reporting (continued):

The Company's revenue by type for the three and six months ended March 31 is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Revenue by type:				
Software and services	\$ 28,771,574	\$ 38,243,012	\$ 62,512,800	\$ 60,281,326
Support and subscription	22,522,584	25,737,078	47,143,913	58,765,102
Third-party software and hardware	2,448,749	8,453,230	6,663,123	13,790,132
	<u>\$ 53,742,907</u>	<u>\$ 72,433,320</u>	<u>\$ 116,319,836</u>	<u>\$ 132,836,560</u>

13. Commitments, guarantees and contingent liabilities:

(a) Letters of credit:

As at March 31, 2015, the Company had \$1,440,479 (September 30, 2014 - \$881,940) in lease guarantees which are secured by restricted cash, shown separately in the condensed consolidated interim statements of financial position.

(b) Guarantees:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. The Company has never been called to perform its obligations under these indemnifications and the Company is not subject to any pending litigation in these matters.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three and six months ended March 31, 2015 and 2014
(Unaudited)

14. Provisions:

Opening balance, September 30, 2014	\$ 21,575,846
Additions	588,349
Cash payments	(6,343,543)
Foreign exchange	(2,828,051)
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Closing balance, March 31, 2015	12,992,601
Less current portion of provisions	10,918,879
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Long-term portion of provisions	\$ 2,073,722

In August 2014, the Company announced that it would eliminate certain satellite office locations, concentrate research and development and support staff into existing locations and consolidate activities to lower cost centres. The Company also announced restructuring actions throughout the organization intended to reduce its overall cost structure and improve its margin performance. In connection with these plans, the Company recorded restructuring charges of \$22,524,612 during the year ended September 30, 2014, primarily for employee termination costs, of which \$21,575,846 was recorded as provisions as at September 30, 2014. During the three and six months ended March 31, 2015, additional restructuring charges related to employee terminations of \$251,635 and \$588,349, respectively, were recorded.

For the six months ended March 31, 2015, an amount of \$6,343,543 has been paid and an amount of \$10,918,879 is estimated as payable within one year. The balance of the provision, classified as long-term, payable over five years, amounts to \$2,073,722 and has been discounted.

The recognition of restructuring charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with the restructuring actions. Management's significant assumptions included the timing and number of employees to be terminated and the measurement of termination costs. The Company developed a detailed plan and has recorded termination costs for employees informed of their termination. At the end of each reporting period, management will evaluate the appropriateness of the restructuring charges and provision balances. Further adjustments may be required to reflect actual experience or changes in estimates.