RICHARDSON Wealth

Report to Shareholders

RF Capital Group Inc.

Fourth Quarter and 2024

A Message from our President & CEO

Dear Shareholders,

It is my privilege, as the newly appointed President & CEO of RF Capital, to provide your *2024 Report to Shareholders*.

When I became Chief Operating Officer of Richardson Wealth in January 2024, I was inspired by a well-designed strategy for growth. The plan was clear and achievable, laying out the framework for the momentum we needed to be a serious contender in the Canadian marketplace. With years of experience in the wealth management industry, I have a fundamental belief that the independent space presents a viable – and attractive – alternative for Canadian investors who are, or will be, seeking a differentiated offering. Moreover, my conviction that advisors and their teams working at large investment dealers are beginning to seek a new path to grow and thrive for their clients' success means we have real opportunity here. These factors helped drive my decision to accept the COO position. Simply said, the three-pillar growth strategy aligned with my core beliefs in this industry. One year later, and now as President & CEO, it continues to be the right strategy.

Three Pillar Growth Strategy

Our focused three-pillar strategy:

1. **Double down on advisor support**
2. **Supercharge advisor recruitment**
3. **Acquire or partner with like-minded firms**

Last year was about execution. My full attention centred around leading the work needed to double down on advisory team support – also known as pillar one of our strategy. My goal was two-fold: to make it easier for our teams to work here so they can provide superior client advice and service and to enable our teams in growing more valuable practices. To make it easier to work here, we are diligently focused on creating middle-office excellence, which is delivered through our own Advisor Service Centre and Fidelity Clearing Canada ULC. Despite our best efforts, we are not there yet. We have prioritized and mobilized around our mission to resolve issues with pace. In that regard, we are making steady progress and celebrating wins as they occur. To grow more valuable practices, we enhanced existing platforms and brought in a suite of business intelligence tools, giving advisors critical data and insights.

Pillar two, continuing to drive recruitment, is also a significant part of our growth strategy. We welcomed some exceptional teams here in 2024 managing $1.8 billion in AUA, and we continued to grow our pipeline to over $31 billion. With heightened emphasis in 2025 on a "by invitation only" mindset, and along with some refinement to our discovery and our onboarding processes, we are confident in our ability to execute on pillar two in 2025.

In 2024, the focus was to drive hard on pillar one and pillar two. In 2025, that will continue to be the case. Our ability to execute on the third pillar, acquiring or partnering with like-minded firms, depends on several factors including the availability of targets, the targets' price expectations, our share price, and our access to other forms of capital. We will continue to seek out opportunities to work with parties that align with our strategy and in ways that generate shareholder value.

Executive Searches

Francis Baillargeon
Chief Financial Officer

Last fall, we conducted a search for a new RF Capital CFO and a Richardson Wealth National Sales leader. In November, we filled the CFO position. Francis Baillargeon brings experience including with investment banks focused on the investment and wealth management industries. I met him when he worked at TD Bank in Corporate Development and quickly developed a deep respect for his expertise and perspectives. Most recently, he spent four years as CFO for scale-up FLO EV Charging, one of Canada's leading clean technology companies. I am delighted to have him as part of my Executive Committee. The search for our National Sales leader continues.

Looking Forward to 2025

My overarching goal in 2024 was, and will continue to be in 2025, to ensure our advisory teams feel valued and respected and that they have the products, services, and tools needed to provide superior client advice and service. With our corporate teams, advisory teams, and the Executive Committee aligned, I am confident we are on track to become the best independent choice in Canada. As I said in a recent firm-wide communication, there is no such thing as a perfect destination. It's the journey we are focused on and in the process, we will see a steady flow of progress in 2025.

I'm excited to lead the next leg of this journey.

Dave Kelly

Dave Kelly

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About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the consolidated financial condition and results of the consolidated operations of RF Capital Group Inc. (RF Capital or the Company) as at and for the year ended December 31, 2024.

This MD&A, dated February 27, 2025, should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2024 (2024 Annual Financial Statements). This document as well as additional information relating to the Company, including our 2024 Annual Financial Statements and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedarplus.com*, and are incorporated by reference herein.

This MD&A refers to certain non-Generally Accepted Accounting Principles (GAAP) and supplementary financial measures (SFMs), including non-GAAP ratios, which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under IFRS Accounting Standards (IFRS) and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to adjusted results and a reconciliation to their nearest IFRS measures, please read the "Non-GAAP and Supplementary Financial Measures" section at the end of this MD&A.

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our 2024 Annual Financial Statements, which we have prepared in accordance with IFRS.

Certain prior period amounts have been reclassified to correspond to the current period presentation. All numbers and discussion in this MD&A relate to continuing operations unless otherwise specified.

Our Board of Directors (Board) has approved this document.

Forward-Looking Information

This MD&A contains forward-looking information as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements concerning objectives and strategies to achieve those objectives, as well as statements made with respect to management's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

The forward-looking statements included in this MD&A, including statements regarding our recruiting pipeline, the nature of our growth strategy and execution of any of our potential plans, are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed or anticipated in the forward-looking statements, including those described in this MD&A and our AIF. Such risks and uncertainties include, but are not limited to, strategic (including advisor retention and acquisitions), market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees.

Our results can also be influenced by other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and natural disasters, or other unanticipated events. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section of this MD&A.

Although we attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws. The financial outlook may not be appropriate for purposes other than this MD&A.

Forward-looking information contained in this MD&A is:

- Based on assumptions we consider reasonable; however, there can be no assurance that such expectations will prove correct. As such, readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive.
- Made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our management and Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise.
- Expressly qualified in its entirety by the foregoing cautionary statements

Select Annual Financial Information

($000s, except as otherwise indicated)	2024	2023	2022	2024 vs 2023	2023 vs 2022 Increase/(decrease)
Key performance drivers[1]:					
AUA - ending[2] ($ millions)	**39,527**	35,236	34,950	12%	1%
AUA - average[2] ($ millions)	**37,723**	35,567	35,418	6%	0%
Fee revenue[3] (%)	**90**	90	89	—	+100 bps
Adjusted operating expense ratio[4] (%)	**73.1**	71.1	69.8	+200 bps	+130 bps
Adjusted EBITDA margin[5] (%)	**15.5**	16.9	17.4	(140) bps	(50) bps
Asset yield[6] (%)	**0.86**	0.86	0.85	—	+1 bps
Advisory teams[7] (#)	**152**	155	161	(2%)	(4%)
Operating Performance					
Reported results:					
Revenue	**369,335**	351,119	353,972	5%	(1%)
Gross margin[8]	**213,095**	205,842	204,224	4%	1%
Operating expenses[1,9]	**155,755**	150,854	151,208	3%	(0%)
EBITDA[1]	**57,340**	54,988	53,016	4%	4%
Income/(loss) before income taxes	**5,061**	(5,509)	(3,110)	n/m	77%
Net income/(loss) from continuing operations	**568**	(9,828)	(4,803)	n/m	105%
Net income/(loss) from discontinued operations[10]	—	(2,064)	—	(100%)	n/a
Net income/(loss)[10]	**568**	(11,892)	(4,803)	n/m	148%
Net income/(loss) per common share from continuing operations[11]	**(0.24)**	(0.93)	(0.95)	(74%)	(2%)
Net income/(loss) per common share from continuing operations - diluted[11]	**(0.24)**	(0.93)	(0.95)	(74%)	(2%)
Net income/(loss) per common share[10,11]	**(0.24)**	(1.07)	(0.95)	(78%)	13%
Net income/(loss) per common share - diluted[10,11]	**(0.24)**	(1.07)	(0.95)	(78%)	13%
Adjusted results[1]:					
Operating expenses[9]	**155,755**	146,340	142,574	6%	3%
EBITDA	**57,340**	59,502	61,650	(4%)	(3%)
Income/(loss) before income taxes	**18,113**	12,054	18,574	50%	(35%)
Net income/(loss)	**10,160**	3,108	11,098	227%	(72%)
Net income/(loss) per common share - diluted[11]	**0.37**	(0.08)	0.43	n/m	n/m
Select balance sheet information:					
Total assets	**1,458,681**	1,379,983	1,699,654	6%	(19%)
Debt	**110,922**	110,922	110,922	—	—
Shareholders' equity	**326,982**	330,539	346,921	(1%)	(5%)
Net working capital[1,12]	**88,729**	81,208	95,224	9%	(15%)
Common share information:					
Book value per common share ($)	**13.65**	14.02	14.80	(3%)	(5%)
Closing share price ($)	**7.51**	7.52	11.50	(0%)	(35%)
Weighted-average number of common shares outstanding - diluted[11] (millions)	**15.7**	15.6	15.9	1%	(2%)
Common share market capitalization ($ millions)	**118**	117	182	1%	(36%)
Cash flow:					
Cash provided by/(used in) operating activities	**23,755**	(268,497)	(107,402)	n/m	150%
Free cash flow available for growth[1]	**31,471**	35,400	40,198	(11%)	(12%)
Free cash flow[1]	**18,518**	(2,564)	(9,896)	n/m	(74%)

1. Considered to be non-GAAP or SFMs, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
2. AUA is a measure of client assets and is common in the wealth management industry. It represents the market value of client assets that we administer.
3. Calculated as fee revenue divided by commissionable revenue. Commissionable revenue includes fee revenue, trading commissions, and commissions earned in connection with the placement of new issues and the sale of insurance products.
4. Calculated as adjusted operating expenses divided by gross margin
5. Calculated as adjusted EBITDA divided by revenue
6. Calculated as fee revenue, trading commissions, and interest on cash, divided by average AUA
7. Prior periods have been revised to reflect the internal consolidation of certain teams
8. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue
9. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
10. In Q2 2023, we recorded a provision for a legacy employment litigation matter related to the 2019 sale of our capital markets business to Stifel Nicolaus Canada Inc. See Note 25 to the 2023 Annual Financial Statements.
11. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.
12. Calculated as current assets less current liabilities. For further information, please see the "Liquidity" section of this MD&A.

Select Quarterly Financial Information

The following table presents select financial information for our eight most recently completed financial quarters.

				2024				2023
($000s, except as otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Key performance drivers[1]:								
AUA - ending[2] ($ millions)	**39,527**	39,004	37,125	37,010	35,236	34,726	35,788	35,965
AUA - average[2] ($ millions)	**39,760**	38,065	36,974	36,060	34,926	35,630	35,880	35,872
Fee revenue[3] (%)	**90**	91	90	92	89	92	90	88
Adjusted operating expense ratio[4] (%)	**70.5**	75.8	71.9	74.3	71.5	67.3	70.9	74.7
Adjusted EBITDA margin[5] (%)	**16.8**	13.6	16.5	15.2	16.7	19.3	16.9	14.9
Asset yield[6] (%)	**0.84**	0.85	0.86	0.88	0.87	0.87	0.86	0.87
Advisory teams[7] (#)	**152**	155	154	153	155	157	156	157
Operating Performance:								
Reported results:								
Revenue	**96,887**	91,871	91,216	89,361	86,752	87,836	88,832	87,700
Variable advisor compensation	**41,814**	40,183	37,650	36,593	35,866	36,012	37,305	36,095
Gross margin[8]	**55,073**	51,688	53,566	52,768	50,886	51,824	51,527	51,605
Operating expenses[1,9]	**38,835**	39,195	38,496	39,229	36,368	34,892	36,946	42,647
EBITDA[1]	**16,238**	12,493	15,070	13,539	14,518	16,932	14,581	8,958
Advisor award and loan amortization	**3,211**	3,103	2,909	3,161	5,844	4,457	3,884	4,201
Interest	**3,649**	3,725	3,413	3,750	3,994	3,527	3,675	3,511
Depreciation of premises and equipment	**2,677**	2,660	2,749	3,049	3,385	3,414	3,366	3,549
Amortization of intangibles	**3,607**	3,563	3,537	3,516	3,464	3,442	3,439	3,346
Income/(loss) before income taxes	**3,094**	(558)	2,462	63	(2,169)	2,092	217	(5,649)
Net income/(loss) from continuing operations	**1,290**	(2,309)	2,714	(1,127)	(2,882)	(189)	(1,425)	(5,332)
Net income/(loss) from discontinued operations[10]	—	—	—	—	—	—	(2,064)	—
Net income/(loss)[10]	**1,290**	(2,309)	2,714	(1,127)	(2,882)	(189)	(3,489)	(5,332)
Net income/(loss) per common share from continuing operations	**0.01**	(0.22)	0.11	(0.14)	(0.26)	(0.10)	(0.20)	(0.51)
Net income/(loss) per common share from continuing operations - diluted	**0.01**	(0.22)	0.10	(0.14)	(0.26)	(0.10)	(0.20)	(0.51)
Net income/(loss) per common share[10]	**0.01**	(0.22)	0.11	(0.14)	(0.26)	(0.10)	(0.37)	(0.51)
Net income/(loss) per common share - diluted[10]	**0.01**	(0.22)	0.10	(0.14)	(0.26)	(0.10)	(0.37)	(0.51)
Adjusted results[1]:								
Operating expenses[9]	**38,835**	39,195	38,496	39,229	36,368	34,892	36,533	38,546
EBITDA	**16,238**	12,493	15,070	13,539	14,518	16,932	14,994	13,059
Income/(loss) before income taxes	**6,357**	2,705	5,725	3,326	1,094	5,355	3,893	1,715
Net income/(loss)	**3,688**	89	5,112	1,271	(483)	2,209	1,279	105
Cash flow:								
Cash provided by/(used in) operating activities	**14,442**	15,977	5,162	(11,826)	2,836	16,624	25,741	(313,698)
Free cash flow available for growth[1]	**9,154**	6,242	8,620	7,455	8,312	11,180	8,746	7,162
Free cash flow[1]	**8,763**	3,856	2,011	3,888	(9,612)	6,151	7,206	(6,309)

1. Considered to be non-GAAP or SFMs, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
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10. In Q2 2023, we recorded a provision for a legacy employment litigation matter related to the 2019 sale of our capital markets business to Stifel Nicolaus Canada Inc. See Note 25 to the 2023 Annual Financial Statements.

Committed to ESG

We are guided by what we believe is right for our communities, advisory teams and their clients, and our business

RF Capital is committed to integrating an environmental, social, and governance (ESG) lens into every aspect of our business.

Aligned with this vision, in 2024 Richardson Wealth officially joined the Responsible Investment Association (RIA), Canada's industry association for responsible investing. As advocates for sustainable finance, we are delighted to join over 190 organizations in continuing to grow and support responsible investing in Canada.

Our 2024 ESG milestones:

Environmental

- We continued to monitor opportunities for net positive environmental impact as we managed our branch renovations and build outs.

Social

- We scored 9.1/10 on Investment Executive's 2024 Brokerage Report Card Survey's Diversity, Equity & Inclusion Policies, up from 8.9 / 10 in 2023.
- Through our DEI efforts, we supported initiatives and hosted or participated in events aligned to Black History Month, Black, African & Caribbean Group, Pride and RWL Women's Network Employee Resources Groups, Women and Wealth, International Women's Day, and The Globe and Mail's *Women Lead Here.*
- Through our community efforts, we supported initiatives and hosted or participated in events aligned to: Toronto's Coldest Night of the Year, Montreal's Fondation Dr Clown Imaginary Ball, Edmonton's An Evening of Wine and Words, 2024 Million Reasons Run, JDRF/FRDJ Canada Walk to Cure Diabetes, Calgary's Comedy for a Cause 2.0, Canada Blood Drive Campaign, Ottawa's BrainyActive Walk for Dementia, Calgary's Dress for Success – ParkLuxe, Toronto's Michael Garron Hospital's East End Eats, Toronto's Ronald McDonald House – Mission Experience, CAMH's Gifts of Light, Victoria's Nicole Bunyan of Squash Canada, Moisson Montreal, PEI's Family Business Atlantic, Vancouver's PSA 25k Open, and Toronto's Unforgettable Gala for Alzheimer's.
- We executed a program to demonstrate enhanced cultural sensitivity towards French-speaking stakeholders and to comply with Quebec's French Language law, Bill 96.

Governance

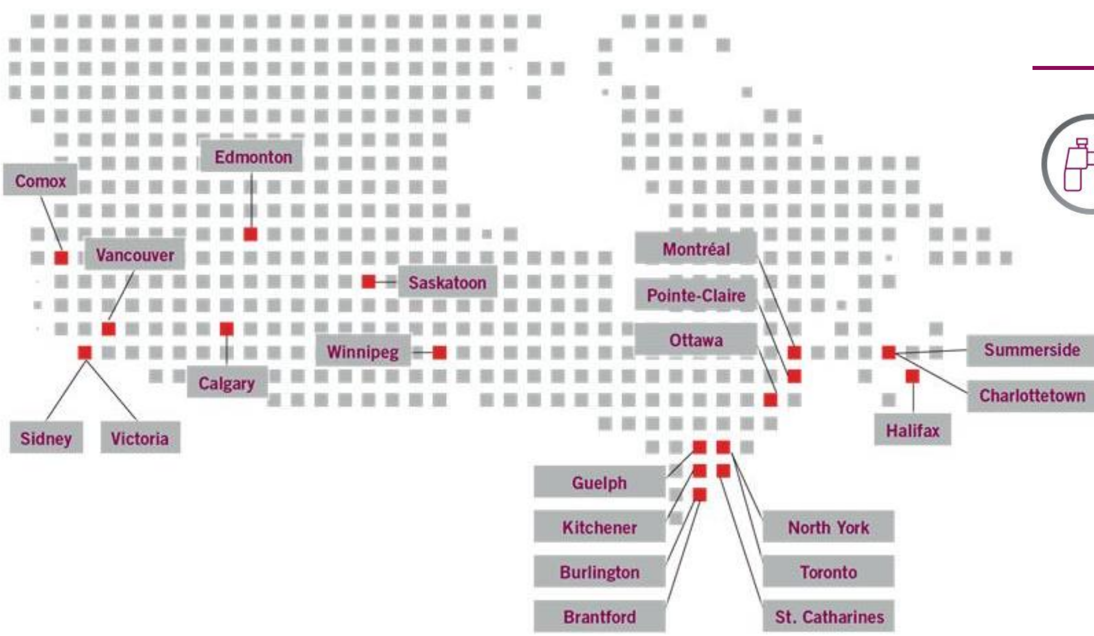
- Please refer to our 2024 Management Information Circular and AIF for more information on Governance and our overall ESG philosophy.

Business Overview

Headquartered in Toronto, RF Capital is a public company listed on the Toronto Stock Exchange (TSX) and its common and preferred shares trade under the ticker symbols TSX: RCG and RCG.PR.B. Richardson Financial Group Limited (RFGL) owns 44% of the outstanding common shares of the Company, with advisors, other employees, and the public holding the remaining 56%. RF Capital's wholly owned subsidiary, Richardson Wealth Limited (Richardson Wealth), is one of the largest independent wealth management firms in Canada with 152 investment advisor teams serving over 30,000 households out of 22 offices. Richardson Wealth operates as Patrimoine Richardson in the francophone market. Richardson Wealth advisors collectively managed $40 billion in client assets[1] as at December 31, 2024 and provide a comprehensive suite of wealth management services including investment, financial planning, insurance, and tax and estate planning services.

Richardson Wealth consistently ranks amongst the top firms in Canada in Investment Executive's Brokerage Report Card. For the seventh year in a row, Richardson Wealth has been certified as a "great place to work" by Great Place to Work®, a global authority on workplace culture.

To read more about the Company please visit the Company's website at *www.RichardsonWealth.com*.



Vision

To be the brand of choice for Canada's top advisors and their high net-worth clients

$40B	152	$260MM	90%	22
AUA[1]	Number of advisory teams	Average AUA per team[1]	Recurring fee-based revenue[1,2]	Offices across Canada

[1] Considered to be non-GAAP or supplementary financial measures, which does not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A
[2]Calculated as fee revenue divided by commissionable revenue. Commissionable revenue includes fee revenue, trading commissions, and commissions earned in connection with the placement of new issues and the sale of insurance products.

Our Growth Strategy

In 2024, we achieved a major milestone by reaching $40 billion of AUA for the first time in our history. Our next milestone objective is to reach $50 billion of AUA. That requires a concentrated effort on two of the three core pillars of growth that define our strategy: pillar one – double down on support for advisory teams; and pillar two – continue to drive recruitment. The third pillar – acquiring or partnering with like-minded firms – remains an important part of our growth strategy and we will continue to identify and evaluate all opportunities that align with our strategy.

There are risks associated with each pillar and with our ability to achieve our growth aspirations. For more details on these risks, please refer to the "Risk Management" section of this MD&A.

Double down on support for advisory teams

This is the most important pillar in 2025. To ensure our advisory teams feel valued and respected and that they have the products, services and tools needed to provide superior client advice and service, we need to continue to double-down on support for them. Within this pillar, we have two clear goals: **make it easier for our teams to work here** and **enable our teams to grow more valuable practices**.

We are **making it easier for our teams to work here** with continued emphasis on operational excellence. We will also continue to enhance advisory team journeys. Finally, we will make our compliance much more efficient. We are **enabling our teams to grow more valuable practices** with more tools, technology, training, products, services, and support. We will also continue to create alignment on the principles for growing great practices ensuring we are working together and stepping in the same direction.

Supercharge recruitment

Recruitment remains a key pillar of our growth strategy, and we brought in some quality teams in 2024. In 2025, we will focus on our processes to attract like-minded advisory teams "by invitation only". By improving our discovery process when the advisors are at the table and then streamlining the onboarding process when they arrive, we believe we will gain even more momentum.

Full Year 2024 Financial Performance Summary

Our full year results showcased growing AUA and fee revenue, which continued to reflect our deliberate approach towards higher yielding fee-based accounts. Equity markets and recruiting activity provided a tailwind to our growth by driving AUA higher, while declining interest rates were a headwind to our revenue. Discretionary costs were managed tightly, although costs related to our leadership transition that were partly offset by a related recovery in compensation, carrying broker costs, and lower mark-to-market recoveries on restricted and deferred share units (RSUs and DSUs) caused reported operating expenses to be elevated from prior year.

- AUA increased $4.3 billion in 2024 as rising equity markets, recruiting, and net new asset gains more than offset the effect of advisor team departures who managed $2.3 billion of AUA
- We recruited advisor teams representing an expected $1.8 billion of AUA
- Net income from continuing operations of $0.6 million improved from a net loss of $9.8 million in 2023 primarily due to higher gross margin and lower amortization, including that related to advisor awards and loans
- Adjusted EBITDA decreased 4% from prior year as gross margin grew 4% while adjusted operating expenses rose 6%
- Revenue increased 5% from prior year due to 8% higher fee revenue and despite an 18% decrease in interest revenue
- Adjusted operating expenses were 6% higher than prior year primarily driven by costs associated with our leadership transition as well as higher carrying broker charges linked to increased trading activity
- Free cash flow of $18.5 million improved from negative free cash flow of $2.6 million in 2023. This $21.1 million change was largely driven by lower expenditure on settlement of legacy legal matters and no incurrence of transformation costs.

Outlook and Key Performance Drivers

Our current view on the drivers of our financial performance and profitability for 2025 is as follows:

- AUA is highly correlated with equity market movements which are inherently difficult to predict and can be impacted by broader economic conditions. AUA will also be supported by growth in our existing advisors' client assets and by recruiting and attrition. We expect to maintain recruiting momentum over the coming quarters.
- Interest revenue is impacted by prime rate trends, which economists expect to continue to decline before stabilizing later in 2025
- Transaction activity underlying our corporate finance revenue could rebound but is more likely to remain subdued
- We expect inflation to remain in the target range for 2025, and we remain committed to finding operating cost savings and efficiencies in our business
- Free cash flow available for growth is expected to be deployed towards advisor recruitment

Financial Performance

($000s)	2024	2023	Increase/(decrease) $	%
Fee revenue	278,387	257,816	20,571	8%
Trading commissions	19,317	17,375	1,942	11%
Corporate finance	8,448	6,150	2,298	37%
Interest	40,136	48,833	(8,697)	(18%)
Insurance	16,772	15,381	1,391	9%
Other	6,275	5,564	711	13%
Revenue	369,335	351,119	18,216	5%
Variable advisor compensation	156,240	145,277	10,963	8%
Gross margin[1]	213,095	205,842	7,253	4%
Employee compensation and benefits	83,078	78,816	4,262	5%
Selling, general and administrative	72,677	67,524	5,153	8%
Transformation costs and other provisions	—	4,514	(4,514)	(100%)
Operating expenses[2,3]	155,755	150,854	4,901	3%
EBITDA[2]	57,340	54,988	2,352	4%
Advisor award and loan amortization	12,384	18,387	(6,003)	(33%)
Interest	14,537	14,706	(169)	(1%)
Depreciation of premises and equipment	11,135	13,713	(2,578)	(19%)
Amortization of intangibles	14,223	13,691	532	4%
Income/(loss) before income taxes	5,061	(5,509)	10,570	n/m
Net income/(loss) from continuing operations	568	(9,828)	10,396	n/m
Adjusted results[2]:				
Operating expenses[3]	155,755	146,340	9,415	6%
EBITDA	57,340	59,502	(2,162)	(4%)
Income/(loss) before income taxes	18,113	12,054	6,059	50%
Net income/(loss)	10,160	3,108	7,052	227%
Cash flow:				
Cash provided by/(used in) operating activities	23,755	(268,497)	292,252	n/m
Free cash flow available for growth[2]	31,471	35,400	(3,929)	(11%)
Free cash flow[2]	18,518	(2,564)	21,082	n/m

1. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Considered to be non-GAAP or SFMs, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
3. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.

2024 vs 2023

Net income/(loss) from continuing operations

Net income from continuing operations was $0.6 million in 2024 compared to a net loss of $9.8 million in 2023. This metric improved partly due to transformation costs incurred in the first half of 2023 more than offsetting lower adjusted EBITDA. Adjusted net income, which excludes transformation costs and other provisions and amortization of acquired intangibles, increased $7.1 million. Both metrics improved largely due to lower amortization, including that related to advisor awards and loans. Tax expenses were relatively flat as we had a reduction in tax provisions in 2024 related to prior years.

Adjusted EBITDA

Adjusted EBITDA of $57.3 million decreased $2.2 million or 4% compared to prior year. The adjusted EBITDA margin was 15.5%, down from 16.9% in 2023. The main drivers of the change in adjusted EBITDA are discussed below.

Revenue

Revenue increased $18.2 million or 5 % primarily as a result of the following factors:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Fee revenue	20.6	Increased due to higher fee-based AUA. The increase in AUA was driven by growth from markets, recruiting, and net new assets exceeding the impact of advisor attrition. Fee revenue growth also reflected a continued shift in our AUA mix towards higher yielding fee-based AUA.
Trading commissions	1.9	Increased due to an increase in trading activity in client accounts
Corporate finance	2.3	Increased largely due to higher structured note-related fees
Insurance	1.4	Increased due to higher sales activity
Interest	(8.7)	Decreased due to lower client cash balances and a decrease in benchmark rates

Adjusted Operating Expenses

Adjusted operating expenses increased $9.4 million or 6% primarily as a result of the following factors:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	5.2	Increased mainly due to costs related to our leadership transition, higher carrying broker charges as a function of higher trading activity, expenses linked to corporate finance revenue growth, costs related to legal matters and settlements, and mark-to-market adjustments on DSUs. DSU mark-to-market *recoveries* were lower as we booked $0.2 million of recoveries compared to $1.0 million in 2023. Partly offsetting these increased costs were lower discretionary costs, an insurance recovery, and a one-time technology expense recovery.
Compensation	4.3	Increased due to mark-to-market adjustments on RSUs ($2.8 million of recoveries compared to $3.9 million in 2023), higher bonus accruals, and annual inflationary increases to salaries, partly offset by recoveries related to our leadership transition

Cash Flow

Free cash flow available for growth decreased $3.9 million or 11%. Free cash flow increased by $21.1 million as we reduced expenditure on office build outs, our transformation, and settlement of legacy legal matters ($2 million of 2023 legal settlements were reported under discontinued operations). Please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A for more detail on our cash flow calculations.

Q4 2024 Financial Performance

	For the three months ended				
($000s)	**December 31, 2024**	September 30, 2024	Increase/ (decrease)	December 31, 2023	Increase/ (decrease)
Fee revenue	**73,821**	70,906	4%	64,146	15%
Trading commissions	**4,925**	4,542	8%	4,108	20%
Corporate finance	**2,686**	1,757	53%	1,490	80%
Interest	**9,100**	9,711	(6%)	11,171	(19%)
Insurance	**4,293**	4,220	2%	4,852	(12%)
Other	**2,062**	735	181%	985	109%
Revenue	**96,887**	91,871	5%	86,752	12%
Variable advisor compensation	**41,814**	40,183	4%	35,866	17%
Gross margin[1]	**55,073**	51,688	7%	50,886	8%
Employee compensation and benefits	**20,556**	19,354	6%	20,004	3%
Selling, general and administrative	**18,279**	19,841	(8%)	16,364	12%
Transformation costs and other provisions	**—**	—	n/a	—	n/a
Operating expenses[2,3]	**38,835**	39,195	(1%)	36,368	7%
EBITDA[2]	**16,238**	12,493	30%	14,518	12%
Advisor award and loan amortization	**3,211**	3,103	3%	5,844	(45%)
Interest	**3,649**	3,725	(2%)	3,994	(9%)
Depreciation of premises and equipment	**2,677**	2,660	1%	3,385	(21%)
Amortization of intangibles	**3,607**	3,563	1%	3,464	4%
Income/(loss) before income taxes	**3,094**	(558)	n/m	(2,169)	n/m
Net income/(loss) from continuing operations	**1,290**	(2,309)	n/m	(2,882)	n/m
Adjusted results[2]:					
Operating expenses[3]	**38,835**	39,195	(1%)	36,368	7%
EBITDA	**16,238**	12,493	30%	14,518	12%
Income/(loss) before income taxes	**6,357**	2,705	135%	1,094	481%
Net income/(loss)	**3,688**	89	n/m	(483)	n/m
Cash flow:					
Cash provided by/(used in) operating activities	**14,442**	15,977	(10%)	2,836	409%
Free cash flow available for growth[2]	**9,154**	6,242	47%	8,312	10%
Free cash flow[2]	**8,763**	3,856	127%	(9,612)	n/m

1. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Considered to be non-GAAP or SFMs, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
3. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.

Q4 2024 vs Comparative Periods

Net income/(loss)

Q4 2024 vs Q4 2023

Net income was $1.3 million compared to a net loss of $2.9 million in 2023. Adjusted net income was $3.7 million, compared to an adjusted net loss of $0.5 million in 2023. These metrics improved due to lower amortization primarily related to advisor awards and loans and higher adjusted EBITDA.

Q4 2024 vs Q3 2024

Net income of $1.3 million this quarter compared to a net loss of $2.3 million in Q3. Adjusted net income of $3.7 million compared to $0.1 million in the prior quarter. Our results improved sequentially due to higher EBITDA.

Adjusted EBITDA

Adjusted EBITDA of $16.2 million increased $1.7 million compared to prior year and $3.7 million compared to prior quarter. The main drivers of the change in adjusted EBITDA are discussed below.

Revenue

Q4 2024 vs Q4 2023

Revenue increased $10.1 million or 12% primarily as a result of the following factors:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Fee revenue	9.7	Increased for the reasons described above in the full year commentary
Corporate finance	1.2	Increased for the reasons described above in the full year commentary
Other revenue	1.1	Increased mainly due to by higher foreign exchange revenues
Interest	(2.1)	Decreased for the reasons described above in the full year commentary

Q4 2024 vs Q3 2024

Revenue increased $5.0 million or 5% primarily as a result of the following factors:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Fee revenue	2.9	Increased for the reasons described above in the full year commentary
Other revenue	1.3	Increased mainly due to higher foreign exchange revenues
Corporate finance	0.9	Increased for the reasons described above in the full year commentary

Adjusted Operating Expenses

Q4 2024 vs Q4 2023

Adjusted operating expenses increased $2.5 million or 7% primarily as a result of the following factors:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	1.9	Increased mainly because increases in legal provision, carrying broker charges as a function of higher trading activity, and expenses linked to corporate finance revenue growth were partly offset by lower discretionary costs and mark-to-market adjustments on DSUs. There was no DSU mark-to-market adjustment this quarter compared to *expenses* of $0.4 million recorded in 2023.
Compensation	0.6	Increased primarily due to higher benefits costs and annual inflationary increases to salaries

Q4 2024 vs Q3 2024

Adjusted operating expenses decreased $0.4 million or 1% primarily as a result of the following factors:

(all figures in $millions)

Categories of Expense	Change	Explanation
Compensation	1.2	Increased mainly due to recoveries related to our leadership transition recorded in Q3 and mark-to-market adjustments on RSUs, partly offset by seasonally lower RSU expenses. We booked $0.4 million of mark-to-market *recoveries* on RSUs compared to $1.2 million in Q3.
SG&A	(1.6)	Decreased primarily because leadership transition costs and a one-time technology expense recovery recorded in Q3 were partly offset by an increase in legal provision and mark-to-market adjustments on DSUs. Mark-to-market *recoveries* were nil this quarter compared to $0.3 million in Q3.

Cash Flow

Q4 2024 vs Q4 2023

Free cash flow available for growth of $9.2 million increased $0.8 million primarily due to higher adjusted earnings. Free cash flow of $8.8 million increased $18.4 million as Q4 2023 had higher payments relating to advisor recruiting and legacy legal matter settlements.

Q4 2024 vs Q3 2024

Free cash flow available for growth increased $2.9 million primarily due to higher earnings. Free cash flow increased $4.9 million compared to the prior quarter mainly from lower advisor recruiting payments.

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of net working capital and debt on our balance sheet at the end of December 2024 and 2023.

($000s, except as otherwise indicated)	2024	2023	Increase/ (decrease)
Selected highlights:			
Total assets	**1,458,681**	1,379,983	6%
Shareholders' equity	**326,982**	330,539	(1%)
Debt	**110,922**	110,922	—
Net working capital[1]	**88,729**	81,208	9%
Debt:			
Revolving credit facility	**80,500**	80,500	—
Preferred share liability	**30,422**	30,422	—
	110,922	110,922	—
Ratios[1]:			
Total debt to Adjusted EBITDA	**1.9**	1.9	—
Adjusted EBITDA to interest[2]	**5.1**	5.2	(2%)

1. Considered to be non-GAAP or SFMs, which does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
2. Includes interest expense on debt, lease liabilities, and client accounts

2024 vs 2023

Total assets increased by 6% from December 31, 2023 primarily due to higher margin loans and corporate cash balances.

Net working capital increased 9% as the increase in corporate cash more than offset the increase in current liabilities. For more detail on inclusions in net working capital, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.

Shareholders' equity decreased by $3.6 million from December 31, 2023, as 2024 net income of $0.6 million was offset by $4.3 million of preferred share dividends.

Revolving Credit Facility

The Company has a $200 million revolving credit facility with a syndicate of lenders. As of December 31, 2024, we had drawn $80.5 million against the facility, unchanged from the end of 2023. Combined with our strong current and expected future operating cash flows and our excess net working capital, the facility provides us with funding and flexibility to accelerate our organic growth, recruiting and other strategic initiatives. For further information, see Note 19 to the 2024 Annual Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at December 31, 2024, we complied with all four covenants.

Liquidity

Management and the Board continually assess the Company's dividend policy, expense structure, and capital spending plans in the context of our overall financial and liquidity positions. Our intent is to ensure that our business and financial strategies will not expose us to excessive financial risk.

Net Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations, growth initiatives, and cash distributions, as well as to manage the financial risks inherent in our business. Management believes that our current net working capital, positive cash flow, and the undrawn amounts under our credit facilities provide us with more than enough liquidity to manage through periods of financial stress. If equity markets or other business conditions deteriorate to a level that adversely impacts our expected cash flow, we will take swift action to preserve our liquidity position.

As at December 31, 2024, we had net working capital[1] of $88.7 million.

Liquid Assets

Liquid assets are comprised primarily of cash and cash equivalents. We hold our cash across several financial institutions, all of which have high credit ratings. We had $90.1 million of liquid assets[1] at December 31, 2024, compared to $81.4 million at December 31, 2023.

Capital Requirements of Subsidiaries

Our Richardson Wealth subsidiary is subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Richardson Wealth's capital levels complied with all regulatory requirements during Q4 2024.

[1] Considered to be non-GAAP or supplementary financial measures, which does not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.

Share Information

At the date of this report, February 27, 2025, we had 15.7 million common shares issued and outstanding (Common Shares). In addition, there were 55,000 unexercised share options outstanding with a weighted average exercise price of $19.23 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) key management personnel, which are comprised of our directors and/or officers and entities that are controlled (directly or indirectly) by key management personnel; and (b) shareholders who can significantly influence our operations. For further information on Related-Party Transactions, please refer to Note 12 to the 2024 Annual Financial Statements.

Material Accounting Policies and Estimates

Our material accounting policies are essential to an understanding of our reported results of operations and financial position. Except as explained in Note 3 to the 2024 Annual Financial Statements, the accounting policies applied by us as at and for the year ended December 31, 2024, are the same as those applied by us as at and for the year ended December 31, 2023. Please refer to Note 3 to the 2024 Annual Financial Statements for further information.

The most significant areas for which we must make estimates and judgments include goodwill and intangible assets; income taxes and deferred tax assets and liabilities; provisions, including legal and restructuring charges; share-based compensation and financial instruments measured at fair value. We make judgments in assessing assets for impairment as well as assessing whether performance obligations have been fulfilled under revenue contracts. Please refer to Notes 2 and 3 to the 2024 Annual Financial Statements for more information.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in our trading and non-trading activities during the year ended December 31, 2024.

Please refer to Note 3 to the 2024 Annual Financial Statements for more information.

Future Changes in Accounting Policies or Estimates

We continuously monitor the changes proposed by the International Accounting Standards Board and analyze the effect that changes in the standards may have on the Company. For a summary of future changes in accounting policies or estimates refer to Note 3 to the 2024 Annual Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of December 31, 2024, management evaluated the effectiveness of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of assets of the Company
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated statements in accordance with IFRS
- Are designed to provide reasonable assurance that any unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements is prevented or detected in a timely manner

Due to inherent limitations in any internal controls system, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements because of error or fraud.

Management has evaluated the effectiveness of internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at December 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Risk Management

The Company is exposed to risks that are similar to those facing other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. These risks may occur independently or in combination and may evolve rapidly. In many cases, risks which are inherent to the Company's industry and its activities are beyond its control and are not easily detected or mitigated. If any such risks occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

The Company has a fit-for-purpose risk governance structure under which the Board of Directors of RF Capital (The Board) is accountable for setting the strategic direction of the Public Company, including its risk appetite. The Board oversees the Company's key risks through dedicated Board Committees. It is supported by the senior leadership team of Richardson Wealth, the Company's Canadian Investment Regulatory Organization (CIRO)-regulated investment dealer, including management-level risk committees. Under the Company's risk management framework, senior management reports on key risk issues to at least one of the Board committees on a quarterly basis.

Risk Committee

The Risk Committee operates under a Board-mandated charter and fulfils its oversight and governance responsibilities related to existing and emerging segments of risks. The mandate of the Risk Committee is outlined in its Charter and includes reviewing the Company's Risk Appetite and recommending it for Board approval. At present, the Risk Committee is comprised of independent directors and meets with management, including the CEO, the Richardson Wealth Chief Risk Officer (RWL CRO), and the CFO at least quarterly. The RWL CRO also has a direct line into the Chair of the Risk Committee.

Audit Committee

The Audit Committee operates under a Board-mandated charter and assists the Board in fulfilling its oversight and governance responsibilities with respect to the quality and integrity of the Company's financial reporting processes. The Audit Committee is supported in fulfilling its mandate by the CFO and the Company's Finance department. At present, the Audit Committee is comprised of independent directors who meet at least quarterly with management, including the CEO and the CFO.

Governance Committee

The Governance Committee operates under a Board-mandated charter and maintains oversight over the Company's legal and regulatory affairs. The Committee is also responsible for overall corporate governance, which includes Board membership, Board effectiveness, and development of corporate governance guidelines, including the Company's Code of Conduct. At present, the Governance Committee is comprised of independent directors who meet at least quarterly with management, including the CEO and the General Counsel.

Management Resources and Compensation Committee

The Management Resources and Compensation Committee operates under a Board-mandated charter and assists the Board in ensuring that the Company's compensation policies and practices are aligned with its risk appetite and risk management frameworks. This ensures that the incentive for management to assume risks in the pursuit of business objectives is aligned with the Company's risk appetite. At present, the Management Resources and Compensation Committee is comprised of independent directors meeting at least quarterly with management, including the CEO and the Richardson Wealth Chief People Officer.

Regulated Entity Risk Management Framework

The Company, including Richardson Wealth, faces risks in formulating its business strategy and business objectives, in carrying on its business activities in the pursuit of its growth strategy, and from external factors such as changes in the economic, business, competitive and regulatory environments. The Company's risk management framework seeks to identify and manage these risks, which includes identifying significant areas of risk and capturing forward-looking risks (and, if required, mitigate them in a timely manner based on the likelihood and potential impact of adverse events).

Richardson Wealth has formulated a Risk Appetite Statement which measures the impact of significant areas of risk against the fulfillment of strategic objectives. Richardson Wealth, through its Executive Risk Management Committee (ERMC), is accountable for effectively managing the nine significant areas of risk associated with the business (as noted in the chart below), ensuring that each risk segment and the overall business are operating within the Company's risk appetite and specific segment risk tolerances. The Richardson Wealth board of directors is chaired by the CEO of RF Capital, who is also the CEO and Ultimate Designated Person (UDP) of Richardson Wealth, and includes the RWL CRO. The Richardson Wealth ERMC is chaired by the RWL CRO, and its members include the CEO and CFO of RF Capital and the Richardson Wealth CFO, all of whom except the RF Capital CFO are also CIRO registered officers. The risks Richardson Wealth faces are actively managed and monitored and the ERMC meets regularly to review the significant risk areas, assessing core and emerging risks, risk trends, relevant policies, risk assessments, and associated risk management action plans.

Significant Areas of Risk at Richardson Wealth

At a management level, Richardson Wealth's approach to enterprise-wide risk management aligns with the three lines of defense model: (i) Business Unit Leaders – the 'first line' and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility, (ii) Risk Oversight Functions – which include the Finance, Risk, and Compliance departments – represent the 'second line' and are accountable for independent oversight of the business unit operations from a 'second line' perspective and for specific areas of risk relevant to their functions, and (iii) Internal Assurance Function – the 'third line' conducts independent audits or reviews of both first and second line functions, and is resourced internally with the support of external specialists to supplement internal capabilities where required.

The following sections highlight the key risks to which the Company, at a consolidated level, is exposed. This list is not exhaustive but includes the most material areas of risks and sub-risks for the Company.

Strategic Risk

The Company's growth is dependent on the successful execution of the identified organic, recruiting, and inorganic initiatives outlined in its five-year growth plan. There is no certainty that the Company will be successful in implementing its business strategies or that the identified strategic initiatives will achieve its aspirational growth objectives. If the Company's business strategies are not successful or are not executed effectively, it may not be able to achieve its growth objectives or react to market opportunities, which may have an adverse impact on its business and financial results.

Reliance on Attracting and Retaining Investment Advisors

The Company derives a large portion of its revenues from fees and commissions generated by its advisors. The Company's continued growth and success depends on its ability to attract and retain investment advisors with the desired qualifications on terms that are consistent with the Company's compensation structure. The investment advisor market is competitive and characterized by the movement of investment advisors across firms. The Company has put in place a strategy that involves significant focus on advisor retention and recruiting, but there can be no assurance that the Company will be successful in recruiting and retaining investment enough advisors to achieve its growth objectives.

Failure to Protect the Company's Reputation Could Adversely Affect its Business

The Company views its reputation for integrity and client service as one of its most important assets. The Company's ability to attract and retain customers, investors, employees, and advisors is highly dependent upon external perceptions of the Company. Damage to its reputation could cause significant harm to its business and prospects, as well as the trading price of its securities. Reputational damage may arise from numerous sources including: litigation or regulatory actions; failing to deliver minimum standards of service and quality; compliance, regulatory or governance failures; any perceived or actual weakness in the Company's financial strength or liquidity; clients' or potential clients' perceived failure of how the Company addresses certain political, social or environmental topics; technological, cybersecurity, or other security breaches (including attempted or inadvertent breaches) resulting in improper disclosure of client or employee personal information; and unethical or improper behavior or the misconduct or error of the Company's employees, advisors and counterparties.

Notwithstanding the measures taken by the Company to detect, deter and prevent misconduct or fraud, there can be no assurance that regulatory sanctions or reputational harm will not arise because of employee misconduct or errors. Misconduct or errors by its employees, advisors, or counterparties could result in violations of law, regulatory sanctions, or serious reputational or financial harm. The Company cannot always deter misconduct by its employees and advisors and the precautions it takes to prevent and detect this activity may not be effective in all cases.

The Company's Financial Results are Sensitive to Global Economic, Political and Market Conditions

The Company's business is, by its nature, subject to numerous and substantial risks, including changes in global economic, political and market conditions that are beyond the Company's control. These factors are inherently difficult to predict and any or all such factors may adversely impact the Company's AUA, revenues, operating margins, expense levels, EBITDA, or liquidity due to their potential negative impacts on market volumes and asset prices.

The Company May Not be Able to Achieve Performance Targets or Successfully Negotiate Partnerships or Acquisitions

As part of its growth strategy, the Company intends to diversify its revenues by expanding its product and service offerings and acquiring business operations related to or complementary to its wealth management business. Any such initiatives are accompanied by various risks, including: failure to retain or acquire key employees; failure to identify growth opportunities; failure to anticipate and respond to changes in the business environment; failure to maintain or develop key client relationships; the impact of economic growth or contraction and its potential negative effects on the initiative; exposure to unknown liabilities of the acquired business; increased regulatory scrutiny and related compliance efforts; higher than anticipated acquisition or expansion costs; increased investments in management and operational personnel; financial and management systems and facilities; the difficulty and expense of integrating operations and personnel of acquired companies; disruption of ongoing business; diversion of management's time and attention, and possible dilution to Shareholders. The Company may not have sufficient access to capital, or access on sufficiently favourable terms, to execute on the partnership and acquisition pillar of its growth strategy. Management may also not have the ability to source, close, or successfully integrate acquisitions and realize their intended benefits, on the expected timeline or at all. There is also the potential that any goodwill recorded in connection with acquisitions may be impaired if the economics of the transaction differ from expectations. The Company may not be able to successfully address all or some of these risks or other issues associated with partnerships, acquisitions, divestitures, growth strategies, and competition, which could materially adversely affect Richardson Wealth's business, financial condition, or financial results.

Significant Industry Competition May Adversely Affect Results

The financial services industry is highly competitive. The Company competes with the wealth management divisions of major chartered banks in Canada, national independent wealth managers, insurance companies, mutual fund companies, private equity, investment management firms, and boutique wealth managers. Some of these competitors have, and potential future competitors may have, greater technical, financial, marketing, distribution, or other resources than the Company. Many of these competing entities have a greater number of personnel and better access to capital. Larger competitors may have a greater number and variety of distribution outlets for their products and services. Competition could have a material adverse effect on the Company's profitability, and there can be no assurance that the Company will maintain its competitive standing or market share, which may adversely affect its business, financial condition, or operating results.

Emergence of Non-Traditional Competitors

Competition from non-traditional channels has gained momentum in other jurisdictions and will likely become increasingly prevalent in the Canadian market. The wealth management industry has attracted several technology-based competitors, including emerging next-generation financial technology companies, given the industry's relatively low capital requirements and considerable growth outlook. The emergence of non-traditional competitors offering wealth management solutions, which may involve the use of artificial intelligence (AI), including generative AI tools, could result in a reduction in product and service offerings from more traditional financial planning and advice providers. While the Company believes that the value proposition of face-to-face advice may not be materially disrupted by these non-traditional models, it may not be able to mitigate all these risks, which could have an adverse effect on its financial performance.

Richardson Financial Group Limited (RFGL) Control Risk Due to Common Share Ownership

On December 31, 2024, RFGL owned approximately 44% of the Company's issued and outstanding Common Shares. For so long as RFGL owns at least 33% of the Common Shares, it will have the ability to exercise certain influence with respect to the affairs of the Company and will have the ability to prevent certain fundamental transactions. Accordingly, the Common Shares may be less liquid and trade at a discount compared to circumstances where RFGL did not have the ability to influence or determine matters affecting the Company. Additionally, RFGL's significant interest in the Company and its voting rights afforded in respect of certain fundamental transactions undertaken by Company for so long as it maintains a certain threshold ownership may discourage transactions involving a change of control of the Company, including transactions in which a holder of the Common Shares might otherwise receive a premium for its Common Shares over the then-current market price.

Restrictions Under the Company's Revolving Credit Facility

The Company's Revolving Credit Facility contains customary financial covenants and other restrictions on its activities, which may make it more difficult for the Company to successfully execute its business strategy. The Company's ability to comply with these covenants may be affected by events beyond its control. If the Company violates any of these covenants and is unable to obtain waivers, the payment of the indebtedness could be accelerated by the Lenders, or the Company may be unable to draw down funds from the facility. Even if the Company can obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to the Company. If the Company's indebtedness is in default for any reason, its business could be materially and adversely affected.

Financial Risks

Risks Related to the Series B Preferred Shares

As the issuer of the preferred shares is a holding company, its ability to pay dividends, interest, operating expenses and meet other financial obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the returns generated by its investments, and its ability to raise additional capital. Accordingly, the likelihood that holders of Preferred Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Company's principal subsidiaries and affiliates, the principal entities in which the Company invests and its underlying business and assets. The payment of interest and dividends to the Company by its regulated subsidiary is also subject to restrictions set forth in certain laws and regulations that require that solvency and capital standards be maintained by the subsidiary.

For further information please see Note 15 to the 2024 Annual Financial Statements.

Product Risks

The Company May Incur Losses as a Result of Ineffective Risk Management or Product Due Diligence Processes

The Company's clients' investment portfolios are comprised of a broad range of assets, including public and private equities and debt, ETFs, mutual funds, hedge funds, real estate, less liquid alternative assets, options, and structured notes. Generally, investment portfolios are exposed to the risk that their fair value will fluctuate.

The Company employs a comprehensive product governance and due diligence process in its selection of investments available to its advisors and their clients. The due diligence process can be more challenging for alternative investments strategies due to their complexity, conflict exposure and suitability for clients. Weaknesses in the Company's product governance or sales processes may expose it to litigation or regulatory risks and financial losses. The Company does not have a material or high-risk proprietary investment portfolio on which it could incur losses.

Operational Risks

The Company Relies on Third-Party Service Providers to Perform Technology, Processing and Support Functions

The Company relies on various third-party service providers that it does not control to perform certain technology, processing, and support functions. As of January 1, 2023, the Company outsourced clearing broker services to Fidelity Clearing Canada. The Company's utilization of third-party service providers may decrease its ability to control operating risks and information technology risks. Any significant failures by third-party service providers could cause the Company to sustain serious operational disruptions and incur losses and could harm its reputation and impact its ability to attract and retain advisors. These third-party service providers are also susceptible to operational and technology vulnerabilities, including cyber-attacks, security breaches, fraud, phishing attacks, and computer viruses, which could result in unauthorized access, misuse, loss or destruction of data, an interruption in service or other similar events that may impact the Company's business. Because the Company relies on these intermediaries, it shares indirect exposure to these risks. If these risks were to materialize, or if there was a widespread perception that they could materialize, the Company's business and results of operations could be adversely affected.

Failure to Implement Effective and Efficient Cybersecurity Policies and Training May Lead to Losses

Secure processing, storage, and transmission of confidential and other information in the Company's internal and third-party computer systems and networks is critically important to its business. Maintaining the security and integrity of this information and these systems and networks and appropriately responding to any cybersecurity or privacy incidents (including hacking or phishing attempts) is critical to the Company's success, including its reputation, the retention of its advisors and clients, and to the protection of its proprietary information and its clients' personal information. There have been several recent highly publicized cases involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information, as well as cyber-attacks involving the dissemination, theft and destruction of corporate information or other assets, because of failure to follow procedures by employees or contractors or because of actions by third parties.

Cyber threats and techniques used in cyberattacks change, develop, and evolve rapidly, including from emerging technologies such as advanced form of AI and quantum computing. Cyber data breaches and cyber-attacks that result in the loss of personal information could result in considerable reputational harm, trading losses, lost revenues, or losses due to unauthorized transactions. Although the Company takes protective measures and updates procedures and policies as circumstances necessitate (including general liability and fraud insurance, policies and training for all staff, and an incident response plan with respect to cybersecurity potential breaches), the firm's computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. The occurrence of such an event could jeopardize confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions to the operations of the Company, as well as its clients, counterparties and other third parties.

Operations are Dependent on Systems

The Company is highly dependent on communications and information systems. Any failure or interruption of such a system could cause delays or other problems, particularly for retail trading activities, and could have a material adverse effect on the Company's financial results and financial condition. There can be no assurance that such systems failure or interruptions will not occur, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Also, because many of the Company's employees and advisors often work remotely, additional risk management challenges may exist, including regarding remote office technology and information security practices.

Risk Management Policies and Procedures May Not Be Fully Effective

The Company has adopted policies, procedures, and controls to identify, monitor and manage its Enterprise Risks including operational risk. These policies and procedures and controls, however, may not be fully effective and may not respond quickly enough to changing circumstances and evolving business activities. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by the Company. This information may not in all cases be accurate, complete, up-to-date, or properly evaluated. Policies, procedures, and controls implemented to record and verify many transactions and events to manage operational, legal, regulatory, credit, market, interest rate and liquidity risks, among other things, may not be consistently effective.

If the Company's systems, policies, and procedures are not effective, or if the Company is not successful in capturing risks to which it is or may be exposed, the Company may suffer harm to its reputation or be subject to litigation or regulatory actions that could have a material adverse effect on its business and financial condition.

Legal Risk

The Company and its subsidiaries are a party to a number of claims, proceedings, and investigations, including legal and regulatory matters, in the ordinary course of its business. See "Legal Proceedings" in our 2024 AIF for details of certain ongoing legal proceedings. While there is inherent difficulty in predicting the outcome of such matters, based on its current knowledge, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated financial position or results of operations.

The Company May Be Exposed to Liability and Litigation

The legal risks facing the Company and its subsidiaries also include potential liability under securities laws or through civil litigation in the event that Richardson Wealth's investment advisors and investment professionals or employees violate investor suitability requirements or other obligations, including providing negligent advice, making materially false or misleading statements in relation to securities transactions, effecting unauthorized transactions, failing to properly implement instructions, failing to implement an effective investment strategy, committing fraud, misusing client funds, or breaching any other statute, regulatory rule or requirement. Any of these violations could have a material adverse effect on the Company's operating results or financial condition.

Moreover, new regulatory requirements regarding standards of care and other obligations may heighten this litigation risk.

The Company may also be subject to litigation arising from claims by former employees resulting from termination or other matters. In such actions, the Company may be obligated to bear legal, settlement and other costs. Additionally, recruitment of investment advisors may involve non-competition or non-solicitation agreements and other contractual or common law obligations. An investment advisor's former employer may claim damages or injunctive relief against the investment advisor or the Company, and the Company may incur expenses in awards, settlements, and legal expenses as a result.

A Failure to Appropriately Identify and Address Potential Conflicts of Interest Could Adversely Affect The Company

Due to the broad scope of the Company's products and services and its client base, the Company regularly addresses potential conflicts of interest, or perceived conflicts, in the interests of its clients.

The Company has procedures and controls designed to identify and address conflicts of interest at the Client Focused Reforms (CFR) standard, specifically relating to client interactions relating to conflicts of interest, suitability, know-your-products, and know-your client. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the Company's reputation could be damaged if the Company fails, or appears to fail, to identify, disclose, and deal appropriately with conflicts of interest may include litigation or regulatory enforcement actions.

Compliance, Regulatory and Credit Risks

Compliance and Regulatory Risk

The Company's businesses are subject to extensive regulation. The Company takes an active leadership role in developing the rules and regulations governing its industry. The Company has been investing in its risk and compliance functions to monitor its adherence to the numerous legal and regulatory requirements applicable to its business. Compliance with many of the regulations applicable to the Company involves risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with applicable regulations, securities regulators and CIRO and other authorities may institute administrative or judicial proceedings that may result in: the revocation or imposition of conditions on licenses to operate certain businesses; censure, fines, or civil penalties; issuance of cease-and-desist orders; deregistration or suspension; suspension or disqualification of investment advisors or employees; or other adverse consequences. The imposition of any such penalties or orders on the Company and its subsidiaries could have a material adverse effect on its operating results, financial condition, or profitability.

Additional regulations, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often directly affect the method of operation and profitability of wealth management firms, as new regulations may require additional investment in personnel and/or systems. The Company cannot predict the effect any such changes might have. Furthermore, the Company's business may be materially affected not only by regulations applicable to the Company's businesses, but also by regulations of general application.

Operations may be materially adversely affected by changes in the securities regulatory framework and/or the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada. Additionally, increased regulation in Canada may lead to even higher compliance costs, which may disproportionately impact smaller firms.

Furthermore, failure to maintain required regulatory capital may subject the Company to fines, suspension or revocation of registration or could prohibit expansion of its businesses.

Credit Risk and Exposure to Financial Losses

The Company is exposed to credit risk that third parties owing money, securities or other assets will not fulfill their obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure, or other reasons.

A primary source of credit risk arises from the extension of 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 client's account. There is risk of financial loss in the event a client fails to meet a margin call if market prices for collateral declines, and it becomes impossible to recover sufficient value from the collateral held to cover the loan. Although the Company continually reviews its exposure to credit risk, default risk may arise from events or circumstances that are difficult to detect, such as fraud.

Non-GAAP and Supplementary Financial Measures

In addition to GAAP prescribed measures, we use a variety of non-GAAP financial measures, non-GAAP ratios and SFMs to assess our performance. We use these non-GAAP financial measures and SFMs because we believe that they provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP financial measures, including non-GAAP ratios, and SFMs often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, measures of performance according to IFRS.

Adjusted Results

Some of our non-GAAP financial measures (including non-GAAP ratios) reflect adjusted results. In periods that we determine adjusting items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can enhance comparability across reporting periods and provide the reader with a better understanding of how management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers. All adjusting items affect reported expenses.

Adjusting items in this MD&A include the following:

- Transformation costs and other provisions: charges in connection with the transformation of our business and other matters. These charges encompass a range of transformation initiatives, including refining our ongoing operating model, outsourcing our carrying broker operations, realigning parts of our real estate footprint, and rolling out new strategy across the Company.
- Amortization of acquired intangibles: amortization of intangible assets created on the acquisition of Richardson Wealth.

The following items are not included as adjusting items in this MD&A:

- Mark-to-market adjustments on our share-based compensation (RSUs and DSUs)
- Costs related to our 2024 leadership transition
- Other one-time expenses or recoveries that we consider to be normal course of business, unless otherwise specified

Non-GAAP Financial Measures

A non-GAAP financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our 2024 Annual Financial Statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

The primary non-GAAP financial measures (including non-GAAP ratios) used in this MD&A are:

EBITDA

EBITDA is commonly used in the wealth management industry. We believe it provides a more accurate measure of our core operating results and is a commonly used basis for enterprise valuation. EBITDA is used to evaluate core operating performance by adjusting net income/(loss) to exclude:

- Interest expense, which we record primarily in connection with debt
- Income tax expense/(recovery)
- Depreciation which we record in connection with leases, equipment, and leasehold improvements
- Amortization related to intangible assets
- Amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Adjusted EBITDA is defined as EBITDA *excluding* adjusting items.

Adjusted EBITDA margin is a non-GAAP ratio defined as adjusted EBITDA as a percentage of revenue.

The tables in the "Annual Non-GAAP Information" and "Quarterly Non-GAAP Information" sections below reconcile our reported net income/(loss) to EBITDA and adjusted EBITDA.

Operating Expenses

Operating expenses are defined as total reported expenses *less* interest, advisor award and loan amortization, depreciation of premises and equipment, and amortization of intangibles. These are the expenses that factor into the EBITDA calculation discussed above.

Adjusted operating expenses are defined as operating expenses *less* adjusting items.

Adjusted operating expense ratio is a non-GAAP ratio defined as adjusted operating expenses divided by gross margin.

The tables in the "Annual Non-GAAP Information" and "Quarterly Non-GAAP Information" sections below reconcile our reported total expenses to operating expenses and adjusted operating expenses.

Adjusted Net Income

Adjusted net income is defined as net income/(loss) from continuing operations *less* adjusting items.

The tables in the "Annual Non-GAAP Information" and "Quarterly Non-GAAP Information" sections below reconcile our reported net income/(loss) to adjusted net income/(loss).

Commissionable Revenue

Commissionable revenue includes fee revenue, trading commissions, commission revenue earned in connection with the placement of new issues, and revenue earned on the sale of insurance products. We use commissionable revenue to evaluate advisor compensation paid on that revenue.

Net Working Capital

Net working capital represents the excess capital available to deploy in operations or growth and is comprised of current assets *less* current liabilities. We use net working capital to manage our liquidity as well as evaluate the efficiency of our operations. Net working capital is widely used across the wealth management industry and beyond to assess the financial health of entities and associated risks.

The table in the "Annual Non-GAAP Information" section below provides our net working capital calculation.

Free Cash Flow

Free cash flow available for growth is the cash flow that the Company generates from its continuing operations before any investments in growth or transformation initiatives. It is calculated as cash provided by/(used in) operating activities per the Consolidated Statement of Cash Flows *before* any changes in non-cash operating items, less lease payments and maintenance capital expenditures. It does not consider adjusting items or the income/(loss) from discontinued operations.

Free cash flow is the net cash flow that the Company generates from its operations after funding its growth and transformation initiatives, including building out new offices to accommodate its growth. It is calculated as free cash flow available for growth plus the income/(loss) from discontinued operations and leasehold inducements *less* cash outlays to recruit new advisors to the firm, capital expenditures on growth initiatives, adjusting items, and the net change in balance sheet provisions.

The tables in the "Annual Non-GAAP Information" and "Quarterly Non-GAAP Information" sections below reconcile our reported cash provided by/(used in) operating activities to free cash flow for growth and free cash flow.

Supplementary Financial Measures

An SFM is a financial measure that is not reported in our 2024 Annual Financial Statements, and is, or is intended to be, reported periodically to represent historical or expected future financial performance, financial position, or cash flows. The Company's key SFMs disclosed in this MD&A include AUA, average AUA per team, recruited assets, and asset yield. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of an SFM is provided in this MD&A where the measure is first disclosed if the SFM's labeling is not sufficiently descriptive.

Annual Non-GAAP Information

The following table presents select non-GAAP financial information for the most recent and prior fiscal years.

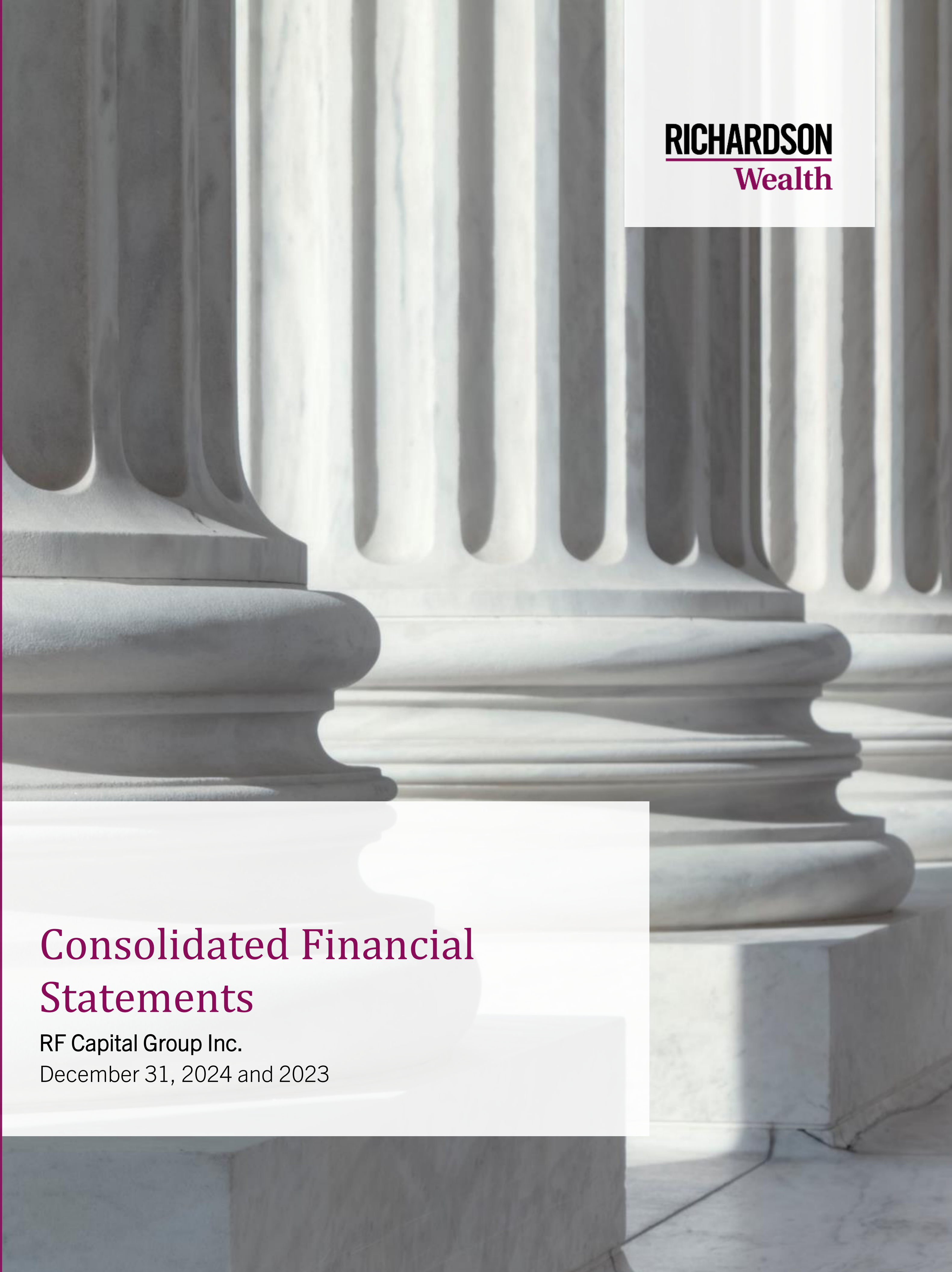
	For the year ended	
($000s, except as otherwise indicated)	**December 31, 2024**	December 31, 2023
Adjusted EBITDA:		
Net income/(loss) from continuing operations - reported	**568**	(9,828)
Income tax expense/(recovery)	**4,493**	4,319
Income/(loss) before income taxes - reported	**5,061**	(5,509)
Interest	**14,537**	14,706
Advisor award and loan amortization	**12,384**	18,387
Depreciation of premises and equipment	**11,135**	13,713
Amortization of intangibles	**14,223**	13,691
EBITDA	**57,340**	54,988
Transformation costs and other provisions	—	4,514
Adjusted EBITDA	**57,340**	59,502
Adjusted operating expenses:		
Total expenses - reported	**208,034**	211,351
Interest	**14,537**	14,706
Advisor award and loan amortization	**12,384**	18,387
Depreciation of premises and equipment	**11,135**	13,713
Amortization of intangibles	**14,223**	13,691
Operating expenses	**155,755**	150,854
Transformation costs and other provisions	—	4,514
Adjusted operating expenses	**155,755**	146,340
Adjusted net income:		
Net income/(loss) from continuing operations - reported	**568**	(9,828)
After-tax adjusting items:		
Transformation costs and other provisions	—	3,344
Amortization of acquired intangibles	**9,592**	9,592
Adjusted net income/(loss)	**10,160**	3,108
Net income/(loss) per common share from continuing operations:		
Basic	**(0.24)**	(0.93)
Diluted	**(0.24)**	(0.93)
Adjusted net income/(loss) per common share:		
Basic	**0.38**	(0.08)
Diluted	**0.37**	(0.08)
Cash flow:		
Cash provided by/(used in) operating activities	**23,755**	(268,497)
Net change in non-cash operating items	**19,719**	308,259
Capital expenditures - maintenance	**(3,115)**	(2,319)
Lease payments	**(8,888)**	(8,621)
Net loss from discontinued operations	—	2,064
Transformation costs and other provisions (pre-tax)	—	4,514
Free cash flow available for growth	**31,471**	35,400
Advisor loans net of repayments	**(16,897)**	(16,085)
Capital expenditures - office build outs (net of lease inducements)	**267**	(2,868)
Net loss from discontinued operations	—	(2,064)
Transformation costs and other provisions (pre-tax)	—	(4,514)
Net change in provisions	**3,677**	(12,433)
Free cash flow	**18,518**	(2,564)

	For the year ended	
($000s, except as otherwise indicated)	**December 31, 2024**	December 31, 2023
Net working capital:		
Current assets:		
Cash and cash equivalents (non-client portion)	**88,556**	80,829
Securities owned	**1,593**	613
Net receivable from brokers (non-client portion)	**61,125**	50,784
Employee and other loans receivable (current portion)	**1,244**	12,389
Other assets	**14,758**	15,092
Current liabilities:		
Accounts payable and accrued liabilities	**60,261**	61,207
Provisions (current portion)	**13,587**	8,345
Lease liabilities (current portion)	**4,699**	8,946
Net working capital	**88,729**	81,208

Quarterly Non-GAAP Information

The following table presents select non-GAAP financial information for our eight most recently completed financial quarters.

				2024				2023
($000s, except as otherwise indicated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted EBITDA:								
Net income/(loss) from continuing operations - reported	**1,290**	(2,309)	2,714	(1,127)	(2,882)	(189)	(1,425)	(5,332)
Income tax expense/(recovery)	**1,804**	1,751	(252)	1,190	713	2,281	1,642	(317)
Income/(loss) before income taxes - reported	**3,094**	(558)	2,462	63	(2,169)	2,092	217	(5,649)
Interest	**3,649**	3,725	3,413	3,750	3,994	3,527	3,675	3,511
Advisor award and loan amortization	**3,211**	3,103	2,909	3,161	5,844	4,457	3,884	4,201
Depreciation of premises and equipment	**2,677**	2,660	2,749	3,049	3,385	3,414	3,366	3,549
Amortization of intangibles	**3,607**	3,563	3,537	3,516	3,464	3,442	3,439	3,346
EBITDA	**16,238**	12,493	15,070	13,539	14,518	16,932	14,581	8,958
Transformation costs and other provisions	**—**	—	—	—	—	—	413	4,101
Adjusted EBITDA	**16,238**	12,493	15,070	13,539	14,518	16,932	14,994	13,059
Adjusted operating expenses:								
Total expenses - reported	**51,979**	52,246	51,104	52,705	53,055	49,732	51,310	57,254
Interest	**3,649**	3,725	3,413	3,750	3,994	3,527	3,675	3,511
Advisor award and loan amortization	**3,211**	3,103	2,909	3,161	5,844	4,457	3,884	4,201
Depreciation of premises and equipment	**2,677**	2,660	2,749	3,049	3,385	3,414	3,366	3,549
Amortization of intangibles	**3,607**	3,563	3,537	3,516	3,464	3,442	3,439	3,346
Operating expenses	**38,835**	39,195	38,496	39,229	36,368	34,892	36,946	42,647
Transformation costs and other provisions	**—**	—	—	—	—	—	413	4,101
Adjusted operating expenses	**38,835**	39,195	38,496	39,229	36,368	34,892	36,533	38,546
Adjusted net income:								
Net income/(loss) from continuing operations - reported	**1,290**	(2,309)	2,714	(1,127)	(2,882)	(189)	(1,425)	(5,332)
After-tax adjusting items:								
Transformation costs and other provisions	**—**	—	—	—	—	—	306	3,039
Amortization of acquired intangibles	**2,398**	2,398	2,398	2,398	2,399	2,398	2,398	2,398
Adjusted net income/(loss)	**3,688**	89	5,112	1,271	(483)	2,209	1,279	105
Net income/(loss) per common share from continuing operations:								
Basic	**0.01**	(0.22)	0.11	(0.14)	(0.26)	(0.10)	(0.20)	(0.51)
Diluted	**0.01**	(0.22)	0.10	(0.14)	(0.26)	(0.10)	(0.20)	(0.51)
Adjusted net income/(loss) per common share:								
Basic	**0.17**	(0.06)	0.26	0.01	(0.10)	0.09	0.02	(0.08)
Diluted	**0.17**	(0.06)	0.26	0.01	(0.10)	0.07	0.01	(0.08)
Cash flow:								
Cash provided by/(used in) operating activities	**14,442**	15,977	5,162	(11,826)	2,836	16,624	25,741	(313,698)
Net change in non-cash operating items	**(2,115)**	(6,749)	6,617	21,966	8,315	(3,052)	(16,580)	319,577
Capital expenditures - maintenance	**(1,004)**	(790)	(902)	(419)	(797)	(348)	(619)	(555)
Lease payments	**(2,169)**	(2,196)	(2,257)	(2,266)	(2,040)	(2,044)	(2,273)	(2,263)
Net loss from discontinued operations	**—**	—	—	—	—	—	2,064	—
Transformation costs and other provisions (pre-tax)	**—**	—	—	—	—	—	413	4,101
Free cash flow available for growth	**9,154**	6,242	8,620	7,455	8,312	11,180	8,746	7,162
Advisor loans net of repayments	**(1,270)**	(6,290)	(7,088)	(2,249)	(13,224)	(557)	657	(2,961)
Capital expenditures - office build outs (net of lease inducements)	**(465)**	(114)	928	(82)	936	225	(854)	(3,175)
Net loss from discontinued operations	**—**	—	—	—	—	—	(2,064)	—
Transformation costs and other provisions (pre-tax)	**—**	—	—	—	—	—	(413)	(4,101)
Net change in provisions	**1,344**	4,018	(449)	(1,236)	(5,636)	(4,697)	1,134	(3,234)
Free cash flow	**8,763**	3,856	2,011	3,888	(9,612)	6,151	7,206	(6,309)



Consolidated Financial Statements

RF Capital Group Inc.

December 31, 2024 and 2023

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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"

Dave Kelly
President and Chief Executive Officer

"Donald Wright"

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.

Shareholder Information

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Regulatory filings

Canadian Securities Administrators
sedarplus.com

Independent auditors

KPMG LLP

Independent legal counsel

Goodmans LLP

Fiscal year-end

December 31

Annual meeting of shareholders

Thursday, May 1, 2025
11:00 a.m. EST

Stock exchange listings

Stock	Listing	Ticker	CUSIP
Common shares	Toronto Stock Exchange	RCG	74971G401
Stock	**Listing**	**Ticker**	**CUSIP**
Preferred shares	Toronto Stock Exchange	RCG.PR.B	74971G203

Q4 2024 Conference Call

A conference call and live audio webcast to discuss RF Capital's fourth quarter and fiscal 2024 financial results will be held on Friday, February 28, 2025, at 10:00 a.m. (EST). Interested parties are invited to access the quarterly conference call on a listen-only basis by dialing 416-406-0743 or 1-800-898-3989 (toll free) and entering participant passcode 7715540#. The conference call will also be accessible as a live audio webcast through the Investor Relations section of the Company's website at *https://richardsonwealth.com/investor-relations/financial-information/.* A recording of the conference call will be available until Sunday, March 30, 2025, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 9059350#. The webcast will be archived at *https://richardsonwealth.com/investor-relations/financial-information/.*