RF Capital Group Inc.

Consolidated Financial Statements

December 31, 2022 and 2021

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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, 2022 and December 31, 2021;
- 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 significant 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, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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, 2022. 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 11 to the financial statements. The Entity has recorded goodwill of $164.9 million as of December 31, 2022 related to the Richardson Wealth acquisition. The Entity performs impairment testing for goodwill on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal, where available, and value-in-use calculations, 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. This matter represented an area of significant risk of material misstatement requiring specialized skills and knowledge to evaluate the Entity's significant assumptions, as noted above, used in estimating the recoverable amount for the CGU to which goodwill is allocated. Significant auditor judgment was required in evaluating the results of our audit procedures due to the high degree of sensitivity of the estimated recoverable amounts to changes to the assumptions.

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 initiatives in the Board-approved 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 comparing the Entity's Weighted Average Cost of Capital (WACC) against publicly available market data for comparable entities.

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; and
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

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.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 International Financial Reporting Standards (IFRS), 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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

March 2, 2023

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, 2022. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. 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 significant 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 auditors' 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.

“Kishore Kapoor”

KISHORE KAPOOR
President and Chief Executive Officer

“Tim Wilson”

TIM WILSON
Chief Financial Officer

Toronto, Canada
March 2, 2023

Consolidated Balance Sheets

($ thousands)

As at	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents		367,848	518,099
Securities owned	5, 19	673	62,355
Receivable from:			
Clients		377,096	610,376
Brokers	7	61,204	90,802
Client funds held in trust		367,316	466,336
Employee and other loans receivable	8	45,410	50,303
Equipment and leasehold improvements	9	37,452	15,541
Right-of-use assets	10	52,809	19,547
Other assets	6	34,895	13,920
Deferred tax assets	13	17,370	20,584
Goodwill and intangible assets	11	337,581	348,152
		1,699,654	2,216,015
LIABILITIES			
Obligations related to securities sold short	5, 19	—	13,625
Payable to:			
Clients		1,034,808	1,333,692
Brokers	7	24,650	248,260
Issuers		—	824
Accounts payable and accrued liabilities		50,966	55,560
Debt	20	110,922	110,922
Provisions	16	24,734	27,323
Lease liabilities		62,448	23,256
Deferred tax liability	13	44,205	47,663
		1,352,733	1,861,125
EQUITY			
Common shares		462,935	464,667
Preferred shares		112,263	112,263
Contributed surplus		46,151	44,103
Accumulated other comprehensive income		19,652	18,842
Accumulated deficit		(294,080)	(284,985)
Shareholders' equity	14	346,921	354,890
		1,699,654	2,216,015

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

"Kishore Kapoor" "Donald Wright"

Kishore Kapoor
President and Chief Executive Officer

Donald Wright
Chair of the Board

Consolidated Statements of Income / (Loss)

($ thousands)

For the years ended December 31,	Note	2022	2021
REVENUE			
Wealth management		278,319	272,482
Corporate finance		8,643	21,785
Interest		37,581	15,869
Other		29,429	18,383
TOTAL REVENUE	4	353,972	328,519
Variable advisor compensation		149,748	142,611
GROSS MARGIN		204,224	185,908
EXPENSES			
Employee compensation and benefits		78,538	77,134
Selling, general and administrative		64,035	58,019
Advisor loan amortization	8	17,267	17,734
Transformation costs and other provisions		8,634	21,390
Interest		10,797	6,631
Depreciation and amortization	9, 10, 11	28,064	24,805
		207,335	205,713
Loss before income taxes		(3,111)	(19,805)
Income tax expense/(recovery)			
Current		1,938	1,865
Deferred		(246)	(1,518)
	13	1,692	347
Net income/(loss)		(4,803)	(20,152)
Weighted-average number of common shares outstanding:			
(in thousands)			
Basic	18	9,601	7,311
Diluted		15,854	15,930
Net loss per common share (dollars):			
Basic	18	(0.95)	(3.33)
Diluted		(0.95)	(3.33)

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,	2022	2021
Net income/(loss)	**(4,803)**	(20,152)
Other comprehensive income/(loss)		
Item that may be subsequently reclassified to net income/(loss):		
Foreign currency translation gain/(loss)	(4)	28
Total other comprehensive income/(loss)	(4)	28
Total comprehensive income/(loss) attributable to shareholders	**(4,807)**	(20,124)

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

Consolidated Statements of Changes in Equity

(thousands)	Preferred shares		Common shares		Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Shareholders' equity
	#	$	#	$	$	$	$	$
As at and for the year ended December 31, 2020	4,600	112,263	158,108	470,415	39,976	17,830	(260,621)	379,863
Net foreign currency translation gain	—	—	—	—	—	33	—	33
Common shares purchased, cancelled and forfeited	—	—	(1,708)	(5,748)	1,285	979	—	(3,484)
Share-based compensation	—	—	—	—	2,842	—	—	2,842
Preferred share dividends	—	—	—	—	—	—	(4,212)	(4,212)
Net loss	—	—	—	—	—	—	(20,152)	(20,152)
As at and for the year ended December 31, 2021	4,600	112,263	156,400	464,667	44,103	18,842	(284,985)	354,890
Net foreign currency translation gain	—	—	—	—	—	(4)	—	(4)
Share consolidation	—	—	(140,760)	—	—	—	—	—
Common shares purchased, cancelled and forfeited	—	—	(70)	(1,732)	187	814	—	(731)
Share-based compensation	—	—	—	—	1,861	—	—	1,861
Preferred share dividends	—	—	—	—	—	—	(4,292)	(4,292)
Net loss	—	—	—	—	—	—	(4,803)	(4,803)
As at and for the year ended December 31, 2022	4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921

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

Consolidated Statements of Cash Flows

($ thousands)

	Note	2022	2021
OPERATING ACTIVITIES			
Net income/(loss)		(4,803)	(20,152)
Add/(deduct) items not involving cash:			
Depreciation and amortization	9, 10, 11	28,064	24,805
Advisor loan amortization	8	17,267	17,734
Accretion of lease liability expense		3,710	1,674
Deferred income taxes	13	(246)	(1,518)
		43,992	22,543
Net change in non-cash operating items	21	(151,394)	(36,750)
Cash provided by (used in) operating activities		(107,402)	(14,207)
FINANCING ACTIVITIES			
Dividends paid on preferred shares	14	(4,292)	(4,212)
Purchase of shares for cancellation	14	(731)	(3,484)
Repayment of promissory note		—	(12,072)
Repayment of subordinated debt		—	(67,000)
Proceeds of revolving credit facility		—	80,500
Principal elements of lease payments		(8,779)	(8,369)
Cash used in financing activities		(13,802)	(14,637)
INVESTING ACTIVITIES			
Intangibles	11	(2,656)	(3,356)
Equipment and leasehold improvements	9	(26,387)	(5,979)
Cash used in investing activities		(29,043)	(9,335)
Effect of foreign exchange on cash balances		(4)	33
Net change in cash and cash equivalents		(150,251)	(38,146)
Cash and cash equivalents, beginning of period		518,099	556,245
Cash and cash equivalents, end of period		367,848	518,099
Supplemental cash flow information			
Interest paid		10,405	7,123
Interest received		36,130	17,303
Taxes paid		(1,716)	(1,988)

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 subsidiaries Richardson Wealth Limited (Richardson Wealth) and RF Securities Clearing LP (RF Securities). Richardson Wealth and RF Securities are members of the New Self-Regulatory Organization of Canada, a consolidation of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada (New SRO). Richardson Wealth is also 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 International Financial Reporting Standards (IFRS). The Company's consolidated financial statements are prepared on a historical cost basis except for certain financial instruments which are measured at fair value to the extent required or permitted under IFRS and as set out in the relevant accounting policies.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 2, 2023.

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 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.

Revenue recognition

The Company recognizes revenue when performance obligations have been fulfilled under revenue contracts. 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.

Impairment of Goodwill and Intangible Assets

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal, where available, and value-in-use calculations, determined using management's best estimates of forecasted cash earnings, long-term growth rate, and the discount rate. The Company reviews finite life intangibles when there are indicators of impairment.

The assumptions used include subjective judgements based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it 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.

Income Taxes

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.

Share-based Compensation

The Company uses an option pricing model to estimate the fair value of stock options on the grant date and records this amount as compensation expense over the period the options vest.

Provisions

A provision is recognized if, as a result of a past event, the Company has an obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are recorded at the best estimate of the amount required to settle the obligation at the balance sheet date.

Fair Value of Financial Instruments

Fair value measurement techniques are used to value financial assets and financial liabilities. Additional information regarding our fair value measurement techniques is included in Note 19 Financial Assets and Liabilities.

Note 3 – Significant 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. The Company may be required, from time-to-time, to restrict cash.

b. Foreign Currency Translation

The Company conducts business in a variety of foreign currencies and presents its 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 period.

c. Financial Instruments

Under IFRS 9, financial instruments are measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (loss) (FVOCI). Under IFRS 9 for financial assets, the classification is based on two criteria: the business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (SPPI criterion).

The classification and measurement of the Company's financial instruments are as follows:

Financial assets measured at FVTPL comprise equity instruments that the Company has not irrevocably elected to classify at FVOCI and derivatives. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. Securities sold short are classified as held for trading and recognized at fair value.

The assessment of whether contractual cash flows on the debt instruments are solely composed of principal and interest is made based on the facts and circumstances at the initial recognition of a financial asset.

After initial recognition, financial liabilities carried at amortized cost are measured using the effective interest rate method. Gains and losses are recognized in the statements of income. The carrying value approximates their fair value due to their short-term nature of because they are frequently repriced to current market rates.

d. Impairment of Financial Assets

The Company records allowances 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.

e. 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 the New SRO and are subject to the Company's credit review and daily monitoring procedures. Interest earned on margin loans and interest paid on client cash deposits are based on a floating rate.

f. Securities Borrowing and Lending

The Company engages in securities borrowing and lending primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature. These transactions are fully collateralized and subject to daily margin calls for any deficiency between the market value of the security loaned and the amount of collateral received. The Company manages its credit exposure by establishing and monitoring aggregate limits, by customer, for these transactions.

Securities lent to counterparties are retained on the consolidated balance sheets when substantially all the risks and rewards of ownership of the securities remain with the Company. Cash received as collateral is recorded on the consolidated balance sheets as a corresponding liability recognized in payable to brokers and is accounted for at amortized cost. Cash collateral received generally exceeds the market value of the securities loaned. Fees earned are recorded in other income.

When the Company borrows securities under stock borrow arrangements and the risks and rewards of ownership do not pass to the Company, the securities borrowed are not recorded by the Company on its consolidated balance sheets. The claim relating to cash, or other collateral deposited with the lender, is recorded as a receivable from brokers and is measured at amortized cost. The fees associated with borrowing the securities are recorded in selling, general and administrative expenses.

g. 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 first 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.

h. 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.

i. 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. 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
Brand	10 years
Customer relationships	15 years
Envestnet portfolio management platform	7 years

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.

j. 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.

k. Revenue Recognition

The main types of revenue contracts 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 the Company's cash positions. Interest revenue is recognized on an accrual basis.

Other: Includes revenue earned from the sale of insurance products, carrying broker and administrative services, foreign exchange, securities lending, and various other services. Revenue is recorded over time as performance obligations are satisfied through services rendered and accordingly is recognized on an accrual basis.

l. 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 plan. 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 in profit or loss.

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. It records this amount as a Selling, general and administrative expense over the period the awards 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. Changes in the liability are recognized in profit or loss.

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 estimates through net income in the current reporting period.

m. 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 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.

n. 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.

Current Income Tax

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.

o. 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.

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.

p. 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.

Redeemable preferred shares are classified as financial liabilities because they bear non-discretionary dividends and are redeemable in cash by the holder. Non-discretionary dividends thereon are recognized as interest expense in profit or loss as accrued.

q. Segmented Information

In the fourth quarter of 2022, the Company changed its internal reporting to Management to reflect the Company as one business segment: Wealth Management.

r. Future Changes in Accounting Policies

The Company monitors for changes in standards proposed by the International Accounting Standards Board (IASB) and analyzes the effect those changes may have on the Company's financial reporting and disclosures. For the year ended December 31, 2022, there were no significant changes in accounting policies and no new standards which are expected to impact the Company's consolidated financial statements.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 4 – Revenue

The following table presents disaggregated revenue information for the Company for the years ended December 31, 2022 and 2021.

	2022	2021
Wealth management	278,319	272,482
Corporate finance	8,643	21,785
Other customer revenue	20,286	11,721
Revenue - contracts with customers	307,248	305,988
Other revenue	46,724	22,531
Total revenue	353,972	328,519
Timing of revenue recognition		
Point in time	6,762	13,018
Over time	300,486	292,970
Revenue - contracts with customers	307,248	305,988
Other revenue	46,724	22,531
Total revenue	353,972	328,519

Other Income

The following table presents a breakdown of the Company's other income for the years ended December 31, 2022 and 2021.

	2022	2021
Insurance commissions	17,807	5,363
Foreign exchange	6,093	6,725
Brokerage services	2,245	2,981
Securities lending[1]	1,819	1,916
Other	1,465	1,398
	29,429	18,383

[1]Prior period amounts have been reclassified to be consistent with current year presentation.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 5 – Securities Owned and Obligations Related to Securities Sold Short

The following table presents a breakdown of the Company's securities owned and obligations related to securities sold short measured at fair value as at December 31, 2022 and 2021.

	2022		2021	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Debt securities:				
Canadian and U.S. federal governments	23	—	36,600	9,214
Canadian provincial and municipal governments	173	—	8,501	2,292
Corporate and other	107	—	16,435	2,109
Equity securities	346	—	472	10
Derivative financial instruments	24	—	347	—
	673	—	62,355	13,625

As at December 31, 2022, the Company had no securities pledged as collateral to central clearing agencies and custodians, compared to $22,129 at December 31, 2021.

Note 6 – Other Assets

The following table presents a breakdown of the Company's other assets as at December 31, 2022 and 2021.

	2022	2021
Accounts receivable	26,470	6,353
Finance lease receivable	—	707
Prepaid deposits	8,425	6,860
	34,895	13,920

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 7 – Securities Borrowed and Lent

The following table presents a breakdown of the Company's securities borrowed and lent and the corresponding cash delivered and received as collateral, respectively as at December 31, 2022 and 2021.

	Borrowed		Lent	
	Securities borrowed	Cash delivered as collateral	Securities lent	Cash received as collateral
As at December 31, 2022	**33,525**	**34,487**	**—**	**—**
As at December 31, 2021	21,100	21,430	123,586	123,555

Note 8 – Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at December 31, 2022 and 2021.

	2022	2021
Investment advisor loans	**39,561**	43,722
Transition agreements for retirees	**1,030**	1,602
Other loans	**4,819**	4,979
	45,410	50,303

Investment advisor loans

The Company advances interest-free 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 i) pay cash bonuses to the investment advisors of an amount sufficient to repay 100% of the total loans or ii) forgive the loan over a specified term on each applicable anniversary date.

The Company also advanced interest-free funds to certain investment advisors as part of the acquisition of Richardson Wealth on October 20, 2020. Upon satisfaction of certain conditions, including continued employment, the loans will be repaid over a prescribed term from cash bonus amounts awarded on each applicable anniversary date from the initial advance of the loan.

The Company records any reduction in the advisor loans as advisor loan amortization over the term of such loans. For the year ended December 31, 2022, the Company recorded advisor loan amortization of $17,267 (2021 – $17,734) and a corresponding reduction to loans outstanding.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 agreed to provide repayable loans to investment advisors to facilitate transitioning the books of business. The interest rates and terms vary with the individual circumstances.

Other loans

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

Note 9 – Equipment and Leasehold Improvements

The following table presents a breakdown of the Company's equipment and leasehold improvements as at December 31, 2022 and 2021.

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Cost								
As at January 1	2,322	1,710	3,365	2,475	10,864	11,336	16,551	15,521
Additions	4,629	612	3,657	1,363	18,101	4,004	26,387	5,979
Disposals and write-offs	(539)	—	(732)	(473)	—	(4,476)	(1,271)	(4,949)
As at December 31	6,412	2,322	6,290	3,365	28,965	10,864	41,667	16,551
Accumulated depreciation								
As at January 1	365	(70)	570	102	75	1,902	1,010	1,934
Depreciation	670	435	1,372	941	2,434	2,649	4,476	4,025
Disposals and write-offs	(539)	—	(732)	(473)	—	(4,476)	(1,271)	(4,949)
As at December 31	496	365	1,210	570	2,509	75	4,215	1,010
Net book values								
As at December 31	5,916	1,957	5,080	2,795	26,456	10,789	37,452	15,541

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 10 – 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, 2022 and 2021.

	2022	2021
As at January 1	19,547	24,234
Additions	43,623	3,515
Amortization	(10,361)	(7,709)
Impairment	—	(493)
As at December 31	52,809	19,547

The Company amortizes right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

During the fiscal year 2022, the Company entered into new lease agreements for its head office and two of its branches. On commencement of the leases, the Company recognized a total of $38,686 of right-of-use assets and lease liabilities.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 11 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets as at December 31, 2022 and 2021.

		Intangible Assets			
	Goodwill	Customer relationships	Envestnet portfolio management platform	Brand and other	Total
Cost					
As at January 1, 2021	163,971	195,000	—	500	359,471
Additions	986	2,086	1,206	64	4,342
As at December 31, 2021	164,957	197,086	1,206	564	363,813
Additions	—	46	2,523	87	2,656
Disposals	—	—	—	(59)	(59)
As at December 31, 2022	164,957	197,132	3,729	592	366,410
Accumulated amortization					
As at January 1, 2021		2,590	—	—	2,590
Amortization		13,005	—	66	13,071
As at December 31, 2021		15,595	—	66	15,661
Amortization		13,109	—	118	13,227
Disposals		—	—	(59)	(59)
As at December 31, 2022		28,704	—	125	28,829
Net book value					
As at December 31, 2021	164,957	181,491	1,206	498	348,152
As at December 31, 2022	164,957	168,428	3,729	467	337,581

Intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth . As at December 31, 2022, there were no indicators of impairment relating to the Company's goodwill or 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.

For the year end 2022, cash flows were projected for ten years based on historical operating and financial result trends, and expected future business performance. Beyond ten years, cash flows were assumed to grow at perpetual rates of up to 5.0% (5.0% in 2021). The discount rate applied to these cash flows to determine the recoverable amount was 16.0% (14.8% in 2021) and was based on the Company's estimate of the cost of capital for the CGU. The cost of capital of the CGU was estimated using the Capital Asset Pricing Model, incorporating the historical betas of publicly traded peer companies that are comparable in size 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The key assumptions described above may change as market and economic conditions change. However, the Company estimates that reasonably possible changes in the assumptions will not cause the recoverable amount of the CGU to decline below its carrying amount.

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):

	2022	2021
Revenue		
Investment mangement and fee income	102	139
Interest income	56	14

Key Management

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 $1,079 (2021 – $6) and payables to clients of $499 (2021 – $561) 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Key management personnel compensation for services rendered is as follows:

	2022	2021
Fixed salaries and benefits	2,336	2,741
Retirement allowance	20	13
Variable incentive-based compensation	1,565	1,658
Share-based compensation	1,513	1,058
Directors' fees	1,108	1,270
	6,542	6,740

Shareholder

Richardson Financial Group Limited (RFGL), a significant shareholder, holds $30,422 of redeemable preferred shares issued by a subsidiary of the Company, classified as financial liabilities (refer to Note 20). In 2022, the Company incurred $2,470 of related interest expense (2021 – $1,962). RFGL and its wholly owned affiliate collectively own approximately 6.97 million common Shares, representing 44.1% of the issued and outstanding common Shares.

Note 13 – Income Tax

The components of income tax expense for the year ended December 31, 2022 and 2021, are as follows:

	2022	2021
Current tax expense		
Current year	1,938	1,865
Total current tax expense	1,938	1,865
Deferred tax expense		
Adjustments for prior years	—	556
Origination and reversal of temporary differences	(246)	(2,074)
Total income tax expense	1,692	347

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 are as follows:

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	2022		2021	
	Amount	Rate	Amount	Rate
Income tax expense at the combined Canadian federal and provincial statutory tax rate	(824)	26.5%	(5,248)	26.5%
Increase (decrease) in income tax expense (recovery) due to:				
Non-deductible expenses	1,851	(59.5%)	376	(1.9%)
Non-taxable income	—	—	(103)	0.5%
Tax losses and other temporary differences not recognized	591	(19.0%)	4,621	(23.3%)
Adjustment for prior years	—	—	556	(2.8%)
Rate difference in subsidiaries	(31)	1.0%	(40)	0.2%
Part VI.I Tax	157	(5.0%)	159	(0.8%)
Other	(52)	1.7%	26	(0.1%)
Income tax expense and effective rate	1,692	(54.4%)	347	(1.8%)

The major components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets		
Deductible temporary differences:		
Non-capital losses	11,679	16,124
Deferred compensation arrangements	2,273	1,915
Equipment and leasehold improvements	668	1,233
Lease liability, net of right-of-use asset	2,633	1,091
Leasehold inducements	49	82
Other	68	139
Total	17,370	20,584
Deferred tax liabilities		
Taxable temporary differences:		
Intangible assets	44,205	47,663
Total	44,205	47,663

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The benefit of the losses and other deductible temporary differences not reflected in the Company's consolidated financial statements are as follows:

	2022	2021
Non-capital losses	69,868	64,948
Equipment and leasehold improvements	—	198
Lease liability, net of right-of-use asset	—	(103)
Other	(841)	404
Total losses and other temporary differences not recognized	69,027	65,447

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, series B preferred shares and series C 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 attaching 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, 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. On October 20, 2022 and 2021, the Company released 2,939,102 and 2,944,180 common shares from escrow respectively. The remaining 3,096,730 common shares will be released from escrow on October 20, 2023.

b. Preferred Shares

Preferred shares issued and outstanding are 4,600 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. Holders of series B preferred shares have the right, at their option, to convert their shares into series C preferred shares, subject to certain conditions and the Company's right to redeem the series B preferred shares as described above, on March 31, 2026, and every fifth year thereafter.

On March 31, 2021, all series C preferred shares automatically converted to series B preferred shares on the basis of one series B share for each series C share.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	($ thousands) Total dividend
March 31, 2022	0.233313	1,073
June 30, 2022	0.233313	1,073
September 30, 2022	0.233313	1,073
January 3, 2023	0.233313	1,073

On March 2, 2023, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share, payable on March 31, 2023, to preferred shareholders of record on March 15, 2023.

c. Share Repurchases, Cancellations and Forfeitures

On March 4, 2022, the Company announced that the TSX approved its notice of intention to make a normal course issuer bid (NCIB) for a portion of its common shares. The NCIB commenced on March 9, 2022, and the bid will terminate on or about March 8, 2023, or such earlier time as the Company completes its purchases pursuant to the bid or provides notice of termination. Any common shares purchased under the NCIB have and will be cancelled. The Company is authorized to acquire up to a maximum of 548,571 of its common shares or approximately 10% of the Company's public float for cancellation under the NCIB. During the year ended December 31, 2022, 61,102 common shares, with an aggregate cost of $1,545, were repurchased under the NCIB, and cancelled.

On March 25, 2022, the Company completed a consolidation of its common shares on the basis of ten pre-consolidation common shares for every one post-consolidation common share (the Consolidation). Immediately prior to the Consolidation, the Company had 158,714,254 common shares issued and outstanding. Following the Consolidation, the Company had 15,871,426 common shares issued and outstanding.

During 2022, 9,717 common shares (2021 – 66,587) that were held in escrow were forfeited and cancelled, resulting in a share capital reduction of $187 (2021 – $1,285).

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. 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 as at December 31, 2022 and 2021.

	Number of common shares (thousands)
As at December 31, 2020	127
Acquired - granted	150
Released on vesting	(46)
As at December 31, 2021	231
Released on vesting	**(2)**
As at December 31, 2022	**229**

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 as at December 31, 2022, and 2021, and the changes during the years then ended is as follows:

	Number of common share options (thousands)	Weighted-average exercise price
As at December 31, 2020	38	54.00
Granted	44	20.25
Expired	(26)	69.36
Forfeited	(6)	16.20
As at December 31, 2021	50	20.00
Granted/Expired/Forfeited	**—**	**—**
As at December 31, 2022	**50**	**20.00**

Common share options outstanding and vested under the Share Option Plan, by exercise price range, as at December 31, 2022, are as follows:

Exercise prices[1]	Number outstanding (thousands)	Weighted-average exercise price[1]	Weighted-average remaining contractual life
18.00	6	18.00	0.56
20.10	28	20.10	0.60
20.50	17	20.50	0.61
As at December 31, 2022	50	20.00	0.60

[1]On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.

As at December 31, 2022, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.3133% (December 31, 2021 – 0.3119%).

For the year ended December 31, 2022, the Company recorded $111 (2021 – $93) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

For the year ended December 31, 2022, there were no options granted, expired, or forfeited.

The weighted-average fair value of the options granted, and principal assumptions applied for options granted during 2021 are as follows:

Weighted average fair value	$ 0.64
Weighted average on key assumptions:	
Common share price on grant date[1]	$ 20.25
Exercise price[1]	$ 20.25
Risk-free interest rate [2]	0.76 %
Dividend yield [3]	—
Expected volatility [4]	39.75 %
Expected option life (years) [5]	4.00

[1]On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.
[2] Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life
[3] Based on the annual dividend yield on the date of grant
[4] Estimated by considering historic average share price volatility
[5] Estimated based upon historical data for the holding period of options between the grant and exercise dates, together with the assumption that a certain percentage of options will lapse due to forfeitures

b. Deferred Share-Based Awards

Share Incentive Plan

The Company adopted the SIP to provide eligible employees (Participants) with opportunities to own 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 grant date.

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 Toronto Stock Exchange (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 14, 2022, the Company granted 625 RSUs and 77 PSUs to employees that entitle them to cash payments on December 1, 2024 and March 7, 2025, respectively. The RSUs and PSUs were issued at a grant price of $16.46 and had a value of $11,522. The fair value of the RSUs and PSUs at December 31, 2022 is $7,998.

On August 5, 2022, the Company granted 7 RSUs and 1 PSUs to employees that entitle them to cash payments on December 1, 2024 and March 7, 2025 respectively. The RSUs and PSUs were issued at a grant price of $13.77 and had a value of $110. The fair value of the RSUs and PSUs at December 30, 2022 is $90.

On November 3, 2022, the Company granted 7 RSUs to employees that entitle them to a cash payment on December 1, 2024. The RSUs were issued at a grant price of $14.25 and had a value of $101. The fair value of the RSUs at December 30, 2022, is $81.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the status of the Company's Share Incentive Plans as at December 31, 2022 and 2021, and the changes during the year then ended is as follows:

	Number of RSUs
Balance, December 31, 2020	52
Granted	332
Vested	(43)
Forfeited	(17)
Balance, December 31, 2021	324
Granted	639
Vested	(5)
Forfeited	(30)
Balance, December 31, 2022	928

	Number of PSUs
Balance, December 31, 2020	—
Balance, December 31, 2021	—
Granted	78
Balance, December 31, 2022	78

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 $1,992 as at December 31, 2022, (2021 – nil).

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Deferred Share Unit Plan

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 as at December 31, 2022 and 2021, and the changes during the year then ended is as follows:

	Number of DSUs
Balance, December 31, 2020	115
Granted	17
Balance, December 31, 2021	132
Granted	122
Balance, December 31, 2022	254

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.

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, and are not included in the table below.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the Company's provisions as at December 31, 2022 and 2021 and the changes during the period are as follows:

Balance, December 31, 2020	19,410
Additions[1]	15,118
Payments[2]	(6,463)
Recoveries	(742)
As at December 31, 2021	27,323
Additions	**575**
Payments[1]	**(2,314)**
Recoveries	**(850)**
As at December 31, 2022	**24,734**

[1]Includes $1,200 and $4,108 relating to key management personnel in 2022 and 2021 respectively.

[2]Includes $2,508 relating to key management personnel.

In the prior year ended December 31, 2021, the Company recorded restructuring charges of $12,770, which included $3,700 for termination fees related to RF Securities' carrying broker business. During the prior year, the Company also recorded $1,905 of legal provisions.

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 for the fiscal years ended December 31 are as follows:

	2022	2021
Less than 1 year	8,211	8,633
1-5 years	30,882	26,586
Greater than 5 years	49,806	48,106
	88,899	83,325

Note 17 – Financial Guarantees

RF Securities, as required by the New SRO, has executed a full cross-guarantee arrangement with Richardson Wealth which stipulates that, in the event of default, RF Securities guarantees Richardson Wealth's outstanding obligations to clients up to the level of RF Securities' risk-adjusted capital. In return, Richardson Wealth has guaranteed RF Securities' obligations to clients, in the event of default, up to the level of Richardson Wealth's risk-adjusted capital.

Note 18 – Net Income (Loss) Per Common Share

Net income (loss) per common share consists of the following:

	2022	2021
Net income/(loss)	(4,803)	(20,152)
Less: dividends on preferred shares	(4,292)	(4,212)
Net loss attributable to common shareholders	(9,095)	(24,364)
Weighted-average number of common shares outstanding:[1] (in thousands)		
Basic		
Common shares	15,854	15,930
Common shares held by the SIP Trust[2]	(231)	(167)
Contingently returnable common shares held in escrow	(6,022)	(8,452)
	9,601	7,311
Diluted		
Dilutive effect of shares held by the SIP Trust[2]	231	167
Dilutive effect of contingently returnable common shares held in escrow	6,022	8,452
	15,854	15,930
Net income/(loss) per common share - Basic	(0.95)	(3.33)
Net income/(loss) per common share - Diluted[3]	(0.95)	(3.33)

[1]On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.

[2]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.

[3]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.

Note 19 – 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Financial Instruments – Measurement

The categories of measurement of financial instruments, excluding cash and cash equivalents held by the Company at December 31, 2022 and 2021 are as follows:

As at December 31, 2022	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	673	—	—	673
Receivable from clients	—	—	377,096	377,096
Receivable from brokers	—	—	61,204	61,204
Client funds held in trust	—	—	367,316	367,316
Employee and other loans receivable	—	—	45,410	45,410
Other assets	—	—	34,895	34,895
Total financial assets	673	—	885,921	886,594
Financial liabilities				
Payable to clients	—	—	1,034,808	1,034,808
Payable to brokers	—	—	24,650	24,650
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,170,380	1,170,380

As at December 31, 2021	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	62,355	—	—	62,355
Receivable from clients	—	—	610,376	610,376
Receivable from brokers	—	—	90,802	90,802
Client funds held in trust	—	—	466,336	466,336
Employee and other loans receivable	—	—	50,303	50,303
Other assets	—	—	13,920	13,920
Total financial assets	62,355	—	1,231,737	1,294,092
Financial liabilities				
Obligations related to securities sold short	13,625	—	—	13,625
Payable to clients	—	—	1,333,692	1,333,692
Payable to brokers	—	—	248,260	248,260
Payable to issuers	—	—	824	824
Debt	—	—	110,922	110,922
Total financial liabilities	13,625	—	1,693,698	1,707,323

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. The inputs for valuing the asset or liability are not based on observable 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, 2022	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	23	—	—	23
Provincial and municipal governments	—	173	—	173
Corporate and other	—	107	—	107
Equity securities	346	—	—	346
Derivative financial assets	—	—	24	24
Financial assets carried at fair value	369	280	24	673
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	—	—	—	—
Provincial and municipal governments	—	—	—	—
Corporate and other	—	—	—	—
Equity securities	—	—	—	—
Financial liabilities carried at fair value	—	—	—	—

As at December 31, 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,387	1,213	—	36,600
Provincial and municipal governments	—	8,501	—	8,501
Corporate and other	—	16,435	—	16,435
Equity securities	468	4	—	472
Derivative financial assets	—	—	347	347
Financial assets carried at fair value	35,855	26,153	347	62,355
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	76	9,138	—	9,214
Provincial and municipal governments	—	2,292	—	2,292
Corporate and other	—	2,109	—	2,109
Equity securities	10	—	—	10
Financial liabilities carried at fair value	86	13,539	—	13,625

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy for the years ended December 31, 2022 and 2021.

	Level 3 fair value
As at December 31, 2020	1,150
Net unrealized loss before income taxes	784
Proceeds from disposition	(1,587)
As at December 31, 2021	347
Net unrealized loss before income taxes	**(326)**
Proceeds from disposition	**3**
As at December 31, 2022	**24**

There were no transfers to or from all levels in years ended December 31, 2022 and 2021.

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.

Fair Value Sensitivity Analysis

The following tables demonstrate 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, 2022, and 2021 at fair value.

As at December 31, 2022	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, net of securities sold short	**673**	**49**	**(49)**

As at December 31, 2021	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, net of securities sold short	48,730	3,582	(3,582)

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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. Certain loans provided to Richardson Wealth employees bear interest at the prime rate of interest plus 2.5%.

Interest Rate Sensitivity Analysis

The tables below provide 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, 2022, and 2021. The analysis assumes that all other variables remain constant.

As at December 31, 2022	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	367,848	2,704	(2,704)
Securities owned, net of securities sold short	673	5	(5)
Receivable from clients	377,096	2,772	(2,772)
Client funds held in trust	367,316	2,700	(2,700)
Employee and other loans receivable	45,410	334	(334)
Securities borrowing and lending, net	34,487	253	(253)
Payable to clients	(1,034,808)	(7,606)	7,606
Debt	(110,922)	(815)	815

As at December 31, 2021	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	518,099	3,808	(3,808)
Securities owned, net of securities sold short	48,730	358	(358)
Client funds held in trust	466,336	3,428	(3,428)
Receivable from clients	610,376	4,486	(4,486)
Employee and other loans receivable	50,303	370	(370)
Securities borrowing and lending, net	(102,125)	(751)	751
Payable to clients	(1,333,692)	(9,803)	9,803
Debt	(110,922)	(815)	815

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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.

Currency Risk Sensitivity Analysis

The tables below summarize the effects on net income and OCI as a result of a 10% change in the value of certain foreign currencies against the Canadian dollar as at December 31, 2022, and 2021. The analysis assumes that all other variables remain constant.

As at December 31, 2022	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income
British pound sterling	0	(0)
Euro	1	(1)
Australian dollar	1	(1)
United States dollar	8	(8)

As at December 31, 2021	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income
British pound sterling	(1)	1
Euro	4	(4)
Australian dollar	12	(12)
United States dollar	438	(438)

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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 certain 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 2022. As at December 31, 2022 and 2021, 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, 2022, and 2021.

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 table below sets forth the Company's short-term obligations and terms to maturity.

	Carrying value	Term to maturity
Payable to clients	1,034,808	Due on demand
Payable to brokers	24,650	Due within one month
Accounts payable and accrued liabilities	50,966	Due within one year
Debt	110,922	Due within one year
	1,221,346	

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 2022.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Credit Facilities

The Company maintains access to certain credit facilities to facilitate the securities settlement process for both client and proprietary transactions. Available credit facilities with Schedule I Canadian chartered banks were $389.6 million at December 31, 2022, compared to $427.7 million at December 31, 2021. The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rate benchmarks. The Company had no amounts outstanding under any of these facilities as at December 31, 2022 and 2021.

Note 20 – Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at December 31, 2022 and 2021.

	2022	2021
Revolving credit facility	80,500	80,500
Preferred shares	30,422	30,422
	110,922	110,922

a. Revolving Credit Facility

On September 10, 2021, the Company secured 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. The Facility has an initial two-year term with an option for additional one-year terms, at the Company's request and subject to the lenders' approval.

The Facility contains clauses whereby the Company is required to meet certain financial covenants. As at December 31, 2022 the Company met three covenants but did not meet the fourth, its *fixed charge coverage ratio*. Due to the breach of this covenant clause, the syndicate is contractually entitled to request immediate repayment of the drawn amount of $80.5 million. However, the syndicate has agreed, subsequent to year end, to waive the fixed charge coverage ratio covenant until March 30, 2023 and, as such, the loan is not immediately repayable. In advance of March 30, 2023 the Company will work with the syndicate to revise the covenant or extend the waiver period.

b. 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 sets forth the elements of the Company's equity capital position as at December 31, 2022 and 2021.

	2022	2021
Common shares	462,935	464,667
Preferred shares	112,263	112,263
Contributed surplus	46,151	44,103
Accumulated other comprehensive income	19,652	18,842
Accumulated deficit	(294,080)	(284,985)
	346,921	354,890

Certain of the Company's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. Richardson Wealth and RF Securities are registered investment dealers subject to regulation primarily by the New SRO. Sources of financial statement capital for the New SRO'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, 2022 and 2021, all of the Company's subsidiaries were in compliance with their respective regulatory capital requirements.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 21 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items.

	2022	2021
Securities owned	61,682	7,967
Receivable from clients and brokers	262,878	(117,739)
Client funds held in trust	99,020	(56,688)
Employee and other loans receivable	(12,374)	(562)
Other assets	(20,335)	2,261
Obligations related to securities sold short	(13,625)	(1,695)
Payable to clients, brokers and issuers	(523,318)	133,233
Accounts payable and accrued liabilities	(2,733)	(11,440)
Provisions	(2,589)	7,913
	(151,394)	(36,750)

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Regulatory filings

Canadian Securities Administrators

sedar.com

Independent auditors

KGMP LLP

Independent legal counsel

Goodmans LLP

Fiscal year-end

December 31

Annual meeting of shareholders

Thursday, May 4, 2023
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	380134205

Leadership

Executive team

Kish Kapoor
President & CEO

Mike Ankers
SVP, Head of Advisor Experience & Growth

Natalie Bisset
SVP, Head of Corporate Development

Lynne Brejak
SVP, Chief People Officer

Krista Coburn
SVP, General Counsel & Corporate Secretary

Scott Stennett
SVP, Chief Operating Officer

Sarah Widmeyer
SVP, Head of Wealth Strategies

Michael Williams
SVP, Chief Risk & Compliance Officer

Tim Wilson
SVP, Chief Financial Officer

Board of directors

Donald A. Wright
Independent Chair of the Board of Directors

Nathalie Bernier FCPA, FCA

David G. Brown CPA, CA, LL.B

Vincent Duhamel

David C. Ferguson MBA, FCPA, FCA

Kish Kapoor CPA, CA
President & CEO, RF Capital Group

David G. Leith

Jane Mowat CPA, CA

David J. Porter FCSI®, CIM®

H. Sanford Riley C.M., O.M., LL.D.