MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG," the "Company," "we" or "our"), presented as at May 21, 2014, should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the years ended March 31, 2014 and 2013. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars and rounded to the nearest thousand.

CORPORATE PROFILE

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced processes reservoir modelling software with a blue chip client base of international oil companies and technology centers in more than 50 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Caracas, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

VISION, BUSINESS AND STRATEGY

CMG's vision is to become the leading developer and supplier of dynamic reservoir modelling systems in the world. Early in its life CMG made the strategic decision to focus its research and development efforts on providing solutions for the simulation of difficult hydrocarbon recovery techniques, a decision that created the foundation for CMG's dominant market presence today in the simulation of advanced hydrocarbon recovery processes. CMG has continued this commitment by increasing spending on research and development and working closely with its customers to develop simulation tools relevant to the challenges and opportunities they face today. This includes the DRMS project, a collaborative effort with our partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras") to jointly develop the newest generation of reservoir simulation software. Our target is to develop a dynamic system that does more than optimize reservoir recovery; it will model the entire hydrocarbon reservoir system, including production systems.

Since its inception more than 35 years ago, CMG has remained focused on assisting its customers in unlocking the value of their hydrocarbon reservoirs. With petroleum production using conventional methods on the decline, the petroleum industry must use more difficult and costly advanced process extraction methods, while being faced with more governmental and regulatory requirements over environmental concerns. CMG's success can, in turn, be correlated with the oil industry becoming more reliant on the use of simulation technology due to the maturity of conventional petroleum reservoirs and the complexities of both current and emerging production processes.

CMG's success can specifically be attributed to a number of factors: advanced physics, ongoing enhancements to the Company's already robust product line, improved computational speed, parallel computing ability, ease of use features of the pre- and post-processor applications, cost effectiveness of the CMG solution for customers, and the knowledge base of CMG's personnel to support and advance its software.

CMG currently licenses reservoir simulation software to more than 500 oil and gas companies, consulting firms and research institutions in over 50 countries. In combination with its principal business of licensing its software, CMG also provides professional services consisting of highly specialized consulting, support, training, and funded research activities for its clients. While the generation of professional services revenue specifically tied to the provision of consulting services is not regarded as a core part of CMG's business, offering this type of service is important to CMG operationally. CMG performs a limited amount of specialized consulting services, which are typically of a highly complex and/or experimental nature. These studies provide hands-on practical knowledge, allowing CMG staff to test the boundaries of our software, and provide us the opportunity to increase software license sales to both new and existing clients. In addition, providing consulting services is important from the customer service perspective as it enables our customers to become more proficient users of CMG's software. The funded research revenue is derived from the clients who partner with CMG to assist in the development, testing and refinement of new simulation technologies.

In addition to consulting, we allocate significant resources to training, which is an instrumental part of our company's success. Our training programs enable our customers to become more efficient and effective users of our software, which, in turn, contributes to higher customer satisfaction. Our training is continuous in nature and it helps us in developing and maintaining long-term relationships with our clients.

CMG remains true to its strategy of growing its revenue base while advancing its technological superiority over its competition. CMG firmly believes that, to become the dominant supplier of dynamic reservoir modelling systems in the world, it must be responsive to clients' needs today and accurately predict their needs in the future.

CMG invests a significant amount of resources each year towards maintaining its technological superiority. During fiscal 2014, CMG increased its overall spending on research and development by 17% (representing 20% of total revenue) and expects to further increase its spending in fiscal 2015. The increasing level of investment by CMG in its current product suite offering helps to ensure that its existing proven technology continues to be industry-leading. These significant levels of investment, in combination with partnering with Shell and Petrobras in the DRMS project to jointly develop the newest generation of reservoir simulation software, are targeted strategies to achieve our vision to become the leading developer and supplier of dynamic reservoir modelling systems in the world.

OVERALL PERFORMANCE

Key Performance Drivers and Capability to Deliver Results

One of the challenges the petroleum industry faces in trying to overcome barriers to production growth is the continuing need for breakthrough technologies. The facts facing the petroleum industry today are that brand new fields are increasingly difficult to find, especially on a large scale, and that there are a large number of mature fields and unconventional prospects where known petroleum reserves exist; the question is how to economically extract the petroleum reserves in place and do so utilizing environmentally conscious processes. These challenges have been made even more formidable given that the current economic environment and global political climate have led to increased uncertainty regarding capital markets and commodity prices.

The petroleum industry utilizes reservoir simulation to provide both vital information and a visual interpretation on how reservoirs will behave under various recovery techniques. Understanding the science of how a petroleum reservoir will react to difficult hydrocarbon recovery processes through simulation prior to spending the capital on drilling wells and injecting expensive chemicals and steam, for instance, is far less costly and risky than trying the various techniques on real wells.

CMG's existing product suite of software is the market leader in the simulation of difficult hydrocarbon recovery techniques. To maintain this dominant market position, CMG actively participates in research consortia that experiment with new petroleum extraction processes and technologies. CMG then incorporates the simulation of new recovery methods into its product suite and focuses on overcoming existing technological barriers to advance speed and ease of use, amongst other benefits, in its software.

During fiscal 2014, CMG launched a redesigned CMOST, our optimization tool, used to perform history matching of measured field performance data, optimize future production or net present value, and assess the risk of making capital and operating expenditures. It enables clients to thoroughly evaluate their reservoir assets and, in turn, optimize production and capital expenditures to yield the highest net present value. The redesigned CMOST includes more than 50 new features, including a completely redesigned interface which helps to increase productivity, usability and analysis. It is part of CMG's ongoing effort to enhance its software and stay on the leading forefront of technological development.

We expect CMG's share of the market for all petroleum recovery simulation to increase as the amount of easy-to-extract oil declines and as production from unconventional sources increases. The speed and the magnitude of growth in licenses sold for use of CMG's advanced recovery process simulators is enhanced by the shift in production from conventional means to more complex recovery methods.

The development of our DRMS system, the newest generation reservoir and production system simulation software, is a significant project for CMG and its partners; a project that to-date has represented over 280 man-years of development. The DRMS team consists of 60 persons made up of 41 CMG employees and consultants and 6 partner-seconded staff members, all working in CMG's Calgary offices, with an additional 13 partner staff members working remotely from their respective offices in the Netherlands and Brazil. CMG, through its participation in this joint project, will have full commercialization rights to the developed technology. CMG and its partners are committed to the ongoing funding of the project, with the Company's share of project costs estimated to be $5.9 million ($3.1 million net of overhead recoveries) for the upcoming fiscal year. As project operator, CMG receives a fee for operator services, which is reflected in revenue as professional services.

CMG is in a very strong financial position with $61.0 million in working capital, no bank debt and a long history of generating earnings and cash from operating activities. In addition to its financial resources, CMG's real strength lies in the outstanding quality and dedication of its employees in all areas of the Company. While it has never been easy to find qualified staff as CMG has grown through the years, our expanding reputation as a challenging and rewarding place to work has somewhat eased this burden. CMG added 22 new staff members to its employee complement in fiscal 2014 and is planning for a potential increase in its staff complement by a similar number by the end of fiscal 2015.

Our focus will remain on increasing software license sales to both existing and new clients and, with diversification of our geographic profile, we plan to strengthen our position in the global marketplace. Over 80% of our software license revenue is derived from our annuity and maintenance contracts, which generally represent a recurring source of revenue. We have continued to see successive increases in this revenue base over the past several years, and with a strong renewal rate, we expect this trend to continue in the future. Sustained revenue growth, combined with solid control over corporate costs, will continue to be the key variables in ensuring CMG's future profitability. During fiscal year ended March 31, 2014, our EBITDA represented 52% of total revenue which demonstrates our ability to effectively manage our corporate costs.

We continue to return value to our shareholders in the form of regular quarterly dividend payments. During the year ended March 31, 2014, as compared to the prior fiscal year, we increased total dividends declared and paid by 5%.

We are confident that our sustainable business model driven by superior technology, commitment to research and development initiatives, and customer-oriented approach will continue contributing to CMG's future success.

ANNUAL PERFORMANCE

($ thousands, unless otherwise stated)	**March 31, 2014**	March 31, 2013	March 31, 2012
Annuity/maintenance licenses	**57,139**	54,555	42,858
Perpetual licenses	**9,074**	8,406	12,724
Software licenses	**66,213**	62,961	55,582
Professional services	**8,290**	5,659	5,452
Total revenue	**74,503**	68,620	61,034
Operating profit	**36,782**	34,290	31,604
Operating profit (%)	**49%**	50%	52%
EBITDA[1]	**38,373**	35,829	32,831
Net income for the year	**27,630**	24,822	23,391
Cash dividends declared and paid	**30,304**	27,905	20,499
Total assets	**100,268**	83,421	74,892
Total shares outstanding	**39,210**	38,129	37,307
Trading price per share at March 31	**29.16**	21.09	15.90
Market capitalization at March 31	**1,143,351**	804,130	593,170
Per share amounts - ($/share)			
Earnings per share - basic	**0.71**	0.66	0.63
Earnings per share - diluted	**0.70**	0.64	0.62
Cash dividends declared and paid	**0.78**	0.74	0.555

[1] EBITDA is defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See "Non-IFRS Financial Measures".

QUARTERLY PERFORMANCE

($ thousands, unless otherwise stated)	Fiscal 2013[1] Q1	Q2	Q3	Q4	Fiscal 2014[2] Q1	Q2	Q3	**Q4**
Annuity/maintenance licenses	13,179	12,012	14,004	15,359	13,958	13,153	14,278	**15,750**
Perpetual licenses	2,070	2,671	1,365	2,300	2,331	1,829	2,942	**1,972**
Software licenses	15,249	14,683	15,369	17,659	16,289	14,982	17,220	**17,722**
Professional services	1,216	1,390	1,433	1,620	1,827	2,202	2,007	**2,254**
Total revenue	16,465	16,073	16,802	19,279	18,116	17,184	19,227	**19,976**
Operating profit	8,105	8,032	8,276	9,877	9,350	8,296	9,575	**9,561**
Operating profit (%)	49	50	49	51	52	48	50	**48**
EBITDA	8,423	8,425	8,687	10,294	9,725	8,675	9,972	**10,001**
Profit before income and other taxes	8,577	7,703	8,556	10,314	9,999	8,133	10,249	**10,761**
Income and other taxes	2,487	2,342	2,437	3,061	2,918	2,525	3,044	**3,025**
Net income for the period	6,090	5,361	6,119	7,253	7,081	5,608	7,205	**7,736**
Cash dividends declared and paid	9,736	6,020	6,050	6,099	8,841	6,994	7,020	**7,449**
Per share amounts - ($/share)								
Earnings per share - basic	0.16	0.14	0.16	0.19	0.19	0.15	0.19	**0.20**
Earnings per share - diluted	0.16	0.14	0.16	0.19	0.18	0.14	0.18	**0.19**
Cash dividends declared and paid	0.26	0.16	0.16	0.16	0.23	0.18	0.18	**0.19**

(1) *Q1, Q2, Q3 and Q4 of fiscal 2013 include $2.1 million, $0.2 million, $1.8 million and $2.6 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

(2) *Q1, Q2, Q3 and Q4 of fiscal 2014 include $1.2 million, $0.2 million, $0.9 million and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

HIGHLIGHTS

During the year ended March 31, 2014, as compared to the prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 5%
- Increased total revenue by 9%
- Increased operating profit by 7%
- Increased spending on research and development by 17%
- Increased EBITDA by 7%
- Increased total dividends declared and paid by 5%
- Realized earnings per share of $0.71, representing an 8% increase

REVENUE

For the three months ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Software licenses	**17,722**	17,659	63	0%
Professional services	**2,254**	1,620	634	39%
Total revenue	**19,976**	19,279	697	4%
Software license revenue - % of total revenue	**89%**	92%		
Professional services - % of total revenue	**11%**	8%		

For the year ended March 31, ($ thousands)	2014	2013	$ change	% change
Software licenses	**66,213**	62,961	3,252	5%
Professional services	**8,290**	5,659	2,631	46%
Total revenue	**74,503**	68,620	5,883	9%
Software license revenue - % of total revenue	**89%**	92%		
Professional services - % of total revenue	**11%**	8%		

CMG's revenue is comprised of software license sales, which provide the majority of the Company's revenue, and fees for professional services.

Total revenue increased by 4% for the three months ended March 31, 2014, compared to the same period of the previous fiscal year, mainly due to an increase in professional services.

Total revenue increased by 9% in the year ended March 31, 2014, compared to the previous fiscal year, due to increases in both software license revenue and professional services.

Software License Revenue

Software license revenue is made up of annuity/maintenance license fees charged for the use of the Company's software products which is generally for a term of one year or less and perpetual software license sales, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a reliable revenue stream while perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG's software.

For the three months ended March 31, ($ thousands)	2014	2013	$ change	% change
Annuity/maintenance licenses	**15,750**	15,359	391	3%
Perpetual licenses	**1,972**	2,300	(328)	-14%
Total software license revenue	**17,722**	17,659	63	0%
Annuity/maintenance as a % of total software license revenue	**89%**	87%		
Perpetual as a % of total software license revenue	**11%**	13%		

For the year ended March 31, ($ thousands)	2014	2013	$ change	% change
Annuity/maintenance licenses	**57,139**	54,555	2,584	5%
Perpetual licenses	**9,074**	8,406	668	8%
Total software license revenue	**66,213**	62,961	3,252	5%
Annuity/maintenance as a % of total software license revenue	**86%**	87%		
Perpetual as a % of total software license revenue	**14%**	13%		

Total software license revenue remained flat in the three months ended March 31, 2014, compared to the same period of the previous fiscal year. However, total software license revenue grew by 5% for the year ended March 31, 2014, compared to the previous fiscal year, as a result of increases in both the annuity/maintenance and perpetual revenue streams.

CMG's annuity/maintenance license revenue increased by 3% and 5% during the three months and year ended March 31, 2014, respectively, compared to the same periods of the previous fiscal year. These increases were driven by sales to new and existing clients as well as an increase in maintenance revenue tied to perpetual sales. In addition, annuity/maintenance license revenue for the three months and year ended March 31, 2014, compared to the same periods of the previous year, was positively affected by the weakening of the Canadian dollar.

All of our regions, except South America, experienced solid growth in annuity/maintenance revenue during both the three months and year ended March 31, 2014, for the reasons described above, but the most significant growth came from our US market.

Our annuity/maintenance revenue is impacted by the revenue recognition on a multi-year contract for which revenue recognition criteria are fulfilled only at the time of the receipt of funds (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the "Quarterly Software License Revenue" graph). The variability of the amounts and timing of the payments received may skew the comparison of the recorded annuity/maintenance revenue amounts between periods. To provide a normalized comparison, if we were to remove revenue from this particular customer from the fourth quarter of the current and previous fiscal years, we will notice that the annuity/maintenance revenue increased by 11%, instead of 3%, as compared to the same period of the previous year. Similarly, if we were to remove revenue from this particular customer from the years ended March 31, 2014 and 2013, we will notice that the annuity/maintenance revenue increased by 12%, instead of 5%, as compared to the previous year. We are pleased to report that subsequent to the year ended March 31, 2014 we received an additional quarterly payment from this particular customer which will be reflected in Q1 of fiscal 2015 results. Given our long-term relationship with this customer, and their on-going use of our licenses, we expect to continue to receive payments from them; however, the amount and timing are uncertain and will continue to be recorded on a cash basis, which may introduce some variability in our reported quarterly annuity/maintenance revenue results.

Perpetual license sales decreased by 14% for the three months ended March 31, 2014, compared to the same period of the previous fiscal year, due to a decrease in Canada and South America partially offset by growth in perpetual sales generated by the US and Eastern Hemisphere.

Perpetual license sales for the year ended March 31, 2014 increased by 8%, compared to the previous fiscal year, due to growth in perpetual sales generated by the US, South America and Eastern Hemisphere partially offset by a decrease in Canada.

Software licensing under perpetual sales is a significant part of CMG's business, but may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, had a positive impact on our reported license revenue.

The following table summarizes the US dollar denominated revenue and the weighted average exchange rate at which it was converted to Canadian dollars:

For the three months ended March 31, ($ thousands)		**2014**	2013	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**10,462**	10,777	(315)	-3%
Weighted average conversion rate		**1.072**	1.006		
Canadian dollar equivalent	**CDN$**	**11,212**	10,838	374	3%
US dollar perpetual license sales	**US$**	**1,808**	1,475	333	23%
Weighted average conversion rate		**1.091**	1.015		
Canadian dollar equivalent	**CDN$**	**1,972**	1,497	475	32%

For the year ended March 31, ($ thousands)		2014	2013	$ change	% change
US dollar annuity/maintenance license sales	US$	**38,030**	35,138	2,892	8%
Weighted average conversion rate		**1.030**	1.003		
Canadian dollar equivalent	CDN$	**39,178**	35,231	3,947	11%
US dollar perpetual license sales	US$	**8,234**	5,634	2,600	46%
Weighted average conversion rate		**1.048**	1.004		
Canadian dollar equivalent	CDN$	**8,627**	5,657	2,970	53%

The following table quantifies the foreign exchange impact on our software license revenue:

For the three months ended March 31, 2014 ($ thousands)	Q4 2013 Balance	Incremental License Growth	Foreign Exchange Impact	Q4 2014 Balance
Annuity/maintenance license sales	15,359	(300)	691	**15,750**
Perpetual license sales	2,300	(466)	138	**1,972**
Total software license revenue	17,659	(766)	829	**17,722**

For the year ended March 31, 2014 ($ thousands)	2013 Balance	Incremental License Growth	Foreign Exchange Impact	2014 Balance
Annuity/maintenance license sales	54,555	1,537	1,047	**57,139**
Perpetual license sales	8,406	308	360	**9,074**
Total software license revenue	62,961	1,845	1,407	**66,213**

Revenue by Geographic Segment

For the three months ended March 31, ($ thousands)	2014	2013	$ change	% change
Annuity/maintenance revenue				
Canada	**6,225**	5,805	420	7%
United States	**3,236**	2,799	437	16%
South America	**2,616**	3,399	(783)	-23%
Eastern Hemisphere(1)	**3,673**	3,356	317	9%
	15,750	15,359	391	3%
Perpetual revenue				
Canada	**67**	803	(736)	-92%
United States	**787**	331	456	138%
South America	**33**	232	(199)	-86%
Eastern Hemisphere	**1,085**	934	151	16%
	1,972	2,300	(328)	-14%
Total software license revenue				
Canada	**6,292**	6,608	(316)	-5%
United States	**4,023**	3,130	893	29%
South America	**2,649**	3,631	(982)	-27%
Eastern Hemisphere	**4,758**	4,290	468	11%
	17,722	17,659	63	0%

For the year ended March 31, ($ thousands)	2014	2013	$ change	% change
Annuity/maintenance revenue				
Canada	**23,120**	21,708	1,412	7%
United States	**12,778**	10,558	2,220	21%
South America	**8,027**	10,169	(2,142)	-21%
Eastern Hemisphere(1)	**13,214**	12,120	1,094	9%
	57,139	54,555	2,584	5%
Perpetual revenue				
Canada	**514**	2,344	(1,830)	-78%
United States	**1,641**	993	648	65%
South America	**1,385**	741	644	87%
Eastern Hemisphere	**5,534**	4,328	1,206	28%
	9,074	8,406	668	8%
Total software license revenue				
Canada	**23,634**	24,052	(418)	-2%
United States	**14,419**	11,551	2,868	25%
South America	**9,412**	10,910	(1,498)	-14%
Eastern Hemisphere	**18,748**	16,448	2,300	14%
	66,213	62,961	3,252	5%

(1) Includes Europe, Africa, Asia and Australia.

On a geographic basis, total software license sales increased in the US and Eastern Hemisphere markets and decreased in the Canadian and South American markets during the three months and year ended March 31, 2014, as compared to the same periods of the previous fiscal year. The most significant growth came from our annuity/maintenance license sales, with increases experienced across all regions, with the exception of South America, for the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year.

The Canadian market (representing 36% of year-to-date total software revenue) experienced increases in annuity/maintenance license sales during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year. These increases were supported by the sales to both new and existing clients. Perpetual sales experienced decreases during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, due to the fluctuations inherent in the perpetual revenue stream. The Canadian market continues to be the leader in generating total software license revenue and, particularly, in generating recurring annuity/maintenance revenue as evidenced by the quarterly year-over-year increases of 38%, 10% and 10% recorded during Q4 2013, Q1 2014 and Q3 2014, respectively (annuity/maintenance was relatively flat in Q2 2014, compared to the same period in the previous fiscal year). The growth trend has continued into the fourth quarter of the current fiscal year with the recorded increase of 7%.

The US market (representing 22% of year-to-date total software revenue) had the most significant growth in annuity/maintenance license sales during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, driven by sales to new and existing clients. Perpetual license sales also grew during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year. We have continued to see successive increases in the annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 20%, 32%, 16% and 21% recorded during Q4 2013, Q1 2014, Q2 2014, and Q3 2014, respectively. This double digit growth trend has continued into the fourth quarter of the current fiscal year with the recorded increase of 16%.

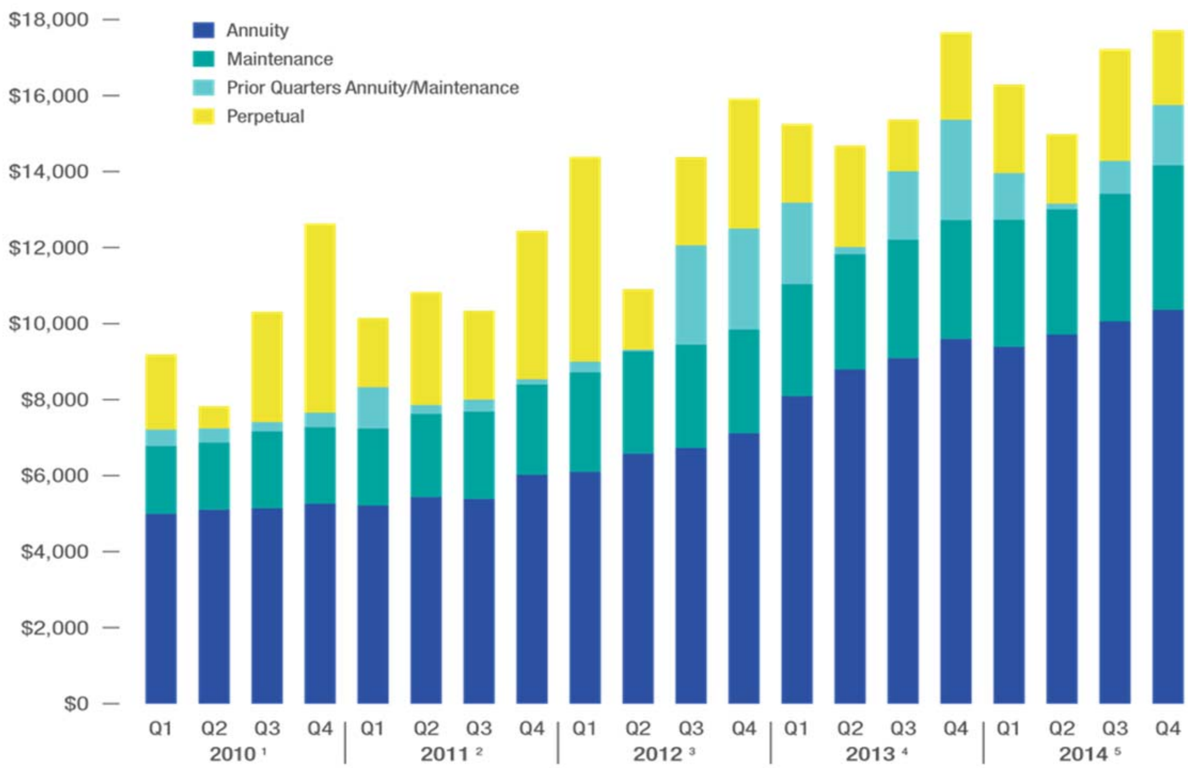
South America (representing 14% of year-to-date total software revenue) experienced decreases of 23% and 21% in annuity/maintenance revenue during the three months and year ended March 31, 2014, respectively, compared to the same periods of the previous fiscal year. The revenue recognition in our South American region is affected by the revenue recorded on the long-term contract for which revenue is recognized on a cash basis (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the "Quarterly Software License Revenue" graph). To provide a normalized comparison, if we were to remove revenue from this particular customer from the fourth quarter of the current and previous fiscal years, we will notice that the South America annuity/maintenance revenue increased by 29%, instead of decreasing by 23%, as compared to the same period of the previous year. Similarly, if we were to remove revenue from this particular customer from the years ended March 31, 2014 and 2013, we will notice that the annuity/maintenance revenue increased by 20%, instead of decreasing by 21%, as compared to the previous year which demonstrates the continued growth in the South American market. The South American region experienced a decrease in perpetual license sales during the three months ended March 31, 2014, compared to the same period of the previous fiscal year, while there was an increase in perpetual license sales during the year ended March 31, 2014, compared to the previous fiscal year.

Eastern Hemisphere (representing 28% of the year-to-date total software revenue) grew annuity/maintenance license sales during both the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, due to sales to both new and existing customers. Perpetual license sales also increased in both the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year.

Movements in perpetual sales across regions are indicative of the unpredictable nature of the timing and location of perpetual license sales. Overall, our recurring annuity/maintenance revenue base continues to be strong and growing across all regions. We will continue to focus our efforts on increasing our license sales to both existing and new clients and, supported by our product suite offering and our customer-oriented approach, we will endeavor to continue expanding our market share globally.

As footnoted in the Quarterly Performance table, in the normal course of business, CMG may complete the negotiation of certain annuity/maintenance contracts and/or fulfill revenue recognition requirements within a current quarter that includes usage of CMG's products in prior quarters. This situation particularly affects contracts negotiated with countries that face increased economic and political risks leading to the revenue recognition criteria being satisfied only at the time of the receipt of cash. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance revenue stream and, to provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters.

Quarterly Software License Revenue ($thousands)



(1) *Q1, Q2, Q3 and Q4 of fiscal 2010 include $0.4 million, $0.4 million, $0.3 million and $0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

(2) *Q1, Q2, Q3 and Q4 of fiscal 2011 include $1.1 million, $0.2 million, $0.3 million and $0.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

(3) *Q1, Q2, Q3 and Q4 of fiscal 2012 include $0.3 million, $0.04 million, $2.6 million, and $2.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

(4) *Q1, Q2, Q3 and Q4 of fiscal 2013 include $2.1 million, $0.2 million, $1.8 million, and $2.6 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

(5) *Q1, Q2, Q3 and Q4 of fiscal 2014 include $1.2 million, $0.2 million, $0.9 million, and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.*

Deferred Revenue

($ thousands)	Fiscal 2014	Fiscal 2013	$ change	% change
Deferred revenue at:				
Q1	**22,014**	18,779	3,235	17%
Q2	**19,346**	18,241	1,105	6%
Q3	**18,069**	15,510	2,559	16%
Q4	**29,531**	25,289	4,242	17%

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. Our annuity/maintenance revenue is deferred and recognized on a straight-line basis over the life of the related license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

The increase in deferred revenue year-over-year as at the end of Q1, Q2, Q3 and Q4 is reflective of the growth in annuity/maintenance license sales. The variation within the year is due to the timing of renewals of annuity and maintenance contracts that are skewed to the beginning of the calendar year which explains the increase in deferred revenue balance at Q4 compared to the balances at Q1, Q2 and Q3. Our fourth quarter corresponds to the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

Deferred revenue at March 31, 2014 increased by 17% compared to the prior fiscal year due to both the renewal of existing and signing of new software licenses and maintenance contracts in the quarter.

Professional Services Revenue

CMG recorded professional services revenue of $2.3 million for the three months ended March 31, 2014, representing an increase of $0.6 million compared to the same period of the previous fiscal year, due to both an increase in project activities by our clients and due to entering into a large consulting agreement with one of our clients. Professional services for the year ended March 31, 2014 amounted to $8.3 million, representing a $2.6 million increase compared to the previous fiscal year, which again resulted from both an increase in project activities by our clients and entering into a large consulting agreement with one of our clients in the current fiscal year.

Professional services revenue consists of specialized consulting, training, and contract research activities. CMG performs consulting and contract research activities on an ongoing basis, but such activities are not considered to be a core part of our business and are primarily undertaken to increase our knowledge base and hence expand the technological abilities of our simulators in a funded manner, combined with servicing our customers' needs. In addition, these activities are undertaken to market the capabilities of our suite of software products with the ultimate objective to increase software license sales. Our experience is that consulting activities are variable in nature as both the timing and dollar magnitude of work are dependent on activities and budgets within client companies.

EXPENSES

For the three months ended March 31, ($ thousands)	2014	2013	$ change	% change
Sales, marketing and professional services	**4,539**	4,140	399	10%
Research and development	**3,917**	3,456	461	13%
General and administrative	**1,959**	1,806	153	8%
Total operating expenses	**10,415**	9,402	1,013	11%
Direct employee costs*	**8,385**	7,507	878	12%
Other corporate costs	**2,030**	1,895	135	7%
	10,415	9,402	1,013	11%

For the year ended March 31, ($ thousands)	2014	2013	$ change	% change
Sales, marketing and professional services	**16,144**	15,473	671	4%
Research and development	**14,623**	12,517	2,106	17%
General and administrative	**6,954**	6,340	614	10%
Total operating expenses	**37,721**	34,330	3,391	10%
Direct employee costs*	**30,292**	27,309	2,983	11%
Other corporate costs	**7,429**	7,021	408	6%
	37,721	34,330	3,391	10%

**Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development.*

CMG's total operating expenses increased by 11% and 10% for the three months and year ended March 31, 2014, respectively, compared to the same periods of the previous fiscal year, due to increases in both direct employee and other corporate costs.

Direct Employee Costs

As a technology company, CMG's largest area of expenditure is for its people. Approximately 80% of the total operating expenses in the year ended March 31, 2014 related to staff costs, which is consistent with 80% recorded in the comparative period of the previous fiscal year. Staffing levels for the current fiscal year grew in comparison to the previous fiscal year to support our continued growth. At March 31, 2014, CMG's staff complement was 195 employees and consultants, up from 173 employees as at March 31, 2013. Direct employee costs increased during the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, due to staff additions, increased levels of compensation, commissions and related benefits.

Other Corporate Costs

Other corporate costs increased by 7% for the three months ended March 31, 2014, compared to the same period of the previous fiscal year, mainly due to computer-related purchases and the increase in other office costs.

Other corporate costs increased by 6% for the year ended March 31, 2014, compared to the previous fiscal year, mainly due to computer-related purchases and the increase in other office costs partially offset by the inclusion of the costs associated with CMG's biennial technical symposium which took place during the first quarter of the previous fiscal year.

Research and Development

For the three months ended March 31, ($ thousands)	2014	2013	$ change	% change
Research and development (gross)	**4,359**	3,906	453	12%
SR&ED credits	**(442)**	(450)	8	-2%
Research and development	**3,917**	3,456	461	13%
Research and development as a % of total revenue	**20%**	18%		

For the year ended March 31, ($ thousands)	2014	2013	$ change	% change
Research and development (gross)	**16,439**	14,364	2,075	14%
SR&ED credits	**(1,816)**	(1,847)	31	-2%
Research and development	**14,623**	12,517	2,106	17%
Research and development as a % of total revenue	**20%**	18%		

CMG maintains its belief that its strategy of growing long-term value for shareholders can only be achieved through continued investment in research and development. CMG works closely with its customers to provide solutions to complex problems related to proven and new advanced recovery processes.

The above research and development includes CMG's share of joint research and development costs associated with the DRMS project of $1.0 million and $4.0 million for the three months and year ended March 31, 2014, respectively (2013 - $0.9 million and $3.1 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increases of 12% and 14% in our gross spending on research and development for the three months and year ended March 31, 2014, respectively, compared to the same periods of the previous fiscal year, demonstrate our continued commitment to advancement of our technology which is the focal part of our business strategy.

Research and development costs, net of research and experimental development ("SR&ED") credits, increased by 13% and 17% during the three months and year ended March 31, 2014, respectively, compared to the same periods of the previous fiscal year, due to increased employee compensation costs and costs associated with computing resources.

SR&ED credits remained relatively flat for the three months and year ended March 31, 2014, compared to the same periods of the previous fiscal year, due to the increase in SR&ED eligible expenditures offset by the decrease in the Federal SR&ED input tax credit rate from 20% to 15% effective January 1, 2014 lowering our average rate for fiscal 2014.

Depreciation

For the three months ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**118**	126	(8)	-6%
Research and development	**247**	239	8	3%
General and administrative	**75**	52	23	44%
Total depreciation	**440**	417	23	6%

For the year ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**423**	467	(44)	-9%
Research and development	**939**	880	59	7%
General and administrative	**229**	192	37	19%
Total depreciation	**1,591**	1,539	52	3%

Depreciation in the three months and year ended March 31, 2014 was relatively flat as compared to the same periods of the previous fiscal year.

FINANCE INCOME

For the three months ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Interest income	**165**	139	26	19%
Net foreign exchange gain	**1,035**	298	737	247%
Total finance income	**1,200**	437	763	175%

For the year ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Interest income	**644**	548	96	18%
Net foreign exchange gain	**1,716**	311	1,405	452%
Total finance income	**2,360**	859	1,501	175%

Interest income increased in the three months and year ended March 31, 2014, compared to the same periods of the prior fiscal year, mainly due to investing larger cash balances.

CMG is impacted by the movement of the US dollar against the Canadian dollar as approximately 72% (2013 – 67%) of CMG's revenue for the year ended March 31, 2014 is denominated in US dollars, whereas only approximately 24% (2013 – 23%) of CMG's total costs are denominated in US dollars.

CDN$ to US$	At March 31	Yearly average
2012	1.0009	1.0106
2013	0.9846	0.9963
2014	**0.9047**	**0.9452**

CMG recorded a net foreign exchange gain of $1.0 million and $1.7 million for the three months and year ended March 31, 2014, respectively, compared to a net foreign exchange gain of $0.3 million for both the three months and year ended March 31, 2013. These gains were a result of a weakening in the Canadian dollar which contributed positively to the valuation of our US-denominated working capital.

INCOME AND OTHER TAXES

CMG's effective tax rate for the year ended March 31, 2014 is reflected as 29.41% (2013 – 28.30%), whereas the prevailing Canadian statutory tax rate is now 25.0%. This difference is primarily due to a combination of the non-tax deductibility of stock-based compensation expense and the benefit of foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

The benefit recorded in CMG's books on the SR&ED investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year is utilized by CMG to reduce income taxes otherwise payable for the current fiscal year and the federal portion of this benefit bears an inherent tax liability as the amount of the credit is included in the subsequent year's taxable income for both federal and provincial purposes. The inherent tax liability on these investment tax credits is reflected in the year the credit is earned as a non-current deferred tax liability and then, in the following fiscal year, is transferred to income taxes payable.

OPERATING PROFIT AND NET INCOME

For the three months ended March 31, ($ thousands, except per share amounts)	**2014**	2013	$ change	% change
Total revenue	**19,976**	19,279	697	4%
Operating expenses	**(10,415)**	(9,402)	(1,013)	11%
Operating profit	**9,561**	9,877	(316)	-3%
Operating profit as a % of total revenue	**48%**	51%		
Net income for the period	**7,736**	7,253	483	7%
Net income for the period as a % of total revenue	**39%**	38%		
Basic earnings per share ($/share)	**0.20**	0.19	0.01	5%

For the year ended March 31, ($ thousands, except per share amounts)	**2014**	2013	$ change	% change
Total revenue	**74,503**	68,620	5,883	9%
Operating expenses	**(37,721)**	(34,330)	(3,391)	10%
Operating profit	**36,782**	34,290	2,492	7%
Operating profit as a % of total revenue	**49%**	50%		
Net income for the period	**27,630**	24,822	2,808	11%
Net income for the period as a % of total revenue	**37%**	36%		
Basic earnings per share ($/share)	**0.71**	0.66	0.05	8%

Operating profit as a percentage of total revenue for the three months and year ended March 31, 2014 was at 48% and 49%, respectively, compared to 51% and 50% recorded in the same periods of the previous fiscal year. While our total revenue for the year ended March 31, 2014 grew by 9%, as compared to the same period of the previous fiscal year, our operating expenses grew by 10%, having a slight negative impact on our operating profit. Our high levels of operating profit as a percentage of revenue demonstrate our ability to continue to effectively manage our costs.

Net income for the period as a percentage of revenue increased to 39% for the three months ended March 31, 2014, compared to 38% for the same period of the previous fiscal year.

Net income for the period as a percentage of revenue increased to 37% for the year ended March 31, 2014, compared to 36% for the previous fiscal year.

We have continued to maintain our profitability by focusing our efforts on increasing license sales while, at the same time, effectively controlling our operating costs. Managing these variables will continue to be imperative to our future success.

EBITDA

For the three months ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Net income for the period	**7,736**	7,253	483	7%
Add (deduct):				
Depreciation	**440**	417	23	6%
Finance income	**(1,200)**	(437)	(763)	175%
Income and other taxes	**3,025**	3,061	(36)	-1%
EBITDA	**10,001**	10,294	(293)	-3%
EBITDA as a % of total revenue	**50%**	53%		

For the year ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Net income for the period	**27,630**	24,822	2,808	11%
Add (deduct):				
Depreciation	**1,591**	1,539	52	3%
Finance income	**(2,360)**	(859)	(1,501)	175%
Income and other taxes	**11,512**	10,327	1,185	11%
EBITDA	**38,373**	35,829	2,544	7%
EBITDA as a % of total revenue	**52%**	52%		

EBITDA decreased by 3% for the three months ended March 31, 2014 and increased by 7% for the year ended March 31, 2014, compared to the same periods of the previous fiscal year.

EBITDA as a percent of total revenue for the three months ended March 31, 2014 was at 50%, compared to 53% recorded in the same period of the previous fiscal year, while it remained consistent at 52% for the year ended March 31, 2014, compared to the previous fiscal year.

Our high EBITDA as a percent of total revenue provides indication of our ability to keep growing our revenue while effectively managing costs.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Cash, beginning of period	**64,708**	52,236	12,472	24%
Cash flow from (used in):				
Operating activities	**13,396**	11,155	2,241	20%
Financing activities	**(5,324)**	(3,718)	(1,606)	43%
Investing activities	**(370)**	(254)	(116)	46%
Cash, end of period	**72,410**	59,419	12,991	22%

For the year ended March 31, ($ thousands)	**2014**	2013	$ change	% change
Cash, beginning of period	**59,419**	55,374	4,045	7%
Cash flow from (used in):				
Operating activities	**32,860**	28,073	4,787	17%
Financing activities	**(19,030)**	(22,014)	2,984	-14%
Investing activities	**(839)**	(2,014)	1,175	-58%
Cash, end of period	**72,410**	59,419	12,991	22%

Operating Activities

Cash flow generated from operating activities increased by $2.2 million in the three months ended March 31, 2014, compared to the same period of the previous fiscal year, mainly due to the increase in net income, and the changes in the deferred revenue and prepaid expense balances, partially offset by the change in the trade accounts payable balance.

Cash flow generated from operating activities increased by $4.8 million in the year ended March 31, 2014, compared to the previous fiscal year, mainly due to the increase in net income, the change in deferred revenue balance and the net impact of changes in income taxes payable partially offset by both the increase in trade receivables, caused by the timing differences of when the sales are made and when the resulting receivables are collected and the change in the trade accounts payable balance.

Financing Activities

Cash used in financing activities during the three months ended March 31, 2014 increased by $1.6 million, compared to the same period of the previous fiscal year, as a result of paying larger dividends.

Cash used in financing activities during the year ended March 31, 2014 decreased by $3.0 million, compared to the previous fiscal year, due to receiving higher proceeds from the issuance of Common Shares partially offset by paying larger dividends. In addition, in the first quarter of the previous fiscal year, CMG spent $1.6 million on buying back Common Shares.

During the year ended March 31, 2014, CMG employees and directors exercised options to purchase 1,081,000 Common Shares, which resulted in cash proceeds of $11.3 million.

In the year ended March 31, 2014, CMG paid $30.3 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3	Q4	**2014 Total**
Dividends declared and paid	0.18	0.18	0.18	0.19	**0.73**
Special dividend declared and paid	0.05	-	-	-	**0.05**
Total dividends declared and paid	0.23	0.18	0.18	0.19	**0.78**

In the year ended March 31, 2013, CMG paid $27.9 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3	Q4	2013 Total
Dividends declared and paid	0.16	0.16	0.16	0.16	0.64
Special dividend declared and paid	0.10	-	-	-	0.10
Total dividends declared and paid	0.26	0.16	0.16	0.16	0.74

On May 21, 2014, CMG announced the payment of a quarterly dividend of $0.20 per share on CMG's Common Shares. The dividend will be paid on June 13, 2014 to shareholders of record at the close of business on June 6, 2014.

In the fiscal 2012 Management's Discussion and Analysis, we reported that, beginning in fiscal 2013, we would increase the relative proportion of dividends paid quarterly and lower the amount paid as a special dividend at the end of the fiscal year, in order to provide a more regular income stream to our shareholders throughout the year. The above tables demonstrate an increase in the regular quarterly dividend from $0.64 per share in fiscal 2013 to $0.73 per share in fiscal 2014 and the lowering of the special dividend paid between the two years. Our total dividend paid also increased from $0.74 per share in fiscal 2013 to $0.78 per share paid in fiscal 2014, representing a 5% increase. The special dividend, if any, will continue to be determined annually based on the Company's performance, however, our focus will remain on a sustainable dividend paid quarterly.

Based on our expectation of solid profitability and cash-generating ability driven by the predictability of our software revenue base and effective management of costs, we are cautiously optimistic that the company is well positioned for future growth which will enable us to continue to pay quarterly dividends.

On April 16, 2012, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the year ended March 31, 2013, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

On April 29, 2013, the Company announced a NCIB commencing on May 1, 2013 to purchase for cancellation up to 3,538,000 of its Common Shares. During the year ended March 31, 2014, no common shares were purchased.

On May 5, 2014, the Company announced a NCIB commencing on May 5, 2014 to purchase for cancellation up to 3,720,000 of its Common Shares.

Investing Activities

CMG's current needs for capital asset investment relate to computer equipment and office infrastructure costs, all of which will be funded internally. During the year ended March 31, 2014, CMG expended $0.8 million on property and equipment additions, primarily composed of computing equipment, and has a capital budget of $2.3 million for fiscal 2015.

Liquidity and Capital Resources

At March 31, 2014, CMG has $72.4 million in cash, no debt, and has access to just over $0.8 million under a line of credit with its principal banker.

During the year ended March 31, 2014, 9,377,000 shares of CMG's public float were traded on the TSX. As at March 31, 2014, CMG's market capitalization based upon its March 31, 2014 closing price of $29.16 was $1.1 billion.

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

The Company is the operator of the DRMS research and development project (the "DRMS Project"), a collaborative effort with its partners Shell and Petrobras, to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company's share of costs associated with the project is estimated to be $5.9 million ($3.1 million net of overhead recoveries) for fiscal 2015. CMG plans to continue funding its share of the project costs associated with the development of the newest generation reservoir simulation software system from internally generated cash flows.

CMG has very little in the way of other ongoing material contractual obligations other than for pre-sold licenses which are reflected as deferred revenue on its statement of financial position, and contractual obligations for office leases which are estimated as follows: 2015 – $2.2 million per year; 2016 - $2.3 million; 2017 - $1.2 million; 2018 and 2019 - $0.2 million per year.

The leases for our Calgary offices expire in fiscal 2017 and we are currently in the process of negotiating the lease of new premises.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to estimation uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period in which the estimates are revised and in any future periods affected.

Revenue recognition
Revenue consists primarily of software license fees with some fees for professional services. We recognize revenue in accordance with the current rules of IFRS. We follow specific and detailed guidelines in measuring revenue; however, certain judgments affect the application of our revenue recognition policies.

Software license revenue is comprised of annuity/maintenance license fees charged for the use of our software products which is generally for a term of one year or less, and perpetual software licensing, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity. We recognize software license revenue when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable, and collection of the resulting receivable is probable. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met.

Annuity/maintenance revenue is deferred and recognized on a straight-line basis over the life of the related license period, which is generally one year or less. License fees for perpetual licenses are recognized fully in revenue when all recognition conditions are satisfied.

Certain software license agreements contain multiple-element arrangements as they may also include maintenance fees. Judgment is used in determining a fair value of each element of a contract.

Professional services revenue earned from certain consulting contracts is recognized by the stage of completion of the transaction determined using the percentage-of-completion method. Judgment is used in determining progress of each contract at period end. In assessing revenue recognition, judgment is also used in determining the ability to collect the corresponding account receivable.

Functional currency
The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21, *The Effects of Changes in Foreign Exchange Rates*, sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary's functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company's operating entities.

Research and development
Assumptions are made in respect to the eligibility of certain research and development projects in the calculation of SR&ED investment tax credits which are netted against the research and development costs in the statement of operations. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits.

Stock-based compensation
Assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Property and equipment
Estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation.

Deferred income taxes
Assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED:

The Company adopted the following new standards and interpretations effective as of April 1, 2013:

IFRS 10 *Consolidated Financial Statements*

Replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities,* and provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The Company adopted IFRS 10 in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 10 did not have a material impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

Replaces the guidance in IAS 31 *Interest in Joint Ventures*, and essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures must now use the equity method of accounting. The Company adopted IFRS 11 in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 11 did not have a material impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

Contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Company adopted IFRS 12 in its consolidated financial statements for the annual period beginning April 1, 2013. The amendments did not have a material impact on the consolidated financial statements, because of the nature of the Company's interests in other entities.

IFRS 13 *Fair Value Measurement*

Replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The Company adopted IFRS 13 prospectively in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 13 did not have a material impact on the consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*

Require an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company adopted the amendments in its consolidated financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the amendments to IAS 1 did not have a material impact on the consolidated financial statements.

Amendments IFRS 7 *Offsetting Financial Assets and Liabilities*

Contain new disclosure requirements for offsetting financial assets and liabilities and netting arrangements. The Company adopted the amendments to IFRS 7 in its consolidated financial statements for the annual period beginning on April 1, 2013. The amendments did not have a material impact on the consolidated financial statements.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards and interpretations have not been adopted by the Company as they apply to future periods:

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 9, *Financial Instruments* In November 2009 the IASB issued IFRS 9 *Financial Instruments*, in October 2010 the IASB published amendments to IFRS 9 and in November 2013 the IASB published further amendments to IFRS 9. The mandatory effective date of IFRS 9 has been left open by the IASB. Earlier application of IFRS 9 is permitted.	IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: ▪ financial assets measured at amortized cost; or ▪ financial assets measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. Under IFRS 9, for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in profit or loss. IFRS 9 incorporates a new hedge accounting standard, aligning hedge accounting more closely with risk management.	The mandatory effective date of IFRS 9 has been left open by the IASB. Early application of IFRS is permitted. The Company does not intend to adopt IFRS 9 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements because of the nature of the Company's operations and the types of financial assets that it holds.

Amendments to IAS 32, *Offsetting Financial Assets and Liabilities* In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new presentation requirements in IAS 32 *Financial Instruments: Presentation.* The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The amendments are to be applied retrospectively.	The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: ▪ not contingent on a future event; and ▪ enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.	The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.
Amendments to IAS 36, *Impairment of Assets* In May 2013, the IASB published *Recoverable Amount Disclosures for Non-Financial Assets* detailing narrow scope amendments to IAS 36 *Impairment of Assets*. The effective date for the amendments to IAS 36 is annual period beginning on or after January 1, 2014. These amendments are to be applied retrospectively and earlier adoption is permitted for periods when IFRS 13 is applied.	These amendments to IAS 36 clarify IASB's original intention to require: ▪ the disclosure of the recoverable amount of impaired assets; and ▪ additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.	The Company intends to adopt the amendments to IAS 36 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

OUTSTANDING SHARE DATA

The following table represents the number of Common Shares and options outstanding:

As at May 21, 2014 (thousands)	
Common Shares	39,278
Options	2,861

On July 13, 2005, CMG adopted a rolling stock option plan which allows the Company to grant options to its employees and directors to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at May 21, 2014, CMG could grant up to 3,927,000 stock options.

On May 21, 2014, the Company's Board of Directors approved a two-for-one stock split of the Company's issued and outstanding Common Shares. Shareholders of record at the close of business on June 25, 2014 will receive one additional Common Share for every Common Share owned. The Company's Common Shares are expected to commence trading on the Toronto Stock Exchange on a post-split basis on June 23, 2014. All share data contained in this MD&A are presented on a pre-split basis.

BUSINESS RISKS

The Company has the following business risks:

Commodity Price Risk

CMG's customers are oil and gas companies and it might, therefore, be assumed that its financial results are significantly impacted by commodity prices. CMG's actual experience of growth in software license revenues during depressed oil price markets makes us believe that software license sales are influenced more by the utility of the software as opposed to the prevailing commodity price but different circumstances could prevail in the future. Low commodity prices and resulting lower cash flow in the industry could impact how customers license CMG software; one could expect sales of perpetual licenses to decrease in favour of leasing software on a term basis.

Volatility in commodity prices could have an impact on CMG's consulting business; however, this business segment generates less than 10% of total revenues and CMG has no current plans to significantly expand this area of business.

Credit and Liquidity Risks

Our product demand is dependent on the customers' overall spending plans, which are driven by commodity prices and the availability of capital. This risk is mitigated by having a diversified customer base with the majority of revenue being derived from larger entities which are not as affected by the market volatility or cyclical downturns in commodity prices. In addition, our diversified geographic profile helps to mitigate the effects of economic recessions and instability experienced in any particular geographic region.

The Company mitigates the collection risk by closely monitoring its accounts receivable and assessing creditworthiness of its customers. The Company has not had any significant losses to date.

In terms of liquidity, the Company held $72.4 million of cash at March 31, 2014, which more than covers its obligations and it has over $0.8 million of the credit facility available for its use. The Company's cash is held with a reputable banking institution. For the described reasons, we believe that our liquidity risk is low.

Sales Variability Risk

CMG's software license revenue consists of annuity/maintenance software licensing, which is generally for a term of one year or less, and perpetual software licensing, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity. Software licensing under perpetual sales is a significant part of CMG's business but is more variable in nature as the purchase decision, and its timing, fluctuate with clients' needs and budgets. CMG has found that a number of clients prefer to acquire perpetual software licenses rather than leasing the software on an annual basis. The experience over the last few years is that a number of these clients are purchasing additional licenses to allow more users to access CMG technology in their operations. CMG has found that a large percentage of its customers who have acquired perpetual software licenses are subsequently purchasing maintenance licenses to ensure they have access to current CMG technology.

The variability in sales of perpetual licenses may cause significant fluctuations in the Company's quarterly and annual financial results, and these results may not meet the expectations of analysts or investors. Accordingly, the Company's past results may not be a good indication of its future performance.

CMG's customers are both domestic and international oil and gas companies and for the years ended March 31, 2014 and March 31, 2013, no customer represented revenue in excess of 10% of total revenue.

Foreign Exchange Risk

CMG's reported results are affected by the exchange rate between the Canadian dollar and the US dollar as approximately 72% (2013 – 67%) of product revenues in fiscal 2014 were denominated in US dollars. Approximately 24% of CMG's total costs in fiscal 2014 (2013 – 23%) were denominated in US dollars and provided a partial economic hedge against the fluctuation in currency exchange between the US and the Canadian dollar on revenues. CMG's residual revenues and costs are primarily denominated in Canadian dollars and its policy is to convert excess US dollar cash into Canadian dollars when received.

Geopolitical Risks

CMG sells its products and services in over 50 countries worldwide, and has operations in a number of different countries. Some of these countries have greater economic, political and social risks than experienced in North America which may adversely affect the Company's sales, costs and operations in those jurisdictions. Some of those risks include:

- Currency restrictions and exchange rate fluctuations
- Civil unrest and political instability
- Changes in laws governing existing operations and contracts
- Changes to taxation policies dramatically increasing tax costs to the Company
- Economic and legal sanctions
- Non-compliance with applicable anti-corruption and bribery laws

Any disruption in our ability to complete a sale cycle, including disruption of travel to customers' locations to provide training and support, and the cost of reorganizing daily activities of foreign operations, could have an adverse effect on our financial condition. CMG mitigates the potential adverse effect on sales by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. CMG closely monitors the business and regulatory environments of the countries in which it conducts operations to minimize the potential impact on costs and operations.

Non-compliance with applicable anti-corruption and bribery laws could subject the Company to onerous penalties and the costs of prosecution. CMG has established business practices and internal controls to minimize the potential occurrence of any irregular payments. In addition, the Company has established well-defined anti-corruption and bribery policies and procedures that each employee and contractor is required to sign indicating their compliance.

Competition Risk

Competition is a risk for CMG as it is for almost every company in every sector. The reservoir simulation software industry currently consists of four major suppliers (including CMG) and a number of small suppliers. Some of the other suppliers, including two major suppliers, offer products or oil field services outside the scope of reservoir simulation. Some potential customers may prefer to deal with such multi-service suppliers, while others prefer an independent supplier, such as CMG.

Although competition is very active, CMG believes that its proven technology and the comprehensive scope of its products, combined with its international presence and recognition as a major independent supplier, provide distinct competitive advantages.

Sustaining competitive advantage is another issue, which CMG addresses by making a significant ongoing commitment to research and development spending. CMG expended $14.6 million (2013 – $12.5 million) in product research and development in its most recently completed fiscal year.

The introduction by competitors of products embodying new technology and the emergence of new industry standards and practices could render CMG's products obsolete and unmarketable and could exert price pressures on existing products, which could have negative effects on the Company's business, operating results and financial condition.

There is a significant barrier for new entrants into the reservoir simulation software industry. The cost of entry is substantial as a significant investment in research and development is required. In addition, to become a major supplier, a significant time investment is required to build up quality relationships with potential clients.

Labour Risk

The Company's continued success is substantially dependent on the performance of its key employees and officers. The loss of the services of these personnel as well as failure to attract additional key personnel could have a negative impact upon the Company's business, operating results and financial condition. Due to high levels of competition for qualified personnel, there can be no assurance that the Company will be successful in retaining and attracting such personnel. The Company attempts to overcome this by offering an attractive compensation package and providing an environment that provides the intellectual and professional stimulation sought by our employee group.

Intellectual Property Risk

CMG 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 CMG's programs or aspects of its trade secrets. CMG has no patents, and existing legal and technical precautions afford only limited practical protection. CMG could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to CMG. In such an event, CMG 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 CMG 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 a license is required, that it will be available on terms acceptable to CMG.

CMG does not know of any infringement of any third party's patent rights, copyrights, trade secrecy rights or other intellectual property disputes in the development or support of its products.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109.

At March 31, 2014, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") concluded that the design and operation of the Company's DC&P were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. Further, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective at March 31, 2014 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that such 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.

During the year ended March 31, 2014, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the company's ICFR.

NON-IFRS FINANCIAL MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as "EBITDA", "direct employee costs" and "other corporate costs." Since these measures do not have a standard meaning prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Management believes that these indicators nevertheless provide useful measures in evaluating the Company's performance.

"Direct employee costs" include salaries, bonuses, stock-based compensation, benefits, commission expenses, and professional development. "Other corporate costs" include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and people-related costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools. See "Expenses" heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

"EBITDA" refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to consideration of how those activities are amortized, financed or taxed. See "EBITDA" heading for a reconciliation of EBITDA to net income.

FORWARD-LOOKING INFORMATION

Certain information included in this MD&A is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this MD&A, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

With respect to forward-looking information contained in this MD&A, we have made assumptions regarding, among other things:

- Future software license sales
- The continued financing by and participation of the Company's partners in the DRMS project and it being completed in a timely manner
- Ability to enter into additional software license agreements
- Ability to continue current research and new product development
- Ability to recruit and retain qualified staff

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors which are discussed in greater detail in the "Business Risks" section of this MD&A:

- Economic conditions in the oil and gas industry
- Reliance on key clients
- Foreign exchange
- Economic and political risks in countries where the Company currently does or proposes to do business
- Increased competition
- Reliance on employees with specialized skills or knowledge
- Protection of proprietary rights

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to forward-looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This Management's Discussion and Analysis was reviewed and approved by the Audit Committee and Board of Directors and is effective as of May 21, 2014.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Management is responsible for the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgements, where appropriate. Financial information included elsewhere in this report is consistent with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

KPMG LLP, Chartered Accountants, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee reviews the financial content of the Annual Report and meets regularly with management and KPMG LLP to discuss internal controls, accounting and auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements.

SBalic

Sandra Balic, CA
Vice President, Finance and
Chief Financial Officer

Kenneth M. Dedeluk
President and Chief Executive Officer

Calgary, Canada
May 21, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Computer Modelling Group Ltd.

We have audited the accompanying consolidated financial statements of Computer Modelling Group Ltd., which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2014 and March 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Computer Modelling Group Ltd. as at March 31, 2014 and March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2014 and March 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
May 21, 2014
Calgary, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian $)	**March 31, 2014**	March 31, 2013
Assets		
Current assets:		
Cash	**72,410**	59,419
Trade and other receivables (note 13(a))	**24,025**	19,141
Prepaid expenses	**1,153**	1,216
Prepaid income taxes (note 10)	**128**	341
	97,716	80,117
Property and equipment (note 4)	**2,552**	3,304
Total assets	**100,268**	83,421
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities (note 5)	**5,947**	6,047
Income taxes payable (note 10)	**1,287**	296
Deferred revenue	**29,531**	25,289
	36,765	31,632
Deferred tax liability (note 10)	**335**	379
Total liabilities	**37,100**	32,011
Shareholders' equity:		
Share capital	**53,750**	40,498
Contributed surplus	**5,853**	4,673
Retained earnings	**3,565**	6,239
Total shareholders' equity	**63,168**	51,410
Total liabilities and shareholders' equity	**100,268**	83,421

Subsequent events (notes 11(b) and 20)

See accompanying notes to consolidated financial statements.

Approved by the Board

Frank L. Meyer
Director

Robert F. M. Smith
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years Ended March 31, (thousands of Canadian $ except per share amounts)	**2014**	2013
Revenue (note 6)	**74,503**	68,620
Operating expenses		
Sales, marketing and professional services	**16,144**	15,473
Research and development (note 7)	**14,623**	12,517
General and administrative	**6,954**	6,340
	37,721	34,330
Operating profit	**36,782**	34,290
Finance income (note 9)	**2,360**	859
Profit before income and other taxes	**39,142**	35,149
Income and other taxes (note 10)	**11,512**	10,327
Net and total comprehensive income	**27,630**	24,822
Earnings per share		
Basic (note 11(e))	**0.71**	0.66
Diluted (note 11(e))	**0.70**	0.64

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, April 1, 2012	31,751	3,535	10,793	46,079
Total comprehensive income for the year	-	-	24,822	24,822
Dividends paid	-	-	(27,905)	(27,905)
Shares issued for cash on exercise of stock options (note 11(b))	7,442	-	-	7,442
Common shares buy-back (notes 11(b) & (c))	(80)	-	(1,471)	(1,551)
Stock-based compensation:				
Current period expense	-	2,523	-	2,523
Stock options exercised	1,385	(1,385)	-	-
Balance, March 31, 2013	40,498	4,673	6,239	51,410
Balance, April 1, 2013	**40,498**	**4,673**	**6,239**	**51,410**
Total comprehensive income for the year	-	-	**27,630**	**27,630**
Dividends paid	-	-	**(30,304)**	**(30,304)**
Shares issued for cash on exercise of stock options (note 11(b))	**11,274**	-	-	**11,274**
Stock-based compensation:				
Current period expense	-	**3,158**	-	**3,158**
Stock options exercised	**1,978**	**(1,978)**	-	-
Balance, March 31, 2014	**53,750**	**5,853**	**3,565**	**63,168**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, (thousands of Canadian $)	**2014**	2013
Cash flows from operating activities		
Net income	**27,630**	24,822
Adjustments for:		
Depreciation (note 4)	**1,591**	1,539
Income and other taxes (note 10)	**11,512**	10,327
Stock-based compensation (note 11(d))	**3,158**	2,523
Interest income (note 9)	**(644)**	(548)
	43,247	38,663
Changes in non-cash working capital:		
Trade and other receivables	**(4,876)**	(3,643)
Trade payables and accrued liabilities	**(100)**	689
Prepaid expenses	**63**	(21)
Deferred revenue	**4,242**	3,596
Cash generated from operating activities	**42,576**	39,284
Interest received	**635**	544
Income taxes paid	**(10,351)**	(11,755)
Net cash from operating activities	**32,860**	28,073
Cash flows from financing activities		
Proceeds from issue of common shares	**11,274**	7,442
Dividends paid	**(30,304)**	(27,905)
Common shares buy-back (note 11(c))	**-**	(1,551)
Net cash used in financing activities	**(19,030)**	(22,014)
Cash flows used in investing activities		
Property and equipment additions (note 4)	**(839)**	(2,014)
Increase in cash	**12,991**	4,045
Cash, beginning of year	**59,419**	55,374
Cash, end of year	**72,410**	59,419

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2014 and 2013.

1. REPORTING ENTITY:

Computer Modelling Group Ltd. ("CMG") is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its Common Shares listed on the Toronto Stock Exchange under the symbol "CMG". The address of CMG's registered office is Suite 200, 1824 Crowchild Trail N.W., Calgary, Alberta, Canada, T2M 3Y7. The consolidated financial statements as at and for the year ended March 31, 2014 comprise CMG and its subsidiaries (together referred to as the "Company"). The Company is a computer software technology company engaged in the development and licensing of reservoir simulation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

2. BASIS OF PREPARATION:

(a) Statement of Compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements as at and for the year ended March 31, 2014 were authorized for issuance by the Board of Directors on May 21, 2014.

(b) Basis of Measurement:

The consolidated financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration at the time of the transaction.

(c) Functional and Presentation Currency:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of CMG and its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of Estimates, Judgments and Assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses for the period. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an on-going basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Key judgments in applying accounting policies

The key judgments made in applying accounting policies, apart from those involving estimations (note 2(d)(ii) below), that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Functional currency – the determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 – *The Effects of Changes in Foreign Exchange Rates*, sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary's functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company's operating entities.

Research and development – assumptions are made in respect to the eligibility of certain research and development projects in the calculation of scientific research and experimental development ("SR&ED") investment tax credits which are netted against the research and development costs in the statement of comprehensive income. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits (note 7).

Revenue recognition – certain software license agreements contain multiple-element arrangements as they may also include maintenance fees. Judgment is used in determining a fair value of each element of a contract. Professional services revenue earned from certain consulting contracts is recognized by the stage of completion of the transaction determined using the percentage-of-completion method. Judgment is used in determining the progress of each contract at period end. In assessing revenue recognition, judgment is also used in determining the ability to collect the corresponding account receivable (note 6).

(ii) Estimation uncertainty

The following are the key sources of estimation uncertainty and key assumptions concerning the future, that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year:

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives (note 11(d)).

Property and equipment – estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation (note 4).

Deferred income taxes – assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future (note 10).

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) **Basis of Consolidation:**

The consolidated financial statements include the accounts of CMG and its subsidiaries, all 100% owned. All inter-company transactions and balances have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(b) **Revenue Recognition:**

Revenue consists of software license fees and professional service fees.

Software License Revenue
Software license revenue is comprised of annuity/maintenance license fees charged for the use of the Company's software products which is generally for a term of one year or less, and perpetual software licensing fees, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity.

Software license revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable, and collection of the resulting receivable is probable. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met.

Annuity/maintenance revenue is recognized on a straight-line basis over the life of the related license period, which is generally one year or less. Revenue for licenses billed in advance is deferred and recognized in revenue over the relevant license period.

License fees for perpetual licenses are recognized fully in revenue when all recognition conditions are satisfied. Software license agreements with multiple-element arrangements, such as those including license fees and maintenance fees, are recognized as separate units of accounting and are recognized as each element is earned based on the relative fair value of each element. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

Professional Services Revenue
Revenue from professional services, consisting of consulting, training and contract research activities, is recorded on a percentage-of-completion basis or as such services are performed as appropriate in the circumstances. Percentage-of-completion is used when the outcome of the contract can be estimated reliably and is assessed based on work completed as determined by the hours incurred. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period.

(c) **Cash:**

Cash is comprised of interest-earning bank accounts.

(d) **Property and Equipment:**

Property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is based on the cost of an asset and is recognized from the date the item is ready for use in the statement of comprehensive income using the following annual rates and methods that are expected to amortize the cost of the property and equipment over their estimated useful lives:

Computer equipment	33 1/3% straight-line
Furniture and equipment	20% straight-line
Leasehold improvements	Straight-line over the lease term

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of comprehensive income.

The estimated useful lives and depreciation methods are reviewed at each fiscal year-end and adjusted if appropriate.

(e) **Research and Development Costs:**

All costs of product research and development are expensed to operations as incurred as the impact of both technological changes and competition require the Company to continually enhance its products on an annual basis. Research and development costs are recorded net of related SR&ED investment tax credits.

(f) **Joint Research and Development Costs:**

The Company participates in a joint project engaged in product research and development and accordingly records its proportionate share of costs incurred as research and development costs within the statement of comprehensive income.

(g) **Finance Income and Finance Costs:**

Finance income comprises interest income earned on the bank balances and is recognized as it accrues through the statement of comprehensive income, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position. Foreign currency gains and losses are recognized in the period in which they occur.

(h) **Foreign Currency Translation:**

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the reporting date while non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the dates of the transactions.

Revenues and expenses are translated at the rate of exchange in effect on the transaction dates. Realized and unrealized foreign exchange gains and losses are included in the statement of comprehensive income in the period in which they occur.

(i) **Income Taxes:**

Income taxes comprise current and deferred tax.

Current tax is the expected tax payable or receivable based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from profit as reported in the Consolidated Statement of Operations and Comprehensive Income because of items that are taxable or deductible in other years and items that are never taxable and deductible. Prepaid income taxes and current income taxes payable are offset only when a legally enforceable right of offset exists and the prepaid income tax and tax payable arise in the same tax jurisdiction and relate to the same taxable entity.

Deferred taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. Any change to the net deferred tax assets and liabilities is included in operations in the period it occurs. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(j) **Investment Tax Credits:**

The Company receives federal and provincial investment tax credits in Canada on qualified scientific research and experimental development expenditures incurred in each taxation year. Investment tax credits are recorded as a deduction against related expenses or capital items provided that reasonable assurance over collection of the tax credits exists.

(k) **Earnings Per Share:**

Basic earnings per share is computed by dividing the net income by the weighted average number of Common Shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. In calculating the dilutive effect of stock options, it is assumed that proceeds received from the exercise of in-the-money stock options are used to repurchase Common Shares at the average market price during the period.

(l) Stock-based Compensation Plan:

The Company has a stock-based compensation plan that is described in note 11(d). The fair value of stock options is determined using the Black-Scholes valuation model as of the grant date and is expensed over the vesting period, with a corresponding increase in equity, based on the Company's estimate of the number of options that will actually vest. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest and recognizes the impact of any revision in the statement of comprehensive income. When stock options are exercised, the Company records consideration received, together with amounts previously recognized in contributed surplus, as an increase in share capital.

(m) Short-Term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Financial Instruments:

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss ("FVTPL"):

A financial asset is classified in this category if it is either held for trading or designated as such upon initial recognition.

It is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term;
- It is part of the Company's portfolio of financial instruments that are managed together and have a pattern of short-term profit taking;
- It is a derivative not designated and effective as a hedging instrument.

It is classified as FVTPL if:

- It forms part of a contract containing one or more embedded derivatives;
- It forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis.

FVTPL are measured initially and subsequently at fair value, and changes therein are recognized in the statement of comprehensive income. Transaction costs are recognized in the statement of comprehensive income as incurred. The Company's only financial asset belonging to this category is cash.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are classified as loans and receivables. Trade receivables are recognized initially at fair value plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method less any provision for impairment. The Company's trade and other receivables are classified as current assets. The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

Financial liabilities at amortized cost include trade payables and accrued liabilities. Such liabilities are initially recognized at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument, represented by the amount required to be paid plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within a year; otherwise, they are classified as non-current liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share Capital

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

(o) **Impairment:**

(i) Receivables

Trade and other receivables are assessed for impairment at each reporting date at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant, are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against trade and other receivables. When a subsequent event (such as the repayment by a debtor) causes the amount of impairment loss to decrease, the decrease is reversed through the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, and any impairment loss required is recognized in the statement of comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(p) **Leases:**

The Company's only lease commitments relate to its office premises which are classified as operating leases since they do not transfer the risks and rewards of ownership to the Company. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

(q) **New Accounting Standards and Interpretations Adopted:**

(i) IFRS 10 *Consolidated Financial Statements*

Replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities,* and provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The Company adopted IFRS 10 in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 10 did not have a material impact on the consolidated financial statements.

(ii) IFRS 11 *Joint Arrangements*

Replaces the guidance in IAS 31 *Interest in Joint Ventures*, and essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures must now use the equity method of accounting. The Company adopted IFRS 11 in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 11 did not have a material impact on the consolidated financial statements.

(iii) IFRS 12 *Disclosure of Interests in Other Entities*

Contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Company adopted IFRS 12 in its consolidated financial statements for the annual period beginning April 1, 2013. The amendments did not have a material impact on the consolidated financial statements, because of the nature of the Company's interests in other entities.

(iv) IFRS 13 *Fair Value Measurement*

Replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The Company adopted IFRS 13 prospectively in its consolidated financial statements for the annual period beginning on April 1, 2013. IFRS 13 did not have a material impact on the consolidated financial statements.

(v) Amendments to IAS 1 *Presentation of Financial Statements*

Require an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company adopted the amendments in its consolidated financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the amendments to IAS 1 did not have a material impact on the consolidated financial statements.

(vi) Amendments IFRS 7 *Offsetting Financial Assets and Liabilities*

Contain new disclosure requirements for offsetting financial assets and liabilities and netting arrangements. The Company adopted the amendments to IFRS 7 in its consolidated financial statements for the annual period beginning on April 1, 2013. The amendments did not have a material impact on the consolidated financial statements.

(r) **Accounting Standards and Interpretations Not Yet Adopted:**

The following is a summary of new standards, amendments to standards and interpretations not yet effective for the year ended March 31, 2014, and have not been applied in preparing these consolidated financial statements:

(i) IFRS 9 *Financial Instruments*

Replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets and liabilities. The mandatory effective date of IFRS 9, which supersedes previous versions, has been left open by the IASB. Early application of IFRS 9 is permitted. The Company does not intend to adopt IFRS 9 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements because of the nature of the Company's operations and the types of financial assets that it holds.

(ii) Amendments to IAS 32 *Offsetting Financial Assets and Liabilities*

Clarify when an entity has a legally enforceable right to set-off and net versus gross settlement mechanisms. The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(iii) Amendments to IAS 36 *Impairment of Assets*

Clarify IASB's original intention to require the disclosure of the recoverable amount of impaired assets as well as additional disclosures about the measurement of the recoverable amount of impaired assets. The Company intends to adopt the amendments to IAS 36 in its consolidated financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

4. PROPERTY AND EQUIPMENT:

Cost (thousands of $)	**Computer Equipment**	**Furniture and Equipment**	**Leasehold Improvements**	**Total**
Balance at April 1, 2012	4,249	1,561	2,246	8,056
Additions	1,419	126	469	2,014
Disposals	(269)	-	-	(269)
Balance at March 31, 2013	5,399	1,687	2,715	9,801
Balance at April 1, 2013	5,399	1,687	2,715	9,801
Additions	810	29	-	839
Disposals	(505)	(4)	-	(509)
Balance at March 31, 2014	**5,704**	**1,712**	**2,715**	**10,131**

Accumulated Depreciation (thousands of $)				
Balance at April 1, 2012	(3,252)	(770)	(1,205)	(5,227)
Depreciation charge for the year	(851)	(262)	(426)	(1,539)
Disposals	269	-	-	269
Balance at March 31, 2013	(3,834)	(1,032)	(1,631)	(6,497)
Balance at April 1, 2013	(3,834)	(1,032)	(1,631)	(6,497)
Depreciation charge for the year	(908)	(268)	(415)	(1,591)
Disposals	505	4	-	509
Balance at March 31, 2014	**(4,237)**	**(1,296)**	**(2,046)**	**(7,579)**

Carrying Amounts				
At March 31, 2013	1,565	655	1,084	3,304
At March 31, 2014	**1,467**	**416**	**669**	**2,552**

5. TRADE PAYABLES AND ACCRUED LIABILITIES:

(thousands of $)	**March 31, 2014**	March 31, 2013
Trade payables	**344**	518
Employee salaries, commissions and benefits payable	**3,503**	3,574
Accrued liabilities and other payables	**2,100**	1,955
	5,947	6,047

6. REVENUE:

Years ended March 31, (thousands of $)	2014	2013
Software licenses	66,213	62,961
Professional services	8,290	5,659
	74,503	68,620

7. RESEARCH AND DEVELOPMENT COSTS:

Years ended March 31, (thousands of $)	2014	2013
Research and development	16,439	14,364
SR&ED investment tax credits	(1,816)	(1,847)
	14,623	12,517

8. PERSONNEL EXPENSES:

Years ended March 31, (thousands of $)	2014	2013
Salaries, commissions and short-term employee benefits	26,994	24,570
Stock-based compensation (note 11(d))	3,158	2,523
	30,152	27,093

9. FINANCE INCOME:

Years ended March 31, (thousands of $)	2014	2013
Interest income	644	548
Net foreign exchange gain	1,716	311
Finance income	2,360	859

10. INCOME AND OTHER TAXES:

The major components of income tax expense are as follows:

Years ended March 31, (thousands of $)	2014	2013
Current year income taxes	10,537	9,436
Adjustment for prior year	7	144
Current income taxes	10,544	9,580
Deferred tax expense (recovery)	(44)	21
Foreign withholding and other taxes	1,012	726
	11,512	10,327

The provision for income and other taxes reported differs from the amount computed by applying the combined Canadian Federal and Provincial statutory rate to the profit before income and other taxes.

The reasons for this difference and the related tax effects are as follows:

Years ended March 31, (thousands of $, unless otherwise stated)	**2014**	2013
Combined statutory tax rate	**25.00%**	25.00%
Expected income tax	**9,786**	8,788
Non-deductible costs	**814**	658
Effect of tax rates in foreign jurisdictions	**101**	168
Withholding taxes	**757**	544
Adjustment for prior year	**7**	144
Other	**47**	25
	11,512	10,327

The components of the Company's deferred tax liability are as follows:

(thousands of $)	**March 31, 2014**	March 31, 2013
Tax liability on SR&ED investment tax credits	**(354)**	(362)
Tax asset (liability) on property and equipment	**19**	(17)
Net deferred tax liability	**(335)**	(379)

All movement in deferred tax assets and liabilities is recognized through net income of the respective period.

Prepaid income taxes and current income taxes payable have not been offset as the amounts relate to income taxes levied by different tax authorities to different taxable entities.

11. SHARE CAPITAL:

(a) Authorized:

An unlimited number of Common Shares, an unlimited number of Non-Voting Shares, and an unlimited number of Preferred Shares, issuable in series.

(b) Issued:

(thousands of shares)	Common Shares
Balance, April 1, 2012	37,307
Issued for cash on exercise of stock options	913
Common shares buy-back	(91)
Balance, March 31, 2013	38,129
Balance, April 1, 2013	**38,129**
Issued for cash on exercise of stock options	**1,081**
Balance, March 31, 2014	**39,210**

Subsequent to March 31, 2014, 69,000 stock options were exercised for cash proceeds of $652,000.

On May 23, 2012, the Board of Directors considered the merits of renewing the Company's shareholder rights plan on or before the third-year anniversary of shareholder approval of the plan and determined that it was in the best interest of the Company to continue to have a shareholder rights plan in place. Upon careful review, the Board of Directors agreed to approve an amended and restated rights plan (the "Amended and Restated Rights Plan") between the Company and Valiant Trust Company, which is similar in all respects to the existing shareholder rights plan, with the exception of certain minor amendments. The Amended and Restated Rights Plan was approved by the Company's shareholders on July 12, 2012.

(c) **Common Shares Buy-back:**

On April 16, 2012, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the year ended March 31, 2013, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

On April 29, 2013, the Company announced a NCIB commencing on May 1, 2013 to purchase for cancellation up to 3,538,000 of its Common Shares. During the year ended March 31, 2014, no Common Shares were purchased.

On May 5, 2014, the Company announced a NCIB commencing on May 5, 2014 to purchase for cancellation up to 3,720,000 of its Common Shares.

(d) **Stock-based Compensation Plan:**

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 7, 2011, which allows it to grant options to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at March 31, 2014, the Company could grant up to 3,921,000 stock options. Pursuant to the stock option plan, the maximum term of an option granted cannot exceed five years from the date of grant. The outstanding stock options vest as to 50% after the first year anniversary, from date of grant, and then vest as to 25% of the total options granted after each of the second and third year anniversary dates.

The following table outlines changes in stock options:

Years ended March 31, (thousands except per share amounts)	**2014**		2013	
	Options Granted	**Weighted Average Exercise Price ($/share)**	Options Granted	Weighted Average Exercise Price ($/share)
Outstanding at beginning of year	**2,938**	**13.13**	2,903	9.85
Granted	**1,164**	**24.45**	1,006	18.19
Exercised	**(1,081)**	**10.41**	(913)	8.15
Forfeited	**(92)**	**16.98**	(58)	15.09
Outstanding at end of year	**2,929**	**18.50**	2,938	13.13
Options exercisable at end of year	**1,083**	**13.44**	1,207	9.75

The range of exercise prices of stock options outstanding and exercisable at March 31, 2014 is as follows:

	Outstanding			Exercisable	
Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/option)	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
7.80 - 9.07	355	1.1	8.79	355	8.79
9.08 - 13.43	606	2.4	13.34	372	13.38
13.44 - 18.18	814	3.4	18.13	355	18.12
18.19 - 29.15	1,154	4.4	24.44	1	21.75
	2,929	3.3	18.50	1,083	13.44

The fair value of stock options granted was estimated using the Black-Scholes option pricing model under the following assumptions:

Years ended March 31,	**2014**	2013
Fair value at grant date ($/option)	**3.06 to 4.94**	2.45 to 3.83
Share price at grant date ($/share)	**24.40 to 29.15**	17.90 to 21.75
Risk-free interest rate (%)	**1.21 to 1.64**	1.13 to 1.33
Estimated hold period prior to exercise (years)	**2 to 4**	2 to 4
Volatility in the price of common shares (%)	**26 to 28**	27 to 36
Dividend yield per common share (%)	**2.78 to 3.21**	3.39 to 4.12

The Company recognized total stock-based compensation expense for the year ended March 31, 2014 of $3,158,000 (2013 – $2,523,000).

(e) Earnings Per Share:

The following table summarizes the earnings and weighted average number of Common Shares used in calculating basic and diluted earnings per share:

Years ended March 31, (thousands except per share amounts)		**2014**			2013	
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**27,630**	**38,733**	**0.71**	24,822	37,643	0.66
Dilutive effect of stock options		**966**			1,143	
Diluted	**27,630**	**39,699**	**0.70**	24,822	38,786	0.64

During the year ended March 31, 2014, 108,000 options (2013 – 65,000) were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

12. CAPITAL MANAGEMENT:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to maximize the return to its shareholders. The capital structure of the Company consists of cash, credit facilities and shareholders' equity. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company's policy is to pay quarterly dividends based on the Company's overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount or payment of such dividends in the future.

Since November 2002, the Company embarked on a series of normal course issuer bids to buy back its shares. Reference is made to note 11(c).

The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

(i) Classification of financial instruments

	Classification	Measurement
Cash	Held for trading	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost

(ii) Fair values of financial instruments

The carrying values of cash, trade and other receivables, trade payables and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Overview:

The Company is exposed to risks of varying degrees of significance and likelihood which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

(a) Credit Risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's trade and other receivables. The amounts reported in the statements of financial position for trade receivables are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company's trade receivables consist primarily of balances from customers operating in the oil and gas industry, both domestically and internationally, as the Company sells its products and services in over 50 countries worldwide. Some of these countries have greater economic and political risk than experienced in North America and as a result there may be greater risk associated with sales in those jurisdictions. The Company manages this risk by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met. Historically, the Company has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area; therefore, no allowance for doubtful accounts has been established at March 31, 2014 and 2013.

As at March 31, 2014, the Company has a concentration of credit risk with 13 domestic and international customers who represent 73% of trade receivables (2013 – 12 customers; 72%).

The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2014 was $24.0 million (2013 - $19.1 million). The aging of trade and other receivables at the reporting date was:

(thousands of $)	**March 31, 2014**	March 31, 2013
Current	**11,204**	10,621
31-60 days	**8,445**	4,798
61-90 days	**2,801**	2,493
Over 90 days	**1,575**	1,229
Balance, end of year	**24,025**	19,141

The Company assesses the creditworthiness of its customers on an ongoing basis and it regularly monitors the amount and age of balances outstanding. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms. Accordingly, the Company views the credit risks on these amounts as normal for the industry.

The Company minimizes the credit risk of cash by depositing only with a reputable financial institution in highly liquid interest-bearing cash accounts.

(b) Market Risk:

Market risk is the risk that changes in market prices of the foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

(i) Foreign Exchange Risk

The Company operates internationally and primarily prices its products in either the Canadian or US dollar. This gives rise to exposure to market risks from changes in the foreign exchange rates between the Canadian and US dollar. Approximately 72% (2013 – 67%) of the Company's revenues for the year ended March 31, 2014 were denominated in US dollars and at March 31, 2014, the Company had approximately $16.7 million (2013 - $16.8 million) of its working capital denominated in US dollars. The Company currently does not use derivative instruments to hedge its exposure to those risks but as approximately 24% (2013 – 23%) of the Company's total costs are also denominated in US dollars they provide a partial economic hedge against the fluctuation in this currency exchange. In addition, the Company manages levels of foreign currency held by converting excess US dollars into Canadian dollars at spot rates.

The Company's operations are exposed to currency risk on US denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the Consolidated Statements of Operations and Comprehensive Income. It is estimated that a one cent change in the US dollar would result in a net change of approximately $125,000 to equity and net income for the year ended March 31, 2014. A weaker US dollar with respect to the Canadian dollar will result in a negative impact while the reverse would result from a stronger US dollar.

(ii) Interest Rate Risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in interest-bearing deposits and/or guaranteed investment certificates issued by its principal banker. The Company is exposed to interest cash flow risk from changes in interest rates on its cash balances. Based on the March 31, 2014 cash balance, each 1% change in the interest rate on the Company's cash balance would change equity and net income for the year ended March 31, 2014 by approximately $543,000.

(c) Liquidity Risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure as outlined in note 12. The Company's growth is financed through a combination of the cash flows from operations and its cash balances on hand. Given the Company's available liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be low. The Company monitors its expenditures by preparing annual budgets which are updated periodically. At March 31, 2014, the Company has significant cash balances in excess of its obligations and over $800,000 of the line of credit (note 15) available for its use.

14. COMMITMENTS:

(a) Research Commitments:

The Company is the operator of the DRMS research and development project (the "DRMS project"), a collaborative effort with its partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras"), to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company's share of costs associated with the project is estimated to be $5.9 million ($3.1 million net of overhead recoveries) for fiscal 2015.

(b) **Lease Commitments:**

The Company has operating lease commitments relating to its office premises with the minimum annual lease payments as follows:

Years ended March 31, (thousands of $)	**2014**	2013
Less than one year	**2,189**	2,059
Between one and five years	**3,817**	5,083
	6,006	7,142

The Company leases a number of properties under operating leases. During the year ended March 31, 2014, $2.3 million (2013 - $2.1 million) was recognized as an expense in the statement of comprehensive income in respect of operating leases related to office premises.

15. LINE OF CREDIT:

The Company has arranged for a $1.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at March 31, 2014, US $165,000 (2013 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

16. SEGMENTED INFORMATION:

The Company is organized into one operating segment represented by the development and licensing of reservoir simulation software. The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are not evaluated as a separate business segment.

Revenues and property and equipment of the Company arise in the following geographic regions:

(thousands of $)		**Revenue**		**Property and equipment**
	Years ended March 31,		As at March 31,	
	2014	2013	**2014**	2013
Canada	**26,690**	26,573	**2,364**	3,132
United States	**15,276**	12,105	**53**	53
South America	**12,763**	12,262	**76**	62
Eastern Hemisphere(1)	**19,774**	17,680	**59**	57
	74,503	68,620	**2,552**	3,304

(1) *Includes Europe, Africa, Asia and Australia.*

No customer represented 10% or more of total revenue in the years ended March 31, 2014 and 2013.

17. SUBSIDIARIES:

CMG is the beneficial owner of the entire issued share capital and controls all the votes of its subsidiaries. The principal activities of all the subsidiaries are the sale and support for the use of CMG's software licenses. Transactions between subsidiaries are eliminated on consolidation.

The following is the list of CMG's subsidiaries:

Subsidiary	Country of Incorporation
Computer Modelling Group Inc.	United States
CMG Venezuela	Venezuela
CMG Middle East FZ LLC	Dubai, United Arab Emirates
CMG (Europe) Limited	United Kingdom

18. JOINT OPERATION:

The Company is the operator of a joint software development project, the DRMS project, which gives the Company exclusive rights to commercialize the jointly developed software while the other partners will have unlimited software access for their internal use. Accordingly, the Company records its proportionate share of costs incurred on the project (37.04%) as research and development costs within the consolidated statements of operations and comprehensive income.

For the year ended March 31, 2014, CMG included $4.8 million (2013 - $3.9 million) of costs in its consolidated statements of operations and comprehensive income related to this joint project.

Additionally, the Company is entitled to charge the project for various services provided as operator, which were recorded in revenue as professional services and amounted to $2.4 million during the year ended March 31, 2014 (2013 - $1.9 million).

19. RELATED PARTIES:

(a) Intercompany Transactions:

The Company has four wholly owned subsidiaries (note 17) which have intercompany transactions under the normal course of operations and are eliminated upon consolidation.

(b) Key Management Personnel Compensation:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, and control approximately 5.3% of the outstanding shares of CMG at March 31, 2014.

In addition to their salaries and director fees, as applicable, directors and executive officers also participate in the Company's stock option plan (note 11(d)), which is available to almost all employees of the Company.

Key management personnel compensation comprised the following:

Years ended March 31, (thousands of $)	**2014**	2013
Salaries, bonus and employee benefits	**3,707**	3,694
Stock-based compensation	**870**	724
	4,577	4,418

20. SUBSEQUENT EVENTS:

On May 21, 2014, the Board of Directors declared a quarterly cash dividend of $0.20 per share on its Common Shares, payable on June 13, 2014, to all shareholders of record at the close of business on June 6, 2014.

On May 21, 2014, the Company's Board of Directors approved a two-for-one stock split of the Company's issued and outstanding Common Shares. Shareholders of record at the close of business on June 25, 2014 will receive one additional Common Share for every Common Share owned. The Company's Common Shares are expected to commence trading on the Toronto Stock Exchange on a post-split basis on June 23, 2014. All share data contained in these consolidated financial statements and notes are presented on a pre-split basis.