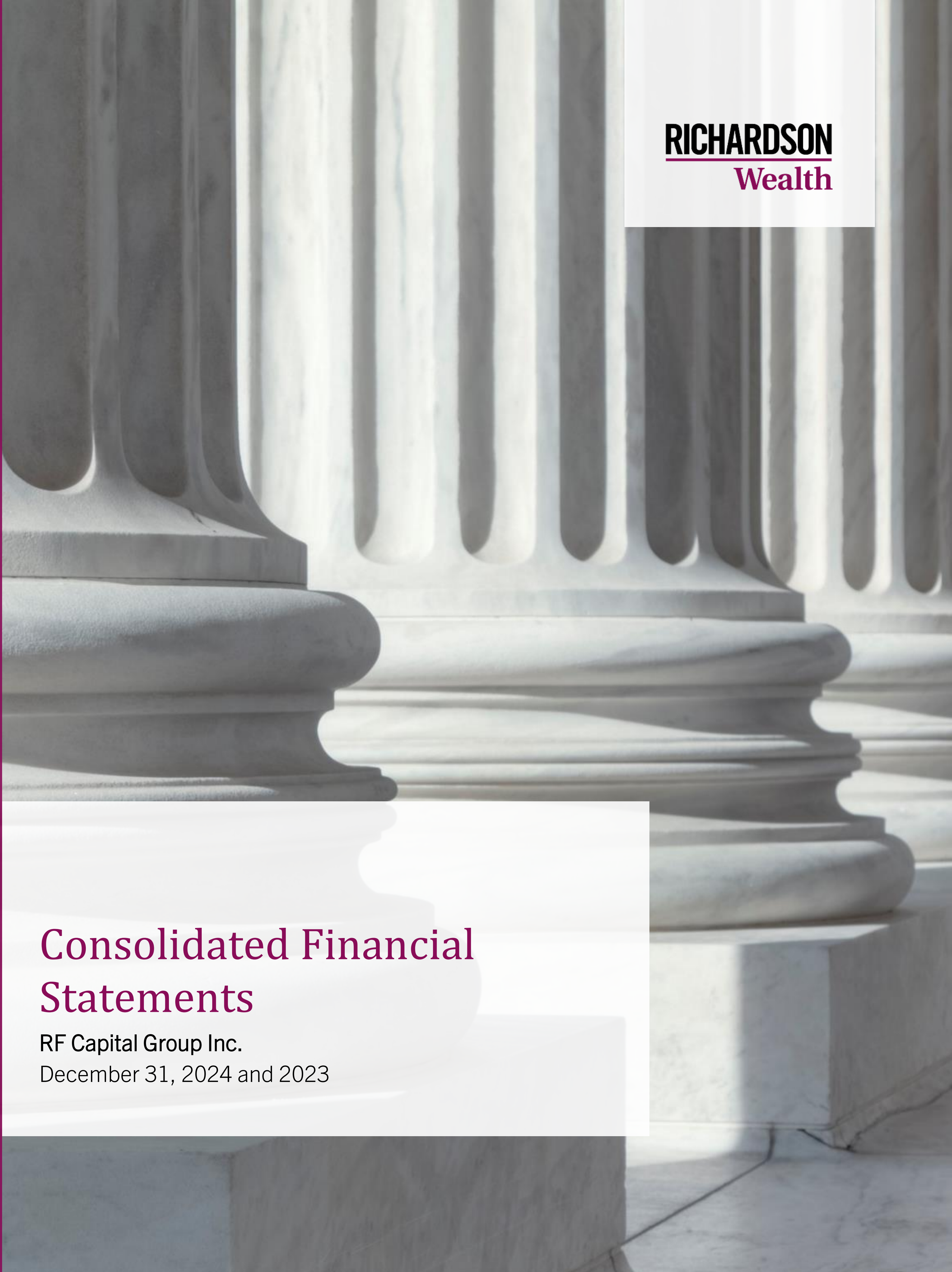

RICHARDSON Wealth

Consolidated Financial Statements

RF Capital Group Inc.

December 31, 2024 and 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RF Capital Group Inc.

Opinion

We have audited the consolidated financial statements of RF Capital Group Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2024 and December 31, 2023;
- the consolidated statements of income/ (loss) and comprehensive income/ (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of material accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of goodwill for impairment

Description of the matter

We draw attention to Note 2(c) and Note 10 to the financial statements. The Entity has recorded goodwill of $164.96 million as of December 31, 2024 related to the Richardson Wealth acquisition. The Entity performs impairment testing for goodwill on an annual basis or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount of the cash generating unit (CGU), determined as the greater of the estimated fair value less costs to sell or its value-in-use, is less than the carrying value. Value-in-use is determined using managements best estimates of forecasted cash earnings, long-term growth rate and the discount rate (the "assumptions").

Why the matter is a key audit matter

We identified the evaluation of goodwill for impairment as a key audit matter. Significant auditor judgment was required due to the high degree of estimation uncertainty in the significant assumptions used to determine the recoverable value of the CGU. Further, specialized skills, knowledge, and experience were required to apply audit procedures in respect of the assumptions and evaluate the results of those procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the appropriateness of forecasted cash earnings by:

- Comparing the Entity's prior year forecasted cash earnings to the actual results to assess the Entity's budgeting process.
- Assessing forecasted cash earnings by comparing them to the CGU's historical performance and against new initiatives in the Entity's strategic plan.

We assessed the long-term growth rate by comparing it to available market information and the Entity's historical performance.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate by calculating the Entity's Weighted Average Cost of Capital (WACC) using independent assumptions based on publicly available market data.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Abhimanyu Verma.

Toronto, Canada
February 27, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of RF Capital Group Inc. (the Company), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis (MD&A) for the year ended December 31, 2024. The consolidated financial statements were prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Except as noted otherwise, financial information presented in the MD&A is consistent with these consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the basis of preparation and material accounting policies summarized in Notes 2 and 3, respectively, of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors of the Company (Board of Directors) oversees management’s responsibilities for financial reporting through the Company’s Audit Committee (Audit Committee), which is composed entirely of independent directors. Among other things, the mandate of the Audit Committee includes the review of the consolidated financial statements of the Company on a quarterly basis, advising the Board of Directors on auditing matters and financial reporting issues and recommending the consolidated financial statements to the Board of Directors for approval. The Audit Committee has full access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

KPMG LLP performed an independent audit of the consolidated financial statements, as outlined in the auditor’s report contained herein. KPMG LLP had, and has, full and unrestricted access to management of the Company, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

“Dave Kelly”

Dave Kelly
President and Chief Executive Officer

“Francis Baillargeon”

Francis Baillargeon
Chief Financial Officer

Toronto, Canada
February 27, 2025

Consolidated Balance Sheets

($ thousands) As at	Note	December 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents		88,556	80,829
Securities owned	5,18	1,593	613
Receivable from:	18		
Clients		341,164	254,989
Brokers		568,061	560,387
Employee and other loans receivable	7,18	57,546	48,597
Equipment and leasehold improvements	8	29,261	34,801
Right-of-use assets	9	37,004	47,433
Other assets	6,18	14,758	15,092
Deferred tax assets	13	6,511	11,622
Goodwill and intangible assets	10	314,227	325,620
		1,458,681	1,379,983
LIABILITIES			
Payable to:	18		
Clients		845,601	764,592
Brokers		2,499	—
Accounts payable and accrued liabilities	15,18	69,972	61,207
Provisions	16	15,978	12,301
Debt	18,19	110,922	110,922
Lease liabilities		49,439	59,675
Deferred tax liability	13	37,288	40,747
		1,131,699	1,049,444
EQUITY			
Common shares	14	461,652	461,523
Preferred shares	14	112,263	112,263
Contributed surplus		46,766	46,726
Accumulated other comprehensive income		20,293	20,293
Accumulated deficit		(313,992)	(310,266)
Shareholders' equity		326,982	330,539
		1,458,681	1,379,983

See accompanying notes, which are an integral part of these consolidated financial statements.

"Dave Kelly" "Donald Wright"

Dave Kelly
President and Chief Executive Officer

Donald Wright
Chair of the Board

Consolidated Statements of Income/(Loss)

($ thousands) For the years ended December 31,	Note	2024	2023
REVENUE			
Wealth management		297,704	275,191
Corporate finance		8,448	6,150
Interest		40,136	48,833
Other income	4	23,047	20,945
Total Revenue	4	369,335	351,119
Variable advisor compensation		156,240	145,277
Gross Margin		213,095	205,842
EXPENSES			
Employee compensation and benefits		83,078	79,639
Selling, general and administrative		72,677	71,215
Advisor award and loan amortization	11	12,384	18,387
Interest		14,537	14,706
Amortization and depreciation of premises and equipment	8,9	11,135	13,713
Amortization of intangibles	10	14,223	13,691
		208,034	211,351
Income/(loss) before income taxes		5,061	(5,509)
Income tax expense/(recovery)			
Current	13	2,840	2,029
Deferred	13	1,653	2,290
		4,493	4,319
Net income/(loss) from continuing operations		568	(9,828)
Net income/(loss) from discontinued operations	22	—	(2,064)
Net income/(loss)		568	(11,892)
Weighted-average number of common shares outstanding: (in thousands)			
Basic	17	15,426	15,230
Diluted		15,742	15,566
Net income/(loss) per common share (dollars) from continuing operations:			
Basic	17	(0.24)	(0.93)
Diluted		(0.24)	(0.93)
Net income/(loss) per common share (dollars):			
Basic	17	(0.24)	(1.07)
Diluted		(0.24)	(1.07)

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income/(Loss)

($ thousands) For the years ended December 31,	2024	2023
Net income/(loss)	**568**	(11,892)
Total other comprehensive income/(loss)	—	—
Total comprehensive income/(loss) attributable to shareholders	**568**	(11,892)

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(# and $ in thousands)		Preferred shares #	Preferred shares $	Common shares #	Common shares $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
As at December 31, 2022		4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921
Common shares cancelled and forfeited	14	—	—	(50)	(1,710)	502	641	—	(567)
Share-based compensation (equity-settled)	15	—	—	46	298	73	—	(2)	369
Preferred share dividends	14	—	—	—	—	—	—	(4,292)	(4,292)
Net income/(loss)		—	—	—	—	—	—	(11,892)	(11,892)
As at and for the year ended December 31, 2023		4,600	112,263	15,566	461,523	46,726	20,293	(310,266)	330,539
Common shares cancelled and forfeited	14	—	—	(17)	(296)	273	—	—	(23)
Share-based compensation (equity-settled)	15	—	—	72	425	(233)	—	(2)	190
Preferred share dividends	14	—	—	—	—	—	—	(4,292)	(4,292)
Net income/(loss)		—	—	—	—	—	—	568	568
As at and for the year ended December 31, 2024		4,600	112,263	15,621	461,652	46,766	20,293	(313,992)	326,982

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

($ thousands) For the years ended December 31,	Note	2024	2023
OPERATING ACTIVITIES			
Net income/(loss)		568	(11,892)
Add/(deduct) items not involving cash:			
Amortization and depreciation of premises and equipment	8,9	11,135	13,713
Amortization of intangibles	10	14,223	13,691
Advisor award and loan amortization	11	12,384	18,387
Accretion of lease liability expense		3,511	3,573
Deferred income taxes	13	1,653	2,290
		43,474	39,762
Net change in non-cash operating items	20,21	(19,719)	(308,259)
Cash provided by/(used in) operating activities		23,755	(268,497)
FINANCING ACTIVITIES			
Dividends paid on preferred shares	14	(4,292)	(4,292)
Purchase of shares for cancellation	14	—	(422)
Lease payments		(8,888)	(8,621)
Cash provided by/(used in) financing activities		(13,180)	(13,335)
INVESTING ACTIVITIES			
Intangibles	10	(2,830)	(1,730)
Equipment and leasehold improvements,net of inducements	8	(18)	(3,457)
Cash provided by/(used in) investing activities		(2,848)	(5,187)
Net change in cash and cash equivalents		7,727	(287,019)
Cash and cash equivalents, beginning of year		80,829	367,848
Cash and cash equivalents, end of year		88,556	80,829
Supplemental cash flow information relating to operating activities			
Interest paid		11,199	10,786
Interest received		40,773	49,498
Taxes paid		1,744	2,024

See accompanying notes, which are an integral part of these consolidated financial statements.

Note 1 – Corporate Information

RF Capital Group Inc. (RF Capital or the Company), is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 100 Queens Quay East, Suite 2500, Toronto, Ontario, M5E 1Y3. The Company's common shares and Series B preferred shares are listed on the Toronto Stock Exchange (TSX) under the symbols RCG and RCG.PR.B respectively. The Company is the parent company of its wholly owned operating subsidiary Richardson Wealth Limited (Richardson Wealth). Richardson Wealth is a member of the Canadian Investment Regulatory Organization (CIRO) and a member of the Canadian Investor Protection Fund.

Note 2 – Basis of Preparation

a. Basis of Presentation

These consolidated financial statements of the Company have been prepared by management in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company's consolidated financial statements are prepared on a historical cost basis except for certain financial instruments and cash-settled RSUs, PSUs and DSUs which are measured at fair value to the extent required or permitted under IFRS and as set out in the relevant accounting policies. The consolidated financial statements have been prepared on a going concern basis.

Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

Comparative periods were reclassified in the cash flow statement to conform to the current period presentation.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 27, 2025.

b. Principles of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of our wholly owned subsidiaries, after the elimination of intercompany transactions and balances.

Subsidiaries are those entities that the Company controls through its ownership of the majority of the voting shares.

c. Critical Accounting Estimates and Use of Judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgment that affect the reported amounts of certain assets and liabilities, certain revenue and expenses and other related disclosures. Accounting policies that require management's estimates and judgments are discussed below.

Note 3 – Material Accounting Policies

a. Cash and Cash Equivalents

Cash is comprised of cash on deposit and cash equivalents including highly liquid investments such as interest-bearing treasury bills and bankers' acceptances with original maturities of three or fewer months that are convertible into cash.

b. Financial Instruments

The Company initially records a financial asset or liability on settlement date at its fair value plus transaction costs that are directly attributable to its purchase or issuance.

Financial assets include both debt and equity instruments and are classified as fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (loss) (FVOCI). The classification of debt instruments is determined based on the business model under which the asset is held and whether the instruments’ contractual cash flows represent solely payments and interest on the principal amount outstanding (SPPI criterion).

Financial assets measured at FVTPL comprise equity instruments that the Company has not irrevocably elected to classify at FVOCI, derivatives, and debt instruments that are not held within a business model whose objective is either to hold to collect contractual cash flows or both to hold to collect contractual cash flows and sell or whose cash flow characteristics fail the SPPI criterion. Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold to collect contractual cash flows that represent solely payments of principal and interest.

Financial liabilities are carried at amortized cost after initial recognition and are measured using the effective interest rate method. Gains and losses are recognized in the statement of income.

c. Impairment of Financial Assets

The Company records allowances as required for credit losses associated with clients’ receivables, employee loans and other receivables based on a forward-looking, expected credit loss (ECL) approach. The Company establishes an allowance for credit losses based on its historical credit loss experience adjusted for forward-looking factors or other considerations as appropriate. Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the allowance, taking into consideration counterparty creditworthiness, current economic trends and past experience. Receivable from client balances, which represent margin loans, are generally collateralized by securities; therefore, any provision is generally measured after considering the market value of the collateral.

d. Receivable from and Payable to Clients

Client security transactions are entered into on either a cash, cash on delivery or margin basis, and are recognized on the trade date of the transaction and subsequently measured at amortized cost. Amounts are due from clients on the settlement date of the transaction for cash accounts. Margin loans are due on demand and are collateralized by the financial assets in the client's account. Amounts loaned to a client are restricted by the Company's credit limits, which are generally more restrictive than those required by CIRO and are subject to the Company's credit review and daily monitoring procedures. Interest earned on margin loans are based on a floating rate.

e. Employee and Other Loans Receivable

The Company advances funds to newly recruited investment advisors on commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, the Company is obligated to pay cash bonuses to the investment advisors of an amount sufficient to repay 100% of the total loans. Employee loans are typically amortized over the term of the loan using the straight-line method and amortization is recorded in advisor award and loan amortization expense on the Consolidated Statements of Income.

f. Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is recorded on a straight-line basis over the following expected useful lives:

Furniture and equipment	7 to 8 years
Computer hardware	3 to 5 years
Leasehold improvements	Shorter of useful life and lease term plus renewal period, if renewal is reasonably assured

Residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted, if appropriate.

g. Goodwill

Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is allocated to the cash-generating unit (CGU) for the purpose of monitoring and internal management purposes.

h. Intangible Assets

The Company's intangible assets consist of application software, insurance customer relationships and other intangibles acquired from business combinations. These other intangibles relate to brand and customer relationships acquired through the acquisition of Richardson Wealth. These finite-life intangibles are initially recognized at fair value and amortized over their estimated useful lives on a straight-line basis:

Application software	3 years
Insurance customer relationships	Average life expectancy of individual policies
Portfolio management platform	7 years
Brand	10 years
Customer relationships	15 years, 10 years remaining

The amortization period and the method of amortization for an intangible asset with a finite useful life is reviewed at least annually, at each financial year-end.

i. Impairment of Non-Financial Assets

Goodwill

Goodwill is tested for impairment at the CGU level annually, or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount of the CGU, determined as the greater of the estimated fair value less costs to sell or its value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the CGU.

Intangible Assets

At each consolidated balance sheet date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from the impairment of intangible assets is expensed in the period the impairment is identified.

Value-in-use is determined using management's best estimates of forecasted cash earnings, long-term growth rate, and the discount rate. The assumptions used include subjective judgements based on management's experience, knowledge of operations and knowledge of the economic environment in which the Company operates. If forecasted cash earnings, long-term growth rate or the discount rate are different to those used, it is possible that the future impairment tests could result in a different outcome with the CGU goodwill and/or intangible assets being impaired.

j. Revenue Recognition

The Company recognizes revenue when the performance obligations have been fulfilled. Judgment is required in identifying the performance obligation and estimation may be required to determine the timing of substantial completion of performance obligations and the amount of revenue that can be recognized.

The main types of revenue are as follows:

<u>Wealth management:</u> Wealth management revenue consists of account fees, mutual fund trailer fees, trading commissions and other client charges. The performance obligation for recognition of these fees is satisfied over the period during which the service is delivered, except for commission revenue where the performance obligation is satisfied at the date of the transaction.

<u>Corporate finance:</u> Corporate finance revenue includes fees earned in connection with the placement of new issues through our proprietary retail distribution network and third-party networks. It also includes fees for reviewing third-party structured notes offering documents. The performance obligation for recognition is satisfied when the services relating to the underlying transaction are completed and the income is reasonably determinable. Payments related to Corporate finance revenue are received over a period which can extend out to the following fiscal year.

<u>Interest:</u> Interest revenue includes interest earned on margin loans and cash balances. Interest revenue is recognized on an accrual basis.

<u>Insurance:</u> Insurance revenue includes revenue earned from the sale of insurance products and is recognized at a point in time.

<u>Other:</u> Includes revenue earned from foreign exchange, and various other services. Revenue is recorded at a point in time as performance obligations are satisfied through services rendered and accordingly is recognized on an accrual basis.

k. Share-Based Compensation

Share Option Awards

The Company measures the cost of share options granted using an option pricing model. The fair value of a share option award is estimated at grant date using valuation techniques that consider its exercise price, its expected life, the risk-free interest rate, the expected volatility and dividends of the Company's common shares and the expected level of forfeitures. For share option awards with graded vesting, the fair value of each tranche is treated as a separate grant with a different vesting date and a different fair value.

Restricted Share Unit, Performance Share Unit Plans

The fair value of restricted share units (RSU) and performance share units (PSU) granted is determined based on the average of the closing price of the Company's common shares, as per the plans governing such grants. Average price is used to give a fair assessment on vesting as the common shares are thinly traded and is used to avoid single day volatility. The fair value of the cash amount payable is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities, over the period during which the RSU or PSU vests. The liability is remeasured at each reporting date and at settlement date based on the closing price of the Company's common shares on the TSX, as per the relevant plan. Changes in the liability are recognized as a Selling, general and administrative expense in the consolidated statements of income. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and recognition is spread over the remaining vesting period to the extent that they relate to future services. Remeasurements after the vesting period are immediately recognized immediately in full in profit or loss the consolidated statements of income. RSUs granted in 2021 are equity settled and therefore valued based on the grant price during the grant date and not at the going market rate for the Company's common shares.

At each reporting date, the Company reassesses its estimate of the number of share-based awards and share option awards that are expected to vest and recognizes the impact of the change in forfeiture rate through the consolidated statements of income in the current reporting period.

Deferred Share-Based Awards

The Company uses the average closing price of the Company's common shares as per the plan to estimate the fair value of the DSUs on grant date. Average price is used to give a fair assessment on grant date and to avoid single day volatility as the stock is thinly traded. The Company records this amount as a Selling, general and administrative expense over the period the award vests with a corresponding increase in Accounts payable and accrued liabilities. The liability is remeasured at each reporting date and at settlement date based on the closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the respective date.

l. Provisions

Provisions represent a liability of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the best estimate at the balance sheet date of expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

m. Income Taxes

The Company records current and deferred income taxes relating to transactions that have been included in the consolidated financial statements, using the related jurisdiction's tax laws and rates.

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. In determining the provision for income taxes, the Company interprets tax legislation, case law and administrative positions in several jurisdictions, and based on its judgment, records an estimate of income taxes. In addition, the Company estimates the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. If interpretations and assumptions differ from those of the tax authorities or if the timing of reversals is not as expected, the Company's provision for income taxes could increase or decrease in future periods.

Current Income Tax

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. In determining the provision for income taxes, the Company interprets tax legislation, case law and administrative positions in several jurisdictions, and based on its judgment, records an estimate of income taxes. If interpretations and assumptions differ from those of the tax authorities, the Company's provision for income taxes could increase or decrease in future periods.

Current income tax is measured as the amounts expected to be paid to or recovered from the taxation authorities based on taxable income or loss. Taxable income or loss may differ from income reported on the Company's consolidated statements of income (loss) since taxable income excludes certain items that are taxable or deductible in other years and excludes items that are never taxable or deductible for tax purposes. Changes in taxes arising from a change in tax rates and laws will be recognized in the period when the tax rate or law is substantively enacted. Current tax assets and liabilities are offset when the legally enforceable right to offset exists and the Company itself intends to net settle the amounts.

Deferred Income Tax

Deferred tax expense and/or benefit is calculated with reference to temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable income will be available against which unused tax losses and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when the legally enforceable right exists to offset, and the deferred tax assets and liabilities relate to income taxes levied on the same tax reporting entity by the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated balance sheet dates.

n. Leases

Right-Of-Use Assets

When the Company enters a new arrangement as a lessee, it recognizes a right-of-use asset and corresponding lease liability at the commencement or extension date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, any direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimated decommissioning costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term plus renewal period if renewal is reasonably assured. Right-of-use assets are subject to impairment. The Company's assessment in 2023 and 2024 showed that there are no indicators of impairment.

Lease liabilities

At the commencement or extension date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company's exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of the likelihood of purchasing the underlying asset.

o. Preferred Shares

The Company's non-redeemable preferred shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company's Board of Directors.

The Company has issued redeemable preferred shares that are recorded as debt, because they bear non-discretionary dividends and are redeemable in cash by the holder. Non-discretionary dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

p. Future Changes in Accounting Policies

The Company monitors for changes in standards proposed by the IASB and analyzes the effect those changes may have on the Company's financial reporting and disclosures. For the year ended December 31, 2024, there were no significant changes in accounting policies and no new standards which are expected to impact the Company's consolidated financial statements. The Company has identified two new standards which are expected to have a future impact on the consolidated financial statements.

IFRS 9, Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments (IFRS 9), which introduce additional guidance in two areas. The first relates to non-recourse financial assets, and contractually linked instruments, with contingent features and when these features can be considered consistent with a basic lending arrangement, in which case the instrument can be measured at amortized cost. The second relates to the timing of derecognition of financial liabilities when payment takes place through an electronic payment system and certain conditions are met. These amendments will be effective for our fiscal year beginning January 1, 2026. The Company is currently assessing the impact of these amendments on our consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18), which will replace IAS 1, Presentation of Financial Statements, and will be effective for our fiscal year beginning January 1, 2027. IFRS 18 changes how information is grouped and presented in the financial statements and requires that certain management performance measures be included in the financial statements. The Company is currently assessing the impact of the standard on the presentation of our consolidated financial statements.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

q. Functional Currency

The Company conducts business in Canada and presents the consolidated financial statements in Canadian dollars, which is the Company's functional currency. Monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value, that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into Canadian dollars at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

Note 4 – Revenue

The following table presents disaggregated revenue information for the Company for the years ended December 31.

	2024	2023
Fee revenue	278,387	257,816
Commissions	19,317	17,375
Corporate finance	8,448	6,150
Other customer revenue	17,011	15,805
Revenue - contracts with customers	323,163	297,146
Interest revenue	40,136	48,833
Other revenue	6,036	5,140
Total revenue	369,335	351,119

	2024	2023
Timing of revenue recognition:		
Point in time	44,538	38,906
Over time	278,625	258,240
Revenue - contracts with customers	323,163	297,146
Interest revenue	40,136	48,833
Other revenue	6,036	5,140
Total revenue	369,335	351,119

Certain revenue ($15,381) has been recategorized from Over time to Point in time in the prior year comparative period to more appropriately reflect the timing of the performance obligations being satisfied and to be consistent with the presentation for the current period. In addition, certain revenues were recategorized from Other customer revenue to Fee revenue in the prior year comparative period to more appropriately reflect the nature of the revenues and be consistent with the presentation for the current period. There was no change to the total revenue recognized in the prior year comparative period.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Other Income

The following table presents a breakdown of the Company's other income for the years ended December 31.

	2024	2023
Insurance commissions	16,772	15,381
Foreign exchange	5,644	4,370
Other	631	1,194
	23,047	20,945

Note 5 – Securities Owned

The following table presents a breakdown of the Company's securities owned measured at fair value as at December 31.

	2024	2023
Equity securities	1,507	450
Derivative financial instruments	86	163
	1,593	613

Note 6 – Other Assets

The following table presents a breakdown of the Company's other assets as at December 31.

	2024	2023
Accounts receivable	5,596	6,602
Prepaid expenses	9,162	8,490
	14,758	15,092

Note 7 – Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at December 31.

	2024	2023
Investment advisor loans	48,939	39,421
Transition agreements for retirees	5,082	4,847
Other loans	3,525	4,329
	57,546	48,597

As at December 31, 2024, the current portion of employee loans is $1,244 (2023 - $12,389)

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Investment Advisor Loans

The Company advances funds to newly recruited investment advisors on commencement of their employment and on the completion of defined performance criteria. Upon the satisfaction of certain conditions over a pre-specified term, the Company is obligated to pay cash bonuses to investment advisors over the term which are then used to repay the loan in full.

Transition Agreements for Retirees

The Company from time to time has facilitated the transition of clients' assets under administration from one advisor to another upon retirement. The Company agrees to provide the retiring investment advisors with cash bonuses over a pre-specified term to facilitate the transition of the book of business to the succeeding investment advisor. The successor repays the amounts over a pre-specified term in full. The receivable is interest bearing, and terms vary by agreement.

Other Loans

Other loans represent repayable financing loans and certain other advisor and employee loans.

Note 8 – Equipment and Leasehold Improvements

The following table presents a breakdown of the Company's equipment and leasehold improvements:

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Cost								
As at January 1	**8,952**	7,885	**9,031**	8,028	**38,868**	37,481	**56,851**	53,394
Additions, net of inducements	**265**	1,067	**486**	1,003	**(733)**	1,387	**18**	3,457
Disposals	**(1,252)**	—	**(2,139)**	—	**(7,323)**	—	**(10,714)**	—
As at December 31	**7,965**	8,952	**7,378**	9,031	**30,812**	38,868	**46,155**	56,851
Accumulated depreciation								
As at January 1	**2,988**	1,978	**4,551**	2,972	**14,511**	10,992	**22,050**	15,942
Depreciation	**990**	1,010	**1,520**	1,579	**3,048**	3,519	**5,558**	6,108
Disposals	**(1,252)**	—	**(2,139)**	—	**(7,323)**	—	**(10,714)**	—
As at December 31	**2,726**	2,988	**3,932**	4,551	**10,236**	14,511	**16,894**	22,050
Net book values								
As at December 31	**5,239**	5,964	**3,446**	4,480	**20,576**	24,357	**29,261**	34,801

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 9 – Right-of-Use Assets

The following table presents a breakdown of the Company's right-of-use-assets, all of which relate to office space, as at December 31.

	2024	2023
As at January 1	47,433	52,809
Additions	1,480	2,229
Extinguishment	(6,332)	—
Amortization	(5,577)	(7,605)
As at December 31	37,004	47,433

During 2024, the Company entered into two lease extension agreements. In 2023, the Company entered into six lease extension agreements and one new lease agreement. Lease expense and accretion of lease liability expense can be found in the Statement of Cash Flows.

Note 10 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets:

		Intangible Assets		
Cost	Goodwill	Customer relationships	Other Intangible Assets[1]	Total
As at January 1, 2023	164,957	197,132	4,321	366,410
Additions	—	371	1,359	1,730
As at December 31, 2023	164,957	197,503	5,680	368,140
Additions	**—**	**—**	**2,830**	**2,830**
Disposals	**—**	**—**	**(30)**	**(30)**
As at December 31, 2024	**164,957**	**197,503**	**8,480**	**370,940**
Accumulated amortization				
As at January 1, 2023	—	28,704	125	28,829
Amortization	—	13,107	584	13,691
As at December 31, 2023	—	41,811	709	42,520
Amortization	**—**	**13,113**	**1,110**	**14,223**
Disposals		**—**	**(30)**	**(30)**
As at December 31, 2024	**—**	**54,924**	**1,789**	**56,713**
Net book value				
As at December 31, 2023	164,957	155,692	4,971	325,620
As at December 31, 2024	**164,957**	**142,579**	**6,691**	**314,227**

[1] Other intangible assets is comprised of internal systems and platforms, brand, and other.

Intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth completed in 2020. As at December 31, 2024, the Company determined there were no indicators of impairment relating to its finite life intangible assets.

Goodwill is not amortized and is instead tested for impairment annually. In performing the impairment test, the Company estimates the value-in-use of the business or CGU and compares it to the carrying value. As at December 31, 2024, the Company determined there was no impairment relating to its goodwill.

The Company uses a discounted cash flow model to estimate the value-in-use of the business. For the year ended 2024, the Company projected cash flows for ten years based on historical operating and financial result trends and expected future business performance including the five-year earnings forecast approved by the board. The Company then projected cash flows past the five-year mark from the balance sheet date. Beyond ten years, cash flows were assumed to grow at perpetual rates of 5.0% (5.0% in 2023). The perpetual rate is based on assumptions around organic revenue growth, inflation, recruitment, attrition and expenditures. The discount rate applied to these cash flows to determine the recoverable amount was 12.9% (14.5% in 2023) and was based on the Company's weighted average cost of capital (WACC), which fluctuates based on various market conditions, including interest rates. The pre-tax discount rate was 17.6% (18.2% in 2023) for the current year. The cost of capital was estimated using a WACC Model, incorporating the historical betas of publicly traded peer companies that are comparable to the CGU. The Company used significant judgment in determining inputs to the discounted cash flow model, which is sensitive to changes in future cash flows, discount rates and the terminal growth rates applied to cash flows beyond the forecast period.

Note 11 – Advisor Award and Loan Amortization

The Company records any reduction in investment advisor loans as advisor award and loan amortization over the term of such loans. For the year ended December 31, 2024, the Company recorded advisor award and loan amortization of $7,743 (2023 – $17,541) and a corresponding reduction to loans outstanding.

In November 2023, pursuant to an agreement with certain investment advisors as part of the acquisition of Richardson Wealth in October 2020, the Company granted a second tranche of recognition awards based on a percentage of the investment advisors' trailing twelve months revenue as at October 31, 2023. The second tranche of recognition awards will be settled in cash in November 2026 conditional on the investment advisors' continued employment with the Company.

The Company records the second recognition awards as advisor award and loan amortization over the three-year vesting period. For the year ended December 31, 2024, the Company recorded $4,641 (2023 – $846) as advisor award and loan amortization in the consolidated statement of income with a corresponding increase to Accounts payable and accrued liabilities.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 12 – Related Party Transactions and Balances

The Company's related parties include the following persons and/or entities:

a. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel; and

b. shareholders who can significantly influence the Company.

Related Party Balances

The following table reflects related party transactions recorded in the Company's consolidated statements of income (loss) for the years ended December 31.

	2024	2023
Revenue		
Investment management and fee income	144	71
Interest income	8	131

Key Management Personnel

Key management personnel consist of the Board of Directors and officers of the Company and other persons having authority and responsibility for planning, directing and controlling the activities of the Company. Receivables from clients of $128 (2023 – $12) and payables to clients of $188 (2023 – $303) represent outstanding transactions where the Company executes security trades on either a cash or margin basis for key management personnel. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company. Interest on margin loans is based on market terms and conditions.

Key management personnel payments for services rendered is as follows for the years ended December 31.

	2024	2023
Fixed salaries and benefits	3,056	2,834
Retirement allowance	—	311
Variable incentive-based compensation	1,958	2,042
Share-based compensation	2,373	1,670
Directors' fees	1,371	1,172
Consulting services[1]	4,100	—
	12,858	8,029

[1] Commencing October 1, 2024, the Company entered into a three-year contract for services with certain key management personnel for $4,100, the full amount of which was recognized in 2024.

Shareholder

Richardson Financial Group Limited (RFGL), a significant shareholder, holds $30,422 (2023 - $30,422) of redeemable preferred shares issued by a subsidiary of the Company, classified as financial liabilities (refer to Note 19). In 2024, the Company incurred $3,269 of related interest expense (2023 – $3,334). RFGL and its wholly owned affiliate collectively own approximately 6.97 million common shares (2023 – 6.97 million), representing 44.3% (2023 – 44.2%) of the issued and outstanding common shares.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 13 – Income Tax

The following table presents the components of income tax expense for the Company for the years ended December 31.

	2024	2023
Current tax expense	2,840	2,029
Deferred tax expense		
Origination and reversal of temporary differences	1,653	2,290
Total income tax expense	4,493	4,319

The following table presents the differences between income tax expense reflected in the consolidated statements of income (loss) and the amounts calculated at the combined Canadian federal and provincial statutory tax rates for the years ended December 31.

	2024		2023	
	Amount	Rate	Amount	Rate
Income tax expense at the combined Canadian federal and provincial statutory tax rate	1,341	26.5%	(2,007)	26.5%
Non-deductible expenses	1,310	25.9%	785	(10.4%)
Tax losses and other temporary differences not recognized	3,498	69.1%	2,701	(35.7%)
Adjustment for prior years	(1,790)	(32.8%)	1,051	(13.9%)
Part VI.I Tax	159	3.1%	1,717	(22.7%)
Other	(25)	(3.2%)	72	(0.9%)
Income tax expense and effective rate	4,493	88.7%	4,319	(57.1%)

The following table presents the major components of the Company's deferred tax assets (liabilities) as at December 31.

	2024	2023
Deferred tax assets (liability)		
Deductible temporary differences:		
Non-capital losses	—	5,724
Deferred compensation arrangements	3,680	3,058
Equipment and leasehold improvements	(2,234)	(1,784)
Right-of-use asset	(9,439)	(12,092)
Intangible assets	(37,288)	(40,747)
Lease liability	12,797	15,421
Leasehold inducements	1,676	1,377
Other	31	(82)
Net deferred tax asset (liability)	(30,777)	(29,125)

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The net deferred tax liability of 30,777 (2023 – 29,125) is the deferred tax asset balance net of the deferred tax liability of 37,288 (2023 – 40,747) for intangible assets.

The following table presents the benefit of the losses and other deductible temporary differences not reflected in the Company's consolidated financial statements as at December 31.

	2024	2023
Non-capital losses	91,429	82,667
Other	(1,561)	(1,013)
Total losses and other temporary differences not recognized	89,868	81,654

Note 14 – Share Capital

The Company is authorized to issue an unlimited number of common shares. Each common share has equal rights and privileges and entitles the holder to one vote at all meetings of common shareholders. The Company is also authorized to issue an unlimited number of preferred shares (other than the Series A preferred shares and Series B preferred shares as defined below), issuable at any time and from time to time in one or more series. The designation, rights, privileges, restrictions, and conditions attached to the preferred shares will be determined by the Board of Directors of the Company prior to issue.

a. Common Shares

In consideration of the acquisition of Richardson Wealth completed in 2020, a portion of the common shares issued were placed in escrow (the Escrowed Shares) to be released, subject to the satisfaction of certain conditions, in equal amounts on the first, second and third anniversaries of the closing of the transaction. In October 2023, the Company released the remaining 3,096,730 common shares from escrow.

b. Preferred Shares

Preferred shares issued and outstanding are 4,600,000 cumulative 5-Year rate reset preferred shares, Series B (the Series B preferred shares) recorded at the aggregate net proceeds of $112,263. Quarterly cumulative cash dividends on Series B preferred shares, if declared, will be paid at an annual rate of 3.73% for the five-year period ending on March 31, 2026. On that date and every five years thereafter, the dividend rate is reset at a rate equal to the sum of the then current five-year Government of Canada (GOC) bond yield plus 2.89%. The Series B preferred shares are redeemable by the Company, in whole or in part, at its option on March 31, 2026, and every fifth year thereafter at a cash redemption price per share of $25.00 together with all accrued and unpaid dividends.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	($ thousands) Total dividend
March 31, 2023	0.233313	1,073
June 30, 2023	0.233313	1,073
September 29, 2023	0.233313	1,073
December 29, 2023	0.233313	1,073
March 29, 2024	**0.233313**	**1,073**
June 28, 2024	**0.233313**	**1,073**
September 27, 2024	**0.233313**	**1,073**
December 30, 2024	**0.233313**	**1,073**

On February 27, 2025, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share, payable on March 28, 2025, to preferred shareholders of record on March 14, 2025.

c. Share Cancellations and Forfeitures

During the first quarter of 2023, 23,692 common shares, with an aggregate cost of $704, were repurchased under the Company's normal course issuer bid (NCIB) and cancelled. In addition, the Company cancelled common shares purchased in 2022 under the NCIB for an aggregate cost of $270. The Company's NCIB ended on March 8, 2023 and was not renewed.

On March 17, 2023, 3,000 common shares were forfeited and cancelled in satisfaction of an employee loan, resulting in a share capital reduction of $89.

During the year ended December 31, 2024, 16,600 common shares (2023 – 23,007) that were held in escrow were forfeited and cancelled, resulting in a share capital reduction of $296 (2023 - $647).

d. Share Incentive Plan (SIP) Trust

In connection with the SIP, the Company has established an employee benefit plan trust (the SIP Trust) for the purpose of purchasing the Company's common shares in the open market and delivering the common shares to the SIP participants upon vesting for grant periods up to the first quarter of 2022. The Company consolidates the SIP Trust in accordance with IFRS 10, Consolidated Financial Statements. Consideration paid for the Company's common shares held by the SIP Trust is deducted from shareholders' equity and the common shares are treated as cancelled in the Company's basic earnings per share calculation.

The following table presents a breakdown of the SIP Trust:

	Number of common shares
As at December 31, 2022	229,604
Released on vesting	(45,872)
As at December 31, 2023	183,732
Released on vesting	**(71,511)**
As at December 31, 2024	**112,221**

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 15 – Share Options and Deferred Share-Based Awards

a. Share Options

Under the Company's common share option plan (the Share Option Plan), the Company may grant options to acquire up to 10% of the issued and outstanding common shares. The maximum term of an option is ten years from the date of grant. Options would be granted by reference to the Company's common share price on the TSX. The related vesting period over which share-based compensation expense is recognized is up to four years. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date. A summary of the status of the Share Option Plan and the changes during the year are as follows:

	Number of common share options	Weighted-average exercise price
As at December 31, 2022	49,500	20.00
Granted, expired and forfeited	5,500	12.26
As at December 31, 2023	55,000	19.23
Granted, expired and forfeited	**—**	**—**
As at December 31, 2024	**55,000**	**19.23**

Common share options outstanding and vested under the Share Option Plan, by exercise price range, as at December 31, 2024, are as follows:

Exercise prices	Number outstanding	Weighted-average exercise price	Weighted-average remaining contractual life
18.00	5,500	18.00	3.00
20.10	27,500	20.10	3.36
20.50	16,500	20.50	3.50
12.26	5,500	12.26	5.36
As at December 31, 2024	55,000	19.23	3.57

As at December 31, 2024, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.35% (December 31, 2023 – 0.35%).

For the year ended December 31, 2024, the Company recorded $39 (2023 – $70) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

For the years ended December 31, 2024 and 2023, there were no options granted, expired, or forfeited.

b. Deferred Share-Based Awards

Share Incentive Plan

The Company adopted the SIP to provide eligible employees (Participants) with opportunities to own or get exposure to the price of common shares, and to attract, retain and motivate key personnel and reward certain officers and employees of the Company for their performance. Pursuant to the terms of the SIP, the Company awards restricted share units (RSUs) and performance share units (PSUs) to certain Participants. The RSUs awarded are subject to service vesting conditions. The PSUs awarded are subject to vesting conditions and to market and non-market performance factors. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units. The fair value of the RSUs and PSUs granted is determined based on the average of the closing price of the Company's common shares for the five days preceding the year-end.

In the first quarter of 2022, the Company amended its restricted share unit (RSU) and performance share unit (PSU) plans to move from being equity-settled to cash-settled. The fair value of the grant is recorded in compensation expense over the period it vests with an offset to liability for cash settled units and to equity for equity settled units. Beginning with grants issued in 2022, each RSU or PSU held at the end of the vesting period will be paid to the eligible employee in cash, the value of which will be based on the weighted average closing price of the Company's common shares (common shares) on the TSX for the 30 consecutive trading days immediately prior to the vesting date. RSUs and PSUs issued prior to 2022 will be settled in shares from the SIP Trust.

On March 10, 2023, the Company granted 580,795 Restricted Share Units (RSUs) and 91,103 Performance Share Units (PSUs) to employees that entitle them to cash payments on December 1, 2025 and March 7, 2026, respectively. The RSUs and PSUs were granted at a price of $13.31 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in March 2023 was $5,006 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU or PSU vests.

On August 14, 2023, the Company granted 1,734 Restricted Share Units (RSUs) to employees that entitle them to cash payments on December 1, 2025. The RSUs were granted at a price of $8.65 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs granted in August 2023 was $13 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU vests.

On November 21, 2023, the Company provided employees who were granted equity settled RSUs on June 1, 2021 and had a vesting date of December 1, 2023 with the option to receive the cash equivalent of the fair value of the shares using the common share closing price as of November 30, 2023. This resulted in the modification of 198,372 RSUs being reclassified from equity-settled to cash-settled. A total of 132,429 RSUs were elected to be cash-settled while the remaining 65,943 RSUs were elected to remain as equity-settled. No incremental fair value was granted as a result of the modification.

On March 7, 2024, the Company granted 882,412 Restricted Share Units (RSUs) and 165,390 Performance Share Units (PSUs) to employees that entitle them to cash payments on December 1, 2026 and March 7, 2027, respectively. The RSUs and PSUs were granted at a price of $8.25 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in

March 2024 was $7,806 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU or PSU vests.

During June 2024, the Company delivered 3,818 vested common shares from its Share Incentive Plan Trust (SIP Trust) to employees.

On August 8, 2024, the Company granted 23,025 Restricted Share Units (RSUs) to employees that entitle them to cash payments on December 1, 2026. The RSUs were granted at a price of $7.60 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs granted in August 2024 was $168 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU vests.

On November 14, 2024, the Company granted 3,534 Restricted Share Units (RSUs) and 5,301 Performance Share Units (PSUs) to employees that entitle them to cash payments on December 1, 2026 and March 7, 2027, respectively. The RSUs and PSUs were granted at a price of $7.64 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in November 2024 was $66 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU and PSU vests.

On November 18, 2024, the Company granted 5,014 Restricted Share Units (RSUs) and 2,594 Performance Share Units (PSUs) to employees that entitle them to cash payments on December 1, 2026 and March 7, 2027, respectively. The RSUs and PSUs were granted at a price of $7.61 based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in November 2024 was $57 at the end of the reporting period; this is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities over the period during which the RSU and PSU vests.

During the Company's fourth quarter of 2024, the Company delivered 67,693 vested common shares from its Share Incentive Plan Trust (SIP Trust) to employees.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the status of the Company's Share Incentive Plans and the changes during the year are as follows:

	Number of RSUs
Balance, December 31, 2022	938,674
Granted	582,529
Vested	(199,160)
Forfeited	(98,017)
Balance, December 31 ,2023	1,224,026
Granted	**913,985**
Vested	**(645,023)**
Forfeited	**(137,775)**
Balance, December 31, 2024	**1,355,213**

	Number of PSUs
Balance, December 31, 2022	77,798
Granted	91,103
Forfeited	(12,593)
Balance, December 31 ,2023	156,308
Granted	**174,376**
Forfeited	**(53,594)**
Balance, December 31, 2024	**277,090**

The Company records its obligation for RSUs and PSUs over the service period that the award is earned. The liability for the cash-settled portion is measured at fair value on the date of grant and at each subsequent reporting date and totaled $5,101 as at December 31, 2024 (2023 – $3,367).

Deferred Share Unit Plan (DSUs)

The Company has a DSU plan for its directors. Each year, Directors can elect to receive up to 100% of their annual compensation in the form of DSUs. The fair value of the DSUs granted is determined based on the average of the closing price of the Company's common shares for the five days preceding the grant date.

A summary of the status of the Company's Deferred Share Unit Plan and the changes during the year are as follows:

	Number of DSUs
Balance, December 31, 2022	253,923
Granted	104,880
Balance, December 31 ,2023	358,803
Granted	**135,963**
Balance, December 31, 2024	**494,766**

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 16 – Provisions, Contingent Liabilities and Commitments

a. Provisions and Contingent Liabilities

The Company recognizes provisions for litigation and restructuring when it is probable that it has an obligation arising from a past event and the obligation can be reliably estimated. The Company recognizes as a provision our best estimate of the amount required to settle the obligations as of the balance sheet date, considering the risks and uncertainties surrounding the obligations. Legal provisions that are assumed as part of a business acquisition are recorded by the Company at fair value if there is a present obligation for a past event that can be reliably measured even if it is not probable that the Company will incur a loss. The Company assesses the adequacy of its provisions, if any, at each reporting period.

A summary of the Company's provisions and the changes during the year are as follows:

Balance, December 31, 2022	24,734
Additions	3,319
Payments[1]	(15,352)
Recoveries	(400)
As at December 31, 2023	12,301
Additions[2]	**7,031**
Payments[1]	**(2,475)**
Recoveries	**(879)**
As at December 31, 2024	**15,978**

[1] Includes $354 and $400 relating to key management personnel in 2024 and 2023 respectively.

[2] Includes $4,100 at present value, relating to a three-year contract for services with key management personnel.

Contingent liabilities are potential obligations arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within our control are not included in the table below.

b. Commitments

The Company has entered into lease agreements for office premises and equipment for periods up to December 31, 2037.

Aggregate future minimum annual payments as at December 31 are as follows:

	2024	2023
Less than 1 year	**8,385**	8,946
1-5 years	**29,764**	37,609
Greater than 5 years	**35,644**	36,132
	73,793	82,687

Note 17 – Net Income/(Loss) Per Common Share

Net income/(loss) per common share for the years ended December 31 consists of the following:

	2024	2023
Net income/(loss)	568	(9,828)
Less: dividends on preferred shares	(4,292)	(4,292)
Net income/(loss) attributable to common shareholders from continuing operations	(3,724)	(14,120)
Net income/(loss) from discontinued operations	—	(2,064)
Net income/(loss) attributable to common shareholders	(3,724)	(16,184)
Weighted-average number of common shares outstanding (in thousands):		
Basic		
Common shares	15,742	15,566
Common shares held by the SIP Trust[1]	(173)	(184)
Contingently returnable common shares held in escrow	(143)	(152)
	15,426	15,230
Diluted		
Dilutive effect of shares held by the SIP Trust[1]	173	184
Dilutive effect of contingently returnable common shares held in escrow	143	152
	15,742	15,566
Net income/(loss) per common share - Basic		
Continuing operations	(0.24)	(0.93)
Discontinued operations	—	(0.14)
Total	(0.24)	(1.07)
Net income/(loss) per common share - Diluted[2]		
Continuing operations	(0.24)	(0.93)
Discontinued operations	—	(0.14)
Total	(0.24)	(1.07)

[1] The Company has the SIP Trust for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the eligible participants upon vesting, for RSUs that were granted before 2022.

[2] In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will not be dilutive, therefore basic, and diluted net loss per common share are the same.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 18 – Fair Value of Financial Instruments

The Company records assets and liabilities held for trading, assets and liabilities designated at fair value, derivatives, certain equity and debt securities and securities sold short but not yet purchased at fair value, and other non-trading assets and liabilities at amortized cost less allowances or write-downs for impairment.

For traded securities, quoted market value is considered to be fair value. Securities for which no active market exists are valued using all reasonably available market information.

The carrying value of certain financial assets and liabilities, such as receivables and payables due from or to clients and brokers, client funds held in trust, employee and other loans receivable, other assets and liabilities, debt and provisions, is a reasonable estimate of fair value due to their short-term nature or because they are frequently repriced to current market rates.

Financial Instruments – Measurement

The categories of measurement of financial instruments, excluding cash and cash equivalents, held by the Company at December 31 are as follows:

As at December 31, 2024	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	1,593	—	—	1,593
Receivable from clients	—	—	341,164	341,164
Receivable from brokers	—	—	568,061	568,061
Employee and other loans receivable	—	—	8,712	8,712
Other assets	—	—	14,758	14,758
Total financial assets	1,593	—	932,695	934,288
Financial liabilities				
Payable to clients	—	—	845,601	845,601
Payable to brokers	—	—	2,499	2,499
Accounts payable and accrued liabilities	—	—	69,972	69,972
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,028,994	1,028,994

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

As at December 31, 2023	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	613	—	—	613
Receivable from clients	—	—	254,989	254,989
Receivable from brokers	—	—	560,387	560,387
Employee and other loans receivable	—	—	9,281	9,281
Other assets	—	—	15,092	15,092
Total financial assets	613	—	839,749	840,362
Financial liabilities				
Payable to clients	—	—	764,592	764,592
Accounts payable and accrued liabilities	—	—	61,207	61,207
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	936,721	936,721

Financial Instruments – Fair Value Hierarchy

IFRS 13, Fair Value Measurement, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. The Company's Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. They are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. The Company's Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3. The Company's Level 3 equities are broker warrants that are valued based on observable data of the underlying security. Some inputs used in the model for valuing the asset or liability are based on unobservable market data associated with the broker warrants themselves.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the value of the financial instrument at the reporting date that would have been determined by arm's length market participants.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following tables present the fair value hierarchy of the Company's financial assets and liabilities that are carried at fair value:

As at December 31, 2024	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Equity securities	1,507	—	—	1,507
Derivative financial assets	—	—	86	86
Financial assets carried at fair value	1,507	—	86	1,593

As at December 31, 2023	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Equity securities	450	—	—	450
Derivative financial assets	—	—	163	163
Financial assets carried at fair value	450	—	163	613

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy.

	Level 3 fair value
As at December 31, 2022	24
Additions	39
Disposals/expiries	(27)
Net unrealized gain/(loss) before income taxes	127
As at December 31, 2023	163
Additions	54
Disposals/expiries	(125)
Net unrealized gain/(loss) before income taxes	(6)
As at December 31, 2024	86

a. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Company segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair Value Risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company incurs fair value risk through its trading positions and its portfolio of securities and broker warrants owned.

The Company mitigates its fair value risk exposure through controls to limit concentration levels, as well as through monitoring procedures of the margin accounts.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Fair Value Sensitivity Analysis

The following tables present the sensitivity of the Company's net income to reasonable changes in fair value of the Company's financial instruments recorded on the consolidated balance sheets.

As at December 31, 2024	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned	**1,593**	**117**	**(117)**

As at December 31, 2023	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned	613	45	(45)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company incurs interest rate risk on its own cash and cash equivalent balances, its client account cash balances, securities owned net of securities sold short, cash delivered or received in support of securities borrowing or lending activities, and loans provided to certain Richardson Wealth employees. All cash and cash equivalent balances mature within three months. Interest rates on cash balances are floating rates that vary depending on benchmark interest rates and the amount of cash deposited. Transition Agreements with Richardson Wealth employees bear interest at the prime rate of interest plus 2.5%.

The Company attempts to minimize and monitor its exposure to interest rate risk through quantitative analysis of its net positions of clients' balances.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Interest Rate Sensitivity Analysis

The tables below present the potential net income impact of an immediate and sustained 100 basis point (bp) increase or 100 bp decrease in interest rates applied to the balances outstanding as at December 31. The analysis assumes that all other variables remain constant.

As at December 31, 2024	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 100bp decrease in market interest rates on net income
Cash and cash equivalents	88,556	651	(651)
Securities owned	1,593	12	(12)
Receivable from clients	341,164	2,508	(2,508)
Employee and other loans receivable	8,712	64	(64)
Payable to clients	(845,601)	(6,215)	6,215
Debt	(110,922)	(815)	815

As at December 31, 2023	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 100bp decrease in market interest rates on net income
Cash and cash equivalents	80,829	594	(594)
Securities owned	613	5	(5)
Receivable from clients	254,989	1,874	(1,874)
Employee and other loans receivable	9,281	68	(68)
Payable to clients	(764,592)	(5,620)	5,620
Debt	(110,922)	(815)	815

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company also incurs currency risk on financial instruments held by the operating subsidiaries of the Company denominated in currencies other than their functional currency, which includes cash and cash equivalents, client account cash balances and broker receivables and payables.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Currency Risk Sensitivity Analysis

The tables below summarize the effects on net income as a result of a 10% change in the value of certain foreign currencies against the Canadian dollar as at December 31. The analysis assumes that all other variables remain constant.

As at December 31, 2024	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income
United States dollar	**709**	**(709)**

As at December 31, 2023	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income
United States dollar	1,173	(1,173)

b. Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing money, securities, or other assets to it will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries.

A primary source of credit risk to the Company arises when the Company extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the clients' accounts. The Company faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline, and the Company is unable to recover sufficient value from the collateral held. The Company also faces credit risk due to the default or deterioration in credit quality of a counterparty or an issuer of securities held in connection with the facilitation of client transactions relating to the Company's fixed income trading activities.

Credit risk is managed in several ways. For margin lending, management has established lending limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, the Company manages its credit risk in certain types of trading activities by establishing aggregate limits by individual counterparty, reviewing security and loan concentrations, and marking to market collateral provided on transactions. Policies authorized by the Company prescribe the level of approval and the amount of credit exposure the Company may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. The Company did not incur any material loss arising from a counterparty default in 2024 and 2023. As at December 31, 2024 and 2023, the Company had an allowance for credit losses of nil.

The maximum exposure to credit risk relating to client and broker receivables, accounts receivable balances, employee and other loans receivable and share purchase loans without consideration of collateral is represented by the carrying value on the Company's consolidated balance sheets as at December 31, 2024, and 2023.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

c. Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Management oversees the Company's liquidity to ensure access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations under both normal and stress conditions. The tables below present the Company's short-term obligations and terms to maturity.

2024	Carrying value	Term to maturity
Payable to clients	**845,601**	**Due on demand**
Payable to brokers	**2,499**	**Due within one month**
Preferred Shares	**30,422**	**Due on demand**
Accounts payable and accrued liabilities	**69,972**	**Due within one to three years**
Debt	**80,500**	**Due within two years**
	1,028,994	

2023	Carrying value	Term to maturity
Payable to clients	764,592	Due on demand
Preferred Shares	30,422	Due on demand
Accounts payable and accrued liabilities	61,207	Due within one to three years
Debt	80,500	Due within two years
	936,721	

The Company holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are comprised of highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. The Company considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of the Company's overall liquidity portfolio. Payables and receivables to and from brokers and dealers represent open transactions that generally settle within the normal two-day settlement cycle and also include collateralized securities borrowed and/or loaned in transactions that can be closed within a few days if necessary. Client receivables are secured by readily marketable securities and are reviewed on an ongoing basis for impairment in value and collectability. The liquidity of the Company's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. There has been no change to the Company's cash management practices during fiscal 2024 and 2023.

Note 19 – Debt and Capital Management

The following table presents a breakdown of the Company’s debt obligations as at December 31.

	2024	2023
Revolving credit facility	80,500	80,500
Preferred shares	30,422	30,422
	110,922	110,922

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Revolving Credit Facility

The Company has a $200 million syndicated revolving credit facility (Facility) with a syndicate of lenders. The initial authorized principal of the Facility is $125 million. The Facility also includes an accordion provision that will enable the Company to request increases in the total commitment, on the same terms, by an aggregate amount of up to $75 million, subject to certain conditions and the lenders' approval.

The Facility bears interest at a spread over prescribed benchmark rates, with the spread depending on the Company's leverage at the time that it draws on the Facility.

On July 29, 2024, the Company amended the credit facility to extend the maturity date to May 4, 2026.

The facility contains clauses whereby the Company is required to meet certain financial covenants. As at December 31, 2024 and 2023, the Company was compliant with the covenants associated with the facility.

Preferred Shares

Certain redeemable preferred shares issued by Richardson Wealth are classified as financial liabilities because they bear non-discretionary dividends and are redeemable at the option of the holder, for cash, at any time following October 20, 2023. The Company has the right to acquire the preferred shares from the holder for cash at any time. The preferred shares are entitled to receive preferential cash dividends that accrue at an annual rate of prime plus 4%. These shares do not carry the right to vote.

Capital Management

The Company requires capital to fund existing and future operations, its growth plans, future dividends, and regulatory capital requirements. The Company's policy is to maintain sufficient and appropriate levels of, and access to, capital through a variety of sources.

The following table presents the elements of the Company's equity capital position as at December 31.

	2024	2023
Common shares	461,652	461,523
Preferred shares	112,263	112,263
Contributed surplus	46,766	46,726
Accumulated other comprehensive income	20,293	20,293
Accumulated deficit	(313,992)	(310,266)
	326,982	330,539

Richardson Wealth is subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. Richardson Wealth is a registered investment dealer subject to regulation primarily by CIRO. Sources of financial statement capital for CIRO's regulatory capital purposes include shareholders' equity and subordinated loans.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades and/or working capital requirements. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out as cash dividends. As at and during the years ended December 31, 2024 and 2023, all of the Company's subsidiaries were in compliance with their respective regulatory capital requirements.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 20 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items during the years ended December 31.

	2024	2023
Securities owned	(980)	60
Receivable from clients and brokers	(93,849)	(377,076)
Client funds held in trust	—	367,316
Employee and other loans receivable	(16,692)	(21,430)
Other assets	334	19,856
Payable to clients and brokers	83,508	(294,866)
Accounts payable and accrued liabilities	4,284	10,314
Provisions	3,677	(12,433)
	(19,718)	(308,259)

Note 21 – Change in Operations

On January 1, 2023, the Company outsourced its carrying broker operations, which led to a change in the composition of its balance sheet. Client cash held in unregistered accounts that was previously reported as Cash and cash equivalents on the Company's balance sheet is now reported as Receivable from brokers. Similarly, client cash held in registered accounts that was previously reported as Client funds held in trust on the Company's balance sheet is now reported as Receivable from brokers. This change also impacted the Statement of Cash Flows as it caused the Company to report a reduction in its Cash and cash equivalents and non-cash operating items. It did not affect the Company's Statement of Income.

Note 22 – Discontinued Operations

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business in an all-cash transaction to Stifel Nicolaus Canada Inc. In the second quarter of 2023, the Company recorded a $2,064 increase in legal provisions associated with this discontinued operation. The provision relates to a legacy employment litigation matter. For the year ended December 31, 2024, the Company paid $552 (2023 - $3,671) in relation to the provision on discontinued operations.