RICHARDSON Wealth

RF Capital Group Inc.

Report to Shareholders

Fourth Quarter and 2023

A Message from our President & CEO

2023 marked the completion of our three-year journey to transform our business and position ourselves to seize the opportunity in front of us as our industry rapidly expands – a transformation that included many milestones.

One of the biggest was the transition of our back office to Fidelity. While it was unquestionably challenging, I am proud of how our advisor teams and all those who support them worked hard to adapt to change and helped to build a highly scalable platform for the future. Their commitment, engagement and feedback helped us implement strategies to address gaps, enhance the overall experience, and enable long-term growth in all areas of our business. We are seeing the benefits of these initiatives, including in the quality of people we are attracting.

Natalie Bisset and her corporate development team have built a robust pipeline of high-quality prospects and in 2023 they inspired advisor teams managing $1.7 billion of AUA to join us. In Victoria, B.C., Natalie's team helped open a new office and onboard three advisor teams who collectively manage $800 million in AUA. These teams cite our enhanced platform and our strong advisor-centric culture as key reasons for choosing our brand.

Natalie Bisset
SVP, Head of
Corporate Development

Dave Kelly
Chief Operating Officer

After a search in 2023 for the right person to enhance the overall experience for advisors and drive profitable organic growth, Dave Kelly joined us as Chief Operating Officer of Richardson Wealth on January 15, 2024. Dave's career spans more than 25 years of progressively senior roles in financial services. Most recently, he was Head of Gluskin Sheff & Associates, a prominent independent Canadian advisory firm. Prior to that, Dave spent 14 years in wealth management at Toronto-Dominion Bank, culminating in the role of SVP & Head, Private Wealth Management & Financial Planning. In choosing us after interviewing 50 industry professionals, he said "with the significant investments Richardson Wealth made to dramatically scale the business now in place, I am drawn to the firm's advisor-centric culture, the rich history of the name on the door, and the vision to become the brand of choice for Canada's top advisors and their clients."

Financially, we finished the year with AUA up $288 million, $35 million of cash flow available for growth, and overall results in line with 2022. For a full analysis of our fourth-quarter and year-end results, please see the accompanying Management Discussion & Analysis. Included is a section entitled *2026 Recognition Payments* which details a commitment made in 2020 to reward advisors who remain with the company in November 2026.

As we conclude three years of fundamental transformation and embark upon a journey focused squarely on our three-pillar growth strategy – driving organic, recruiting, and inorganic growth – I am confident that we can begin to unlock the long-term value of the investments we have made to pursue opportunities in our industry, which is expected to double in size in the next decade.

I look forward to updating you on our progress over the coming year.

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About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the consolidated financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company) as at and for the year ended December 31, 2023.

This MD&A, dated February 29, 2024, should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2023 (2023 Annual Financial Statements). This document as well as additional information relating to the Company, including our 2023 Annual Financial Statements, and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedarplus.com*, and are incorporated by reference herein.

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

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our 2023 Annual Financial Statements, which we have prepared in accordance with IFRS.

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

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

Forward-Looking Information

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

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

Our results can also be influenced by other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and natural disasters, or other unanticipated events (including the novel coronavirus and variants thereof (COVID-19 pandemic)). For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section of this MD&A.

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

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

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

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

Select Annual Financial Information

($000s, except as otherwise indicated)	2023	2022	2021	2023 vs 2022 Increase/(decrease)	2022 vs 2021 Increase/(decrease)
Key performance drivers[1]:					
AUA - ending[2] ($ millions)	35,236	34,948	36,847	1%	(5%)
AUA - average[2] ($ millions)	35,574	35,419	33,925	0%	4%
Fee revenue	255,707	254,802	242,916	0%	5%
Fee revenue[3] (%)	89	88	86	+177 bps	+178 bps
Adjusted operating expense ratio[4] (%)	71.1	69.8	72.7	+128 bps	(289) bps
Adjusted EBITDA margin[5] (%)	16.9	17.4	15.4	(47) bps	+197 bps
Asset yield[6] (%)	0.86	0.85	0.82	+1 bps	+3 bps
Advisory teams[7] (#)	157	162	162	(3%)	—
Operating Performance					
Reported results:					
Revenue	351,119	353,972	328,519	(1%)	8%
Operating expenses[1,8]	150,854	151,207	156,543	(0%)	(3%)
EBITDA[1]	54,988	53,017	29,365	4%	81%
Income (loss) before income taxes	(5,509)	(3,111)	(19,805)	77%	(84%)
Net income (loss) from continuing operations	(9,828)	(4,803)	(20,152)	105%	(76%)
Net income (loss) from discontinued operations[9]	(2,064)	—	—	n/a	n/a
Net loss per common share from continuing operations - diluted[10]	(0.93)	(0.95)	(3.33)	(2%)	(72%)
Adjusted results[1]:					
Operating expenses[8]	146,340	142,573	135,153	3%	5%
EBITDA	59,502	61,651	50,755	(3%)	21%
Income (loss) before income taxes	12,055	18,575	14,637	(35%)	27%
Net income (loss)	3,108	11,100	7,356	(72%)	51%
Adjusted earnings (loss) per common share - diluted[10]	(0.08)	0.43	0.20	(118%)	112%
Select balance sheet information:					
Total assets	1,379,983	1,699,654	2,216,015	(19%)	(23%)
Debt	110,922	110,922	110,922	—	—
Shareholders' equity	330,539	346,921	354,890	(5%)	(2%)
Net working capital[1,11]	81,208	95,224	105,991	(15%)	(10%)
Common share information:					
Book value per common share ($)	14.02	14.80	15.25	(5%)	(3%)
Closing share price ($)	7.52	11.50	19.00	(35%)	(39%)
Common shares outstanding (millions)	15.6	15.9	15.9	(2%)	(0%)
Common share market capitalization ($ millions)	117	182	302	(36%)	(40%)
Cash flow:					
Cash provided by (used in) operating activities	(268,497)	(107,402)	(18,811)	150%	471%
Free cash flow available for growth[1]	35,400	40,199	27,421	(12%)	47%
Free cash flow[1]	(2,564)	(9,896)	4,555	(74%)	(317%)

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

Select Quarterly Financial Information

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

				2023				2022
($000s, except as otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Key performance drivers[1]:								
AUA - ending[2] ($ millions)	35,236	34,726	35,788	35,965	34,948	33,604	33,841	37,084
AUA - average[2] ($ millions)	34,926	35,630	35,880	35,872	34,788	34,679	35,607	36,629
Fee revenue	63,623	65,505	64,047	62,532	62,625	61,974	62,312	67,890
Fee revenue[3] (%)	89	91	90	89	90	92	81	89
Adjusted operating expense ratio[4] (%)	71.5	67.3	70.9	74.7	68.1	66.9	67.9	76.9
Adjusted EBITDA margin[5] (%)	16.7	19.3	16.9	14.9	19.2	19.8	18.3	12.5
Asset yield[6] (%)	0.86	0.87	0.86	0.86	0.87	0.86	0.82	0.85
Advisory teams[7] (#)	157	159	158	159	163	162	162	160
Operating Performance:								
Reported results:								
Revenue	86,752	87,836	88,832	87,700	88,531	85,928	90,753	88,760
Advisor variable compensation	35,866	36,012	37,305	36,095	35,276	34,555	39,078	40,839
Gross margin[8]	50,886	51,824	51,527	51,605	53,255	51,373	51,675	47,921
Operating expenses[1,9]	36,368	34,892	36,947	42,647	38,868	36,435	37,493	38,412
EBITDA[1]	14,518	16,932	14,580	8,958	14,387	14,938	14,182	9,509
Interest	3,994	3,527	3,675	3,511	3,293	3,015	2,348	2,140
Depreciation and amortization	6,849	6,856	6,805	6,895	7,851	6,936	6,743	6,534
Advisor award and loan amortization	5,844	4,457	3,884	4,201	4,634	4,381	4,240	4,012
Income (loss) before income taxes	(2,169)	2,092	217	(5,649)	(1,391)	606	851	(3,177)
Net income (loss) from continuing operations	(2,882)	(189)	(1,425)	(5,332)	(991)	(724)	58	(3,147)
Net income (loss) from discontinued operations[10]	—	—	(2,064)	—	—	—	—	—
Adjusted results[1]:								
Operating expenses[9]	36,368	34,892	36,533	38,546	36,246	34,380	35,078	36,869
EBITDA	14,518	16,932	14,993	13,059	17,009	16,993	16,597	11,052
Income (loss) before income taxes	1,094	5,355	3,892	1,715	4,493	5,924	6,529	1,629
Net income (loss)	(483)	2,209	1,279	105	3,500	3,197	4,010	393
Cash flow:								
Cash provided by (used in) operating activities	2,834	16,624	25,741	(313,698)	(93,752)	(283,619)	213,248	56,721
Free cash flow available for growth[1]	8,312	11,180	8,746	7,162	10,761	12,357	11,511	5,569
Free cash flow[1]	(9,612)	6,151	7,206	(6,309)	(4,011)	(1,148)	(3,591)	(1,146)

1. Considered to be non-GAAP or supplementary financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
2. AUA is a measure of client assets and is common in the wealth management business. It represents the market value of client assets managed and administered by us.
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4. Calculated as adjusted operating expenses divided by gross margin
5. Calculated as Adjusted EBITDA divided by revenue
6. Calculated as wealth management revenue plus interest on cash divided by average AUA
7. Prior year has been revised to reflect the internal consolidation of certain teams
8. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
9. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
10. In Q2 2023, we recorded a provision for a legacy employment litigation matter related to the 2019 sale of our capital markets business to Stifel Nicolaus Canada Inc. See Note 25 to the 2023 Annual Financial Statements.

Committed to ESG

We are guided by what we believe is right for our community, advisors and their clients, and our business

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

We are committed to ESG principles that help us thrive in a socially responsible manner and operate with the highest standards of ethical behavior.

The Company is a member of the Responsible Investment Association (RIA).

Please refer to our 2023 Management Information Circular and Annual Information Form for more information on our ESG philosophy.

Our 2023 ESG milestones:

Environmental

- Relocated our Kitchener office to a new Gold LEED Platinum certified building

Social

- Expanded a Core Leadership Development program for all corporate executives, targeting change management
- Recognized as a Best Workplace in Financial Services and Insurance for the fifth straight year by Great Place to Work®
- Launched a DEI Council and introduced a new Employee Resource Group for women
- Based on Investment Executive's 2023 Brokerage Report Card, scored:
    - 8.9/10 overall, tied for 2nd out of 14 firms surveyed
    - 9.6/10 on our Diversity, Equity & Inclusion Policies
- Through our DEI efforts, we supported: National Day for Truth and Reconciliation, the Black Opportunity Fund, Pride at Work Canada, as well as Black, African & Caribbean and Pride Employee Resources Groups
- In support of women, we sponsored WXN Top 100 Women awards and Dress for Success
- In support of our communities, we sponsored the Kidney March, a Wine & Words event, and the Million Reasons Run
- Commenced our *Illumination* initiative with the intent of achieving gender parity among our Advisors
- Began a program to demonstrate enhanced cultural sensitivity towards French-speaking stakeholders and to comply with Quebec's French Language law, Bill 96

Governance

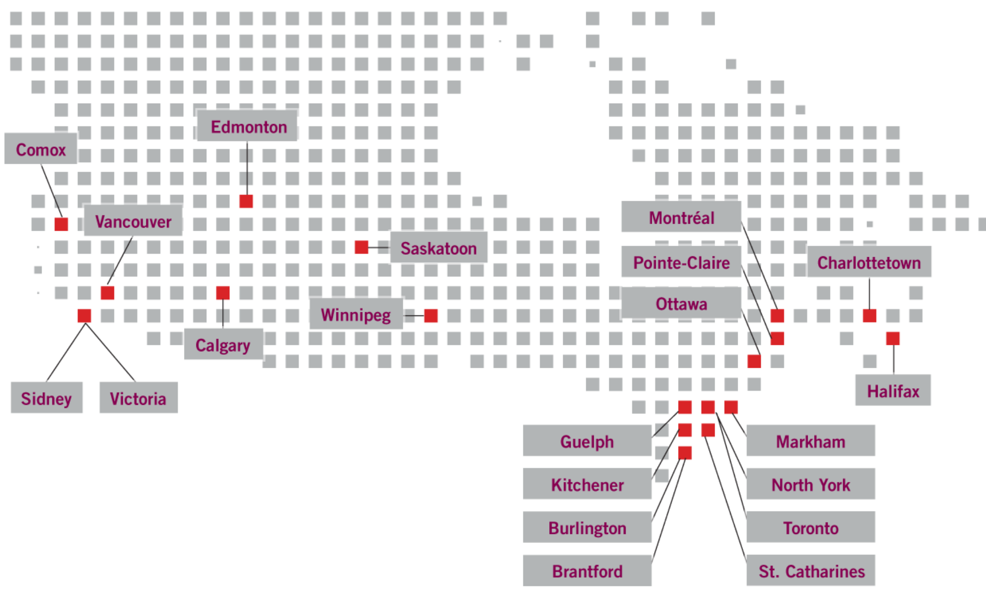
- Conducted a talent assessment and developed succession plans for company executives
- Updated our Code of Conduct and added a formal whistleblower policy
- Initiated an advisor succession program

Business Overview

Headquartered in Toronto, RF Capital is a public company listed on the Toronto Stock Exchange (TSX) and its common and preferred shares trade under the ticker symbols TSX: RCG and RCG.PR.B. Its wholly owned subsidiary, Richardson Wealth, is one of the largest independent wealth management firms in Canada with 157 investment advisor teams serving 31,000 households out of 22 offices. It operates as Patrimoine Richardson in the francophone market. Richardson Wealth advisors collectively manage $35.2 billion in client assets and provide a comprehensive suite of wealth management services including investment, financial planning, insurance, and tax and estate planning services.

Richardson Wealth consistently ranks amongst the top firms in Canada in Investment Executive's Brokerage Report Card. In 2023, it ranked third among six banks and eight independents with a Net Promoter Score of 74, which is considered exceptional. For the fifth year in a row, Richardson Wealth has also been named on the 2023 list of Best Workplaces™ in Financial Services & Insurance by Great Place to Work®, a global authority on workplace culture.

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



Vision

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

Share Ownership

Richardson Financial Group	44%
Advisors & employees	30%
Public shareholders	26%

$35.2B	157	$224MM	89%	22
AUA	Number of advisory teams	Average AUA per team	Recurring fee-based revenue	Offices across Canada

Our Growth Strategy

Background

Independent wealth management firms across Canada are enjoying a renaissance of a bygone era when the name on the door mattered, capturing the imagination of a growing number of advisors and high-net-worth families opting to leave bank owned firms and other large financial institutions for the personal, high touch experience of a boutique firm like ours. To capitalize on this trend, we have invested in a number of initiatives to position ourselves for success, including:

- promoting the rich 90-year history of the Richardson brand in financial services;
- developing and securing buy-in to a clear three-pillar growth strategy;
- cultivating a strong advisor centric culture;
- building a highly scalable platform that offers advisors Fidelity's digital operating platform, and portfolio management solutions by Envestnet and Croesus;
- opening new offices across the country;
- investing in a variety of services to support advisors including in the areas of portfolio analytics, research, tax and estate planning, insurance, practice management, and marketing;
- attracting a board and management with deep expertise in the financial services industry;
- furthering our commitment to our communities, and to our diversity and inclusion initiatives; and
- building, and continuing to convert, a robust recruiting pipeline.

We expect a favourable long-term industry outlook to support our growth strategy. Retail financial wealth is projected to grow from approximately $5.6 trillion in 2021 to nearly $10 trillion by 2030[1]. Our market share is only 0.7%, so there is ample opportunity for us – as an independent wealth management firm with national scale – to gain share of this growing industry.

Three-Pillars of Growth

The growth strategy that we announced in 2021 includes three pillars: doubling down on advisor support, supercharging advisor recruitment, and acquiring or partnering with like-minded firms. Each pillar and our priorities for the upcoming year are discussed below.

There are risks associated with each pillar and with our ability to achieve our growth aspirations. For more details on these risks, please refer to the "Risk Management" section of this MD&A which begins on page 26.

Doubling-down on support for advisors: one-fifth of total expected long-term growth

The first pillar of our plan is about giving advisors the tools they require to exceed the expectations of their existing clients and to attract new ones. Going forward, our expectation is that this pillar will drive 6% average annual growth in our AUA. We anticipate that the market-driven component of this growth will average 4%, assuming a constant AUA mix. Further, we expect to boost organic earnings growth and our margins by uncovering efficiencies in our business.

[1] Investor Economics – Household Balance Sheet Report 2021

We have four priorities in support of organic growth for 2024:

- providing coaching and other support tools that enable our advisors to grow their practices;
- reinforcing our advisor-centric culture to increase retention levels;
- enhancing overall experience on our Envestnet and Fidelity platforms; and
- improving profitability through new revenue opportunities and operating efficiencies.

Supercharging recruitment: one-fifth of total expected long-term growth

We believe that our culture, in concert with the investments we have made in our platform, makes us attractive to entrepreneurial advisors from other institutions. With a dedicated and experienced five-person team focused on recruitment, our goal is to attract 12 to 14 new advisors (with an average book size of $200 million) to our brand every year.

In 2023, we recruited teams managing $1.7 billion in AUA. This was lower than our strategic target mainly due to a deliberate decision to defer recruiting to later in the year when our Fidelity and Envestnet platforms were more stable. Nonetheless, our recruiting team was still active in 2023 and grew our pipeline by $5 billion to approximately $28 billion[2].

In 2024, we intend to build on our recent momentum and the depth of our team's industry connections to recruit 12 to 14 new advisors. Based on the recent discussions with those who have expressed an interest in joining us in the upcoming quarters, we are optimistic that we will be able to achieve our goal.

Acquiring and partnering with like-minded firms: three-fifths of total expected long-term growth

An important part of our growth story involves acquiring like-minded wealth management firms aligned with our holistic approach to wealth management. We may choose to acquire similar firms that add scale or other organizations that can enhance the advisor value proposition in areas such as asset management. Our ability to execute on this pillar of our strategy depends on several factors including the availability of targets, the targets' price expectations, our share price, and our access to other forms of capital.

In 2023, after our foundation was built, we evaluated several acquisitions opportunities, and preliminary discussions continue with a few of those firms. In 2024, we intend to devote more time to this pillar of our growth strategy. The timing of any acquisitions is dependent on several factors including strategic and cultural fit, as well as relative valuations.

2026 Recognition Payments

As our success is dependent on retaining and attracting advisors, we are encouraged that in a recent Great Place to Work® survey 85% of advisors who responded to the survey said they are proud to tell others that they work here. To recognize them for their continued loyalty and pursuant to an agreement reached during our 2020 reorganization, we recently granted a second tranche of recognition awards – with a value of $15.2 million – to advisors who were with us in 2020 and are still with the firm. The awards will pay out in November 2026, to advisors who remain with us until that time.

[2] Represents conversations with advisors that have advanced beyond a certain probability threshold, with AUA measured as of the date the advisor was added to the recruiting pipeline and is not adjusted for market volatility. This measure is used by management to assess outside advisors' interest in our firm. We expect to convert only a portion of this pipeline.

Full Year 2023 Financial Performance Summary

Overall, our full year results were below what we expected at the beginning of the year but in-line with 2022. We achieved this result even in the face of continued weak capital markets activity, inflationary pressures, our ongoing transformation, and higher than anticipated advisor departures.

- AUA was up $288 million, with recruiting, market and net new asset gains being offset by losses from the departure of advisors who managed $2.5 billion of AUA;
- We recruited advisor teams representing an expected $1.7 billion of AUA and expect that recruiting momentum to carry into 2024;
- Net loss increased by $5.0 million primarily due to higher interest costs (rate driven) and advisor award and loan amortization;
- Adjusted EBITDA was $60 million, down 3% from last year as revenues were flat and adjusted operating expenses rose 3%;
- Revenues were largely consistent with 2022, because an $11 million increase in interest income was offset primarily by reductions in other income, performance fees, and corporate finance activity;
- Adjusted operating expenses were up as Fidelity-related savings and $2.6 million higher mark-to-market recoveries on share-based compensation were offset by the cost of new digital tools for our advisors, lower sales tax recoveries, general hiring, annual inflationary increases to compensation, and return to work and travel; and
- Transformation costs were down $4.1 million and were nil in both Q3 and Q4, signaling the end of our three-year transformation journey.

New Cash Flow Metrics

This year, we introduced two new financial metrics to enhance disclosure of our operating performance: free cash flow available for growth and free cash flow. These new cash flow disclosures were developed in part due to feedback we received from the investment community. Free cash flow available for growth demonstrates the cash flow that we have available to invest in growth initiatives such as recruiting, and free cash flow highlights the residual after growth investments and transformation costs. In 2023, we generated free cash flow available for growth of $35.4 million. Free cash flow improved from 2022 but was still negative $2.6 million. It was negative primarily because of $18.8 million of recruiting payments and transformation related costs, including payments to resolve legacy legal matters.

Outlook and Key Performance Drivers

Due to the wide range of viewpoints on market growth next year, we will not be communicating our expectations for EBITDA going forward. We believe that this approach is consistent with industry practice.

With respect to the drivers of our financial performance and profitability:

- AUA will be supported by growth in our existing advisors' client assets and by recruiting. AUA is also highly correlated with equity market movements;
- The 2023 departure of advisors who managed $2.5 billion of AUA will impact average AUA and revenue growth rates in 2024;
- Interest revenue is likely to follow prime rate trends, which economists expect to decline from current levels;
- Transaction activity underlying our corporate finance revenue could rebound but is likely to remain subdued through the first half of the year;
- Although we expect inflation to continue at elevated rates, we are committed to finding operating cost savings and efficiencies in our business as a partial offset; and
- The $4.9 million of RSU and DSU mark-to-market recoveries that reduced our operating expenses in 2023 (compared to $2.3 million in 2022) may not repeat in the future.

Consolidated Financial Performance

($000s)	2023	2022	Increase/(decrease) $	%
Wealth management[1]	275,191	278,319	(3,128)	(1%)
Corporate finance	6,150	8,643	(2,493)	(29%)
Interest	48,833	37,581	11,252	30%
Insurance	15,381	17,807	(2,426)	(14%)
Other	5,564	11,622	(6,058)	(52%)
Revenue	351,119	353,972	(2,853)	(1%)
Variable advisor compensation	145,277	149,748	(4,471)	(3%)
Gross margin[2]	205,842	204,224	1,618	1%
Employee compensation and benefits	74,431	74,157	274	0%
Selling, general and administrative	63,802	60,449	3,353	6%
Corporate costs[3]	8,107	7,967	140	2%
Transformation costs and other provisions	4,514	8,634	(4,120)	(48%)
Operating expenses[4,5]	150,854	151,207	(353)	(0%)
EBITDA[4]	54,988	53,017	1,971	4%
Interest	14,706	10,797	3,910	36%
Depreciation and amortization	27,404	28,064	(661)	(2%)
Advisor award and loan amortization	18,387	17,267	1,120	6%
Income (loss) before income taxes	(5,509)	(3,111)	(2,398)	77%
Net income (loss) from continuing operations	(9,828)	(4,803)	(5,025)	105%
Adjusting items	4,514	8,634	(4,120)	(48%)
Adjusted results[4]:				
Operating expenses[5]	146,340	142,573	3,767	3%
EBITDA	59,502	61,651	(2,150)	(3%)
Income (loss) before income taxes	12,055	18,575	(6,520)	(35%)
Net income (loss)	3,108	11,100	(7,992)	(72%)
Cash flow:				
Cash provided by (used in) operating activities	(268,497)	(107,402)	(161,095)	150%
Free cash flow available for growth[4]	35,400	40,199	(4,799)	(12%)
Free cash flow[4]	(2,564)	(9,896)	7,332	(74%)

1. Wealth management revenue includes both fee revenue and commissions earned for trading activity in client accounts
2. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
3. Corporate costs refer to employee compensation and benefits and selling, general, and administrative expenses related to our corporate functions
4. Considered to be non-GAAP or supplementary financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
5. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.

2023 vs 2022

Net income (loss) from continuing operations

Net loss from continuing operations was $5.0 million or 105% higher than last year. Adjusted net income, which excludes transformation costs and other provisions and amortization of acquired intangibles, was down $8.0 million or 72%. Both metrics weakened largely because of lower EBITDA, higher interest costs, and increased tax expenses.

Adjusted EBITDA

Adjusted EBITDA was down $2.1 million or 3%. The Adjusted EBITDA margin was 16.9%, down from 17.4% in 2022. The main reasons for the change in Adjusted EBITDA are discussed below.

Revenue

Revenue was down $2.9 million or 1%, primarily due to the following factors:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Other revenue	(6.1)	Fell partly because we ceased operating our carrying broker platform in 2023 and relinquished some ancillary sources of revenue to achieve cost efficiencies and scalability. Lower foreign exchange revenues and the expected loss of a third-party carrying broker contract also contributed to the decline.
Wealth management	(3.1)	Decreased as a $4.4 million decline in performance fee revenue was partly offset by $1.3 million of higher other fees and trading commissions. Performance fees are charged by several of our advisors in Q1 of each year based on performance in the prior calendar year, and they declined because market performance in 2022 was weaker than in 2021. Fee revenue (other than performance fees) was up because there has been a shift in our AUA mix towards higher yielding fee-based AUA; a positive development that is consistent with our strategic objectives. Average AUA, which drives revenue, was essentially flat as market growth and net new assets offset the impact of advisor departures.
Corporate finance	(2.5)	Declined due to continued market-wide weakness in new issue activity that the industry has witnessed since early 2022.
Insurance	(2.4)	Was down due to a single large insurance commission we recorded last year and despite a broad increase in insurance sales across our network in 2023.
Interest	11.3	Increased as rates rose steadily throughout 2022 and the first half of 2023, and even though client cash balances and margin loans have declined. For further details on cash balance and margin loan trends, see the "Financial Condition" section of this MD&A.

The decrease in revenue was more than offset by a decline in variable advisor compensation, and as a result gross margin was up by $1.6 million or 1%. Variable advisor compensation was lower because of a change in the mix of our revenue.

Adjusted Operating Expenses

Adjusted operating expenses were up $3.8 million or 3% because:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	3.4	Increased due to return to work and travel, new technology platforms (Envestnet), and lower sales tax recoveries. These increases were partly counteracted by lower annual performance fees paid to third-party managers (an offset to performance fee revenue discussed above in the full year commentary) and a decrease in securities borrowing costs.
Compensation	0.3	Was consistent with 2022 as mark-to-market recoveries on RSUs were largely offset by higher expenses on those programs. The new RSU program that we launched in 2021 did not reach a steady-state level of expense until 2023 due to the three-year vesting period on the RSU grants. Although migrating our carrying broker functions to Fidelity helped reduce compensation expenses in 2023, those savings were offset by the effects of annual inflationary salary increases, hiring, and benefits program changes.

Cash Flow

Free cash flow available for growth was down $4.8 million or 12%, driven primarily by higher interest costs (lower earnings). *Free cash flow* increased by $7.3 million or 74%, as reduced expenditures on office build outs and our transformation were partly offset by advisor recruiting payments, legacy legal matter settlements ($2 million of which is reported in discontinued operations), and interest expenses. Please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A for more detail on our cash flow calculations.

Q4 2023 Financial Performance

	For the three months ended						
	December 31,	September 30,	Increase/(decrease)		December 31,	Increase/(decrease)	
($000s)	2023	2023	$	%	2022	$	%
Wealth management[1]	68,254	70,157	(1,903)	(3%)	67,481	774	1%
Corporate finance	1,490	1,314	175	13%	1,860	(371)	(20%)
Interest	11,170	11,901	(731)	(6%)	13,015	(1,845)	(14%)
Insurance	4,853	3,126	1,727	55%	3,357	1,495	45%
Other	985	1,338	(353)	(26%)	2,818	(1,833)	(65%)
Revenue	86,752	87,836	(1,084)	(1%)	88,531	(1,779)	(2%)
Variable advisor compensation	35,866	36,012	(146)	(0%)	35,276	590	2%
Gross margin[2]	50,886	51,824	(939)	(2%)	53,255	(2,369)	(4%)
Employee compensation and benefits	18,860	17,319	1,541	9%	18,257	603	3%
Selling, general and administrative	14,761	16,222	(1,461)	(9%)	16,068	(1,307)	(8%)
Corporate costs[3]	2,747	1,351	1,396	103%	1,921	826	43%
Transformation costs and other provisions	—	—	—	n/a	2,622	(2,622)	(100%)
Operating expenses[4,5]	36,368	34,892	1,476	4%	38,868	(2,499)	(6%)
EBITDA[4]	14,518	16,932	(2,414)	(14%)	14,387	131	1%
Interest	3,994	3,527	466	13%	3,293	701	21%
Depreciation and amortization	6,849	6,856	(7)	(0%)	7,851	(1,002)	(13%)
Advisor award and loan amortization	5,844	4,457	1,387	31%	4,634	1,210	26%
Income (loss) before income taxes	(2,169)	2,092	(4,261)	(204%)	(1,391)	(778)	56%
Net income (loss) from continuing operations	(2,882)	(189)	(2,693)	1425%	(991)	(1,891)	191%
Adjusting items	—	—	—	n/a	2,622	(2,622)	(100%)
Adjusted results[4]:							
Operating expenses[5]	36,368	34,892	1,476	4%	36,246	122	0%
EBITDA	14,518	16,932	(2,414)	(14%)	17,009	(2,491)	(15%)
Income (loss) before income taxes	1,094	5,355	(4,260)	(80%)	4,493	(3,398)	(76%)
Net income (loss)	(483)	2,209	(2,692)	(122%)	3,500	(3,983)	(114%)
Cash flow:							
Cash provided by (used in) operating activities	2,834	16,624	(13,790)	(83%)	(93,752)	96,586	(103%)
Free cash flow available for growth[4]	8,312	11,180	(2,868)	(26%)	10,761	(2,450)	(23%)
Free cash flow[4]	(9,612)	6,151	(15,764)	(256%)	(4,011)	(5,601)	140%

1. Wealth management revenue includes both fee revenue and commissions earned for trading activity in client accounts
2. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
3. Corporate costs refer to employee compensation and benefits and selling, general, and administrative expenses related to our corporate functions
4. Considered to be non-GAAP or supplementary financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A.
5. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.

Q4 2023 vs Comparative Periods

Net income (loss) from continuing operations

Q4 2023 vs Q4 2022

Net loss from continuing operations was $1.9 million higher than last year. Adjusted net loss was $0.5 million, compared to adjusted net income of $3.5 million last year. These metrics worsened because of higher interest, advisor award and loan amortization, and tax expenses. Advisor award and loan amortization was up primarily because of recruiting loans granted in 2023.

Q4 2023 vs Q3 2023

Net loss from continuing operations was $2.7 million higher than last quarter. Adjusted net loss of $0.5 million compares to $2.2 million of adjusted net income last quarter. Our results weakened sequentially because of lower EBITDA (see discussion below), as well as higher advisor award and loan amortization.

Adjusted EBITDA

Adjusted EBITDA was down $2.5 million or 15% compared to last year and $2.4 million or 14% compared to last quarter. The main drivers of the change in Adjusted EBITDA are discussed below.

Revenue

Q4 2023 vs Q4 2022

Revenue was down $1.8 million or 2%, primarily due to:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Interest	(1.8)	Decreased due to lower cash balances and margin loans and despite an increase in the prime rate.
Other revenue	(1.8)	Declined for the same reasons as cited above in the full year commentary.
Insurance	1.5	Increased due to higher sales activity. Insurance commissions are often sizable and as a result revenue can vary from quarter to quarter.
Wealth management	0.8	Grew because of higher average AUA and the AUA mix shift that we described in the full year commentary above.

Further to the decrease in revenue, variable advisor compensation was $0.6 million higher, and as a result gross margin was down $2.4 million or 4%. Variable advisor compensation was higher because of a change in the mix of our revenue.

Q4 2023 vs Q3 2023

Revenue was down $1.1 million or 1%, primarily due to:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Wealth management	(1.9)	Decreased due to a decline in average AUA. The impact of advisor team departures outweighed positive market and recruiting trends.
Interest	(0.7)	Declined due to lower cash and margin loan balances
Insurance	1.7	Increased for the reasons cited above in the Q4 2023 vs Q4 2022 commentary

Adjusted Operating Expenses

Q4 2023 vs Q4 2022

Adjusted operating expenses were flat compared to last year:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	(1.3)	Decreased mainly as a result of lower costs incurred for our annual conference (costs were elevated in Q4 of last year due to timing). There were various other variances, including those related to the timing of sales tax recoveries, all of which were offsetting.
Corporate costs	0.8	Increased mainly because we recorded $0.4 million of mark-to-market *expenses* on DSUs this quarter compared to $0.6 million of mark-to-market *recoveries* on DSUs in Q4 2022. Our Board may elect to receive DSUs in lieu of cash compensation.
Compensation	0.6	Was up primarily because of $0.8 million of mark-to-market *recoveries* on RSUs that we recorded in Q4 2022

Q4 2023 vs Q3 2023

Adjusted operating expenses were up $1.5 million or 4% primarily because:

(all figures in $millions)

Categories of Expense	Change	Explanation
Compensation	1.5	Increased mainly due to $2.5 million of *lower* mark-to-market recoveries on RSUs, partly offset by RSU forfeitures of $0.6 million
Corporate costs	1.4	Rose as we recorded $0.4 million of mark-to-market *expenses* on DSUs this quarter compared to $1.0 million of mark-to-market *recoveries* on DSUs last quarter
SG&A	(1.5)	Declined primarily because of lower consulting and legal expenses

Cash Flow

Q4 2023 vs Q4 2022

Free cash flow available for growth of $8.3 million was down $2.4 million or 23% primarily due to lower adjusted earnings. *Free cash flow* was down $5.6 million as advisor recruiting payments, legacy legal matter settlements, and lower earnings outweighed reduced expenditures on office build outs and transformation costs.

Q4 2023 vs Q3 2023

Free cash flow available for growth was down $2.9 million or 26% primarily due to lower earnings. *Free cash flow* was negative $9.6 million compared to positive $6.2 million in the prior quarter. This $15.8 million change was driven by higher advisor recruiting payments and lower earnings.

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of December 2023 and 2022.

($000s, except as otherwise indicated)	2023	2022	Increase/ (decrease)
Selected highlights:			
Total assets	1,379,983	1,699,654	(19%)
Shareholders' equity	330,539	346,921	(5%)
Debt	110,922	110,922	—
Net working capital[1]	81,208	95,224	(15%)
Debt:			
Revolving credit facility	80,500	80,500	—
Preferred share liability	30,422	30,422	—
	110,922	110,922	—
Ratios[1]:			
Total debt to Adjusted EBITDA	1.9	1.8	4%
Adjusted EBITDA to interest[2]	5.2	7.4	(29%)

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

2023 vs 2022

Total assets decreased by 19% from December 31, 2022, due to lower client cash balances and margin loans. Assets decreased primarily because advisors moved their clients' cash into higher yielding fixed income and other instruments. Client cash is reported on our balance sheet[3] but other types of client investments (e.g. Guaranteed Investment Certificates or publicly traded equities) are not, so any shift in AUA away from cash into other instruments affects our reported assets. Margin loans declined as clients reduced their credit exposure due to continued market volatility and rising interest rates.

Shareholders' equity decreased by 5% due to the $11.9 million net loss (including the $2.1 million net loss from discontinued operations) that we reported for the year ended December 31, 2023, and $4.3 million of preferred share dividends.

Revolving Credit Facility

We have a $200 million revolving credit facility with a syndicate of lenders. As of December 31, 2023, we had drawn $80.5 million against the facility, unchanged from the end of 2022. Combined with our strong current and expected future operating cash flows and our excess working capital, the facility provides us with funding and flexibility to accelerate our organic growth, recruiting and other strategic initiatives. For further information, see Note 21 to the 2023 Annual Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at December 31, 2023 we complied with all four covenants.

[3] Client cash was reported as *cash and cash equivalents* on our balance sheet up to December 31, 2022. When we outsourced our carrying broker operations to Fidelity Clearing Canada on January 1, 2023, we began to report this cash in the *Receivable from Brokers* line on our balance sheet.

Liquidity

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

Working Capital and Cash Flow

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

As at December 31, 2023, we had working capital[4] of $81.2 million.

Liquid Assets

Liquid assets are comprised of cash, cash equivalents, and certain government securities. We hold our cash across several financial institutions, all of which have high credit ratings. We had $81.4 million of liquid assets[4] at December 31, 2023, down from $368.5 million at December 31, 2022. The decline in liquid assets is related to the outsourcing of our carrying broker operation. We previously reported the cash that we held on behalf of our clients as part of our liquid assets, but now that Fidelity Clearing Canada holds that cash we report it in our "Receivable from brokers" balance and that is not considered to be a liquid asset. For further information, see Note 23 to the 2023 Annual Financial Statements.

Capital Requirements of Subsidiaries

Certain of our subsidiaries are subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Our capital levels complied with all regulatory requirements during Q4 2023.

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

Share Information

At the date of this report, February 29, 2024, we had 15.8 million common shares issued and outstanding (Common Shares). In addition, there were 55,000 unexercised stock options outstanding, with a weighted average exercise price of $19.23 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

Release of Escrowed Shares

In Q4 2023, and in accordance with the terms of the Richardson Wealth share purchase agreement and related escrow agreement, the final 30% of common shares subject to escrow were released and delivered to the vendor shareholders.

Normal Course Issuer Bid

On March 4, 2022, we announced that the TSX approved our notice of intention to make a Normal Course Issuer Bid (NCIB) to purchase up to a maximum of 548,571 Common Shares during the period from March 9, 2022, to March 8, 2023, or such earlier time as we completed our purchases pursuant to the bid or provide notice of termination. During 2022, we repurchased 61,102 Common Shares for cancellation under our NCIB and, in Q1 2023, we repurchased a further 23,692 shares.

We chose to not renew our NCIB in 2023. While Management and the Board still believe that the market price of the Company's shares may not fully reflect the intrinsic value of the business from time to time, they also believe that there are other, higher return options for deploying the Company's capital.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) key management personnel, which are comprised of our directors and/or officers and entities that are controlled (directly or indirectly) by key management personnel; and (b) shareholders who can significantly influence our operations. For further information on Related-Party Transactions, please refer to Note 13 to the 2023 Annual Financial Statements.

Material Accounting Policies and Estimates

Our material accounting policies are essential to an understanding of our reported results of operations and financial position. Except as explained in Note 3 to the 2023 Annual Financial Statements, the accounting policies applied by us as at and for the year ended December 31, 2023, are the same as those applied by us as at and for the year ended December 31, 2022. Please refer to Note 3 to the 2023 Annual Financial Statements for further information.

The most significant areas for which we must make estimates and judgments include: goodwill and intangible assets; income taxes and deferred tax assets and liabilities; provisions, including legal and restructuring charges; share-based compensation and financial instruments measured at fair value. We make judgments in assessing assets for impairment as well as assessing whether performance obligations have been fulfilled under revenue contracts. Please refer to Note 2 to the 2023 Annual Financial Statements for more information.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in our trading and non-trading activities during the year ended December 31, 2023.

Please refer to Note 3 to the 2023 Annual Financial Statements for more information.

Future Changes in Accounting Policies or Estimates

We continuously monitor the changes proposed by the International Accounting Standards Board and analyze the effect that changes in the standards may have on the Company. For a summary of future changes in accounting policies or estimates refer to Note 3 to the 2023 Annual Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of December 31, 2023, management evaluated the effectiveness of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

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

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

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

Management has evaluated the effectiveness of internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at December 31, 2023.

Changes in Internal Control over Financial Reporting

As we outsourced our carrying broker operations to Fidelity on January 1, 2023, there were changes to certain processes and personnel resulting in changes in our internal control over financial reporting. We modified or established new internal controls, where appropriate, to address the change in operations and organizational structure including, but not limited to, ensuring user entity complementary controls are in place where we rely on our service provider for processes such as custody, clearing, and settlement. We are now reliant on certain controls at Fidelity, and, based on its CSAE 3416 report for the period from October 1, 2022 to September 30, 2023, believe that those controls are operating effectively.

There were no other changes in our internal control over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

Risk Management

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

The Company has a fit-for-purpose risk governance structure under which the Board of Directors of RF Capital (The Board) is accountable for setting the strategic direction of the Public Company, including its risk appetite. The Board oversees the Company's key risks through dedicated Committees. It is supported by the Board of the Company's regulated entity (REB) and management-level risk committees. The Company's regulated entity is Richardson Wealth (the Regulated Entity or RE). Under the Company's risk management framework, senior management reports on key risk issues to at least one of the Board committees on a quarterly basis.

Risk Committee

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

Audit Committee

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

Governance Committee

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

Management Resources and Compensation Committee

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

Regulated Entity Risk Management Framework

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

The Company's REB, through the Executive Risk Management Committee (ERMC), is accountable for effectively managing the nine significant areas of risk in the Regulated Entity (as noted in the chart below), ensuring that each risk segment and the overall business is operating within the Company's risk appetite. The RE's Board is chaired by the CEO of RF Capital, who is also the CEO and Ultimate Designated Person (UDP) of the RE. It includes the RE CRO and the CFO of the RE, as well as the other owners of the entity's significant areas of risk. The RE ERMC is chaired by the RE CRO, and its members include the CEO of RF Capital, who is also the CEO and Ultimate Designated Person (UDP) of the RE, and the RE CFO and RE COO who are the Registered Officers. The risks the RE faces are actively managed and monitored and the ERMC meets regularly to review the significant risk areas, assessing core and emerging risks, risk trends, relevant policies, risk assessments, and associated risk management action plans.

Significant Areas of Risk at the Regulated Entity

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

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

Strategic Risk

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

Reliance on Attracting and Retaining Investment Advisors

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

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

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

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

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

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

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

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

Significant Industry Competition May Adversely Affect Results

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

Emergence of Non-Traditional Competitors

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

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

On December 31, 2023, RFGL owned approximately 44% of the Company's issued and outstanding Common Shares. For so long as RFGL owns at least 33% of the Common Shares, it will have the ability to exercise certain influence with respect to the affairs of the Company and will have the ability to prevent certain fundamental transactions. Accordingly, the Common Shares may be less liquid and trade at a discount compared to circumstances where RFGL did not have the ability to influence or determine matters affecting the Company. Additionally, RFGL's significant interest in the Company and its voting rights afforded in respect of certain fundamental transactions undertaken by Company for so long as it maintains a certain threshold ownership may discourage transactions involving a change of control of the Company, including transactions in which a holder of the Common Shares might otherwise receive a premium for its Common Shares over the then-current market price.

Restrictions Under the Company's Revolving Credit Facility

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

Financial Risks

Risks Related to the Series B Preferred Shares

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

For further information please see Note 15 to the 2023 Annual Financial Statements.

Product Risks

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

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

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

Operational Risks

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

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

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

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

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

Operations are Dependent on Systems

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

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

Risk Management Policies and Procedures May Not Be Fully Effective

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

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

Pandemics May Disrupt the Company's Operations or Impair its Financial Performance

Pandemic risk is the risk that a large-scale outbreak of an infectious disease may cause widespread social and economic disruption. The global outbreak of COVID-19 and the declaration of a pandemic by the World Health Organization ("WHO") in March 2020 caused a significant disruption in economic activity and resulted in a sharp downturn in global equity markets which impacted the normal operation of the Company's business and its financial performance.

Although the Company has systems, processes, and procedures in place that would mitigate the impact of any pandemic, such an event could still disrupt the Company's operations and impair its financial performance. Any pandemic could also disrupt the business and operations of third-party service providers who perform critical services for the Company and adversely impact the Company's ability to deliver services to its advisors and clients.

Although the Company limited the harm associated with the COVID-19 pandemic, there is a risk that its systems, processes, and procedures may not be successful in the event of future pandemics.

Legal Risk

The Company and its subsidiaries are a party to a number of claims, proceedings, and investigations, including legal and regulatory matters, in the ordinary course of its business. See "Legal Proceedings" in our 2023 AIF for details of certain ongoing legal proceedings. While there is inherent difficulty in predicting the outcome of such matters, based on its current knowledge, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated financial position or results of operations.

The Company May Be Exposed to Liability and Litigation

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

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

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

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

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

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

Compliance, Regulatory and Credit Risks

Compliance and Regulatory Risk

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

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

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

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

Credit Risk and Exposure to Financial Losses

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

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

Non-GAAP and Supplementary Financial Measures

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

Non-GAAP Financial Measures

A non-GAAP financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our 2023 Annual Financial Statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

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

EBITDA

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

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

The following table reconciles our reported net income/(loss) to adjusted EBITDA:

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
Income tax expense (recovery)	4,319	1,692
Income (loss) before income taxes - reported	(5,509)	(3,111)
Interest	14,706	10,797
Advisor award and loan amortization	18,387	17,267
Depreciation and amortization	27,404	28,064
EBITDA	54,988	53,017
Transformation costs and other provisions	4,514	8,634
Adjusted EBITDA	59,502	61,651

Operating Expenses

Operating expenses include:

- Employee compensation and benefits.
- Selling, general, and administrative expenses.
- Transformation costs and other provisions.

These are the expense categories that factor into the EBITDA calculation discussed above.

Fee Revenue

Fee revenue represents the fees that our advisors generate for providing wealth management services and investment advice to their clients. The majority of fee revenue is fees charged to clients as a percentage of AUA, which we often refer to as recurring fee revenue because of the fact that the revenue tends to be less volatile than other types of revenue such as trading commissions. Fee revenue also includes performance fees, which are charged by several of our advisors in the first quarter of each year based on performance in the prior calendar year and therefore experience more volatility.

Commissionable Revenue

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

Adjusted Results

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

Adjusted EBITDA Margin

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

Adjusting items in this MD&A include the following:

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

All adjusting items affect reported expenses.

Adjusted Operating Expenses

The following table reconciles our reported operating expenses to adjusted operating expenses:

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
Total expenses - reported	211,351	207,335
Interest	14,706	10,797
Advisor award and loan amortization	18,387	17,267
Depreciation and amortization	27,404	28,064
Operating expenses	150,854	151,207
Transformation costs and other provisions	4,514	8,634
Adjusted operating expenses	146,340	142,573

Adjusted Operating Expense Ratio

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

Free Cash Flow Available for Growth

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

Free Cash Flow

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

The following table reconciles our reported cash provided by (used in) operating activities to free cash flow available for growth and free cash flow:

($000s)	2023	2022
Cash provided by (used in) operating activities - reported	(268,497)	(107,402)
Net change in non-cash operating items	308,259	151,394
Capital expenditures - maintenance	(2,319)	(3,649)
Lease payments	(8,621)	(8,779)
Net loss from discontinued operations	2,064	—
Transformation costs and other provisions (pre-tax)	4,514	8,635
Free cash flow available for growth	35,400	40,199
Advisor loans net of repayments	(16,085)	(13,477)
Capital expenditures - office build outs (net of lease inducements)	(2,868)	(25,394)
Net loss from discontinued operations	(2,064)	—
Transformation costs and other provisions (pre-tax)	(4,514)	(8,635)
Net change in provisions	(12,433)	(2,589)
Free cash flow	(2,564)	(9,896)

Adjusted Net Income

The following table provides a reconciliation of our reported net income/(loss) to adjusted net income/(loss):

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
After-tax adjusting items:		
Transformation costs and other provisions	3,344	6,309
Amortization of acquired intangibles	9,592	9,594
Adjusted net income (loss)	3,108	11,100
Earnings per common share from continuing operations:		
Basic	(0.93)	(0.95)
Diluted	(0.93)	(0.95)
Adjusted earnings per common share:		
Basic	(0.08)	0.71
Diluted	(0.08)	0.43

Supplementary Financial Measures

An SFM is a financial measure that is not reported in our 2023 Annual Financial Statements, and is, or is intended to be, reported periodically to represent historical or expected future financial performance, financial position, or cash flows. The Company's key SFMs disclosed in this MD&A include AUA, working capital, recruiting pipeline, and net new and recruited assets. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of a SFM is provided in this MD&A where the measure is first disclosed if the SFM's labeling is not sufficiently descriptive.

RF Capital Group Inc.

Consolidated Financial Statements

December 31, 2023 and 2022

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818
www.kpmg.ca

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, 2023 and December 31, 2022;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of material accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

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, 2023. 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, 2023 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 new initiatives in the Entity's long-term strategic plan.

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

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate by 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.

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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

February 29, 2024

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, 2023. 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
February 29, 2024

Consolidated Balance Sheets

($ thousands) As at December 31,	Note	2023	2022
ASSETS			
Cash and cash equivalents	23	80,829	367,848
Securities owned	5,20	613	673
Receivable from:	20,23		
Clients		254,989	377,096
Brokers	7	560,387	61,204
Client funds held in trust	20,23	—	367,316
Employee and other loans receivable	8,20	48,597	45,410
Equipment and leasehold improvements	9	34,801	37,452
Right-of-use assets	10	47,433	52,809
Other assets	6,20	15,092	34,895
Deferred tax assets	14	11,622	17,370
Goodwill and intangible assets	11	325,620	337,581
		1,379,983	1,699,654
LIABILITIES			
Payable to:	20,23		
Clients		764,592	1,034,808
Brokers		—	24,650
Accounts payable and accrued liabilities	16,20	61,207	50,966
Debt	20,21	110,922	110,922
Provisions	17	12,301	24,734
Lease liabilities		59,675	62,448
Deferred tax liability	14	40,747	44,205
		1,049,444	1,352,733
EQUITY			
Common shares	15	461,523	462,935
Preferred shares	15	112,263	112,263
Contributed surplus		46,726	46,151
Accumulated other comprehensive income		20,293	19,652
Accumulated deficit		(310,266)	(294,080)
Shareholders' equity		330,539	346,921
		1,379,983	1,699,654

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

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald Wright
Chair of the Board

Consolidated Statements of Income (Loss)

($ thousands) For the years ended December 31,	Note	2023	2022
REVENUE			
Wealth management		275,191	278,319
Corporate finance		6,150	8,643
Interest		48,833	37,581
Other		20,945	29,429
Total Revenue	4	351,119	353,972
Variable advisor compensation		145,277	149,748
Gross Margin		205,842	204,224
EXPENSES			
Employee compensation and benefits		79,639	80,928
Selling, general and administrative		71,215	70,279
Advisor award and loan amortization	12	18,387	17,267
Interest		14,706	10,797
Depreciation and amortization	9,10,11	27,404	28,064
		211,351	207,335
Loss before income taxes		(5,509)	(3,111)
Income tax expense/(recovery)			
Current	14	2,029	1,938
Deferred	14	2,290	(246)
		4,319	1,692
Net income/(loss) from continuing operations		(9,828)	(4,803)
Net income/(loss) from discontinued operations	25	(2,064)	—
Net income/(loss)		(11,892)	(4,803)
Weighted-average number of common shares outstanding: (in thousands)			
Basic	19	15,230	9,601
Diluted		15,566	15,854
Net loss per common share (dollars) from continuing operations:			
Basic	19	(0.93)	(0.95)
Diluted		(0.93)	(0.95)
Net loss per common share (dollars):			
Basic	19	(1.07)	(0.95)
Diluted		(1.07)	(0.95)

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,	2023	2022
Net income/(loss)	**(11,892)**	(4,803)
Other comprehensive income/(loss)		
Item that may be subsequently reclassified to net income/(loss):		
Foreign currency translation gain/(loss) from continuing operations	—	(4)
Total other comprehensive income/(loss)	—	(4)
Total comprehensive income/(loss) attributable to shareholders	**(11,892)**	(4,807)

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

Consolidated Statements of Changes in Equity

($ thousands)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
As at December 31, 2021		4,600	112,263	156,400	464,667	44,103	18,842	(284,985)	354,890
Net foreign currency translation gain	20	—	—	—	—	—	(4)	—	(4)
Common shares purchased and cancelled	15	—	—	(140,830)	(1,732)	187	814	—	(731)
Share-based compensation	16	—	—	—	—	1,861	—	—	1,861
Preferred share dividends	15	—	—	—	—	—	—	(4,292)	(4,292)
Net loss		—	—	—	—	—	—	(4,803)	(4,803)
As at and for the period ended December 31, 2022		4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921
As at December 31, 2022		4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921
Common shares purchased and cancelled	15	—	—	(50)	(1,710)	502	641	—	(567)
Share-based compensation	16	—	—	46	298	73	—	(2)	369
Preferred share dividends	15	—	—	—	—	—	—	(4,292)	(4,292)
Net loss		—	—	—	—	—	—	(11,892)	(11,892)
As at and for the period ended December 31, 2023		4,600	112,263	15,566	461,523	46,726	20,293	(310,266)	330,539

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

Consolidated Statements of Cash Flows

($ thousands) For the years ended Dec 31,	Note	2023	2022
OPERATING ACTIVITIES			
Net income/(loss)		(11,892)	(4,803)
Add/(deduct) items not involving cash:			
Depreciation and amortization	9,10,11	27,404	28,064
Advisor award and loan amortization	12	18,387	17,267
Accretion of lease liability expense		3,573	3,710
Deferred income taxes	14	2,290	(246)
		39,762	43,992
Net change in non-cash operating items	22,23	(308,259)	(151,394)
Cash provided by (used in) operating activities		(268,497)	(107,402)
FINANCING ACTIVITIES			
Dividends paid on preferred shares	15	(4,292)	(4,292)
Purchase of shares for cancellation	15	(422)	(731)
Lease payments		(8,621)	(8,779)
Cash provided by (used in) financing activities		(13,335)	(13,802)
INVESTING ACTIVITIES			
Intangibles	11	(1,730)	(2,656)
Equipment and leasehold improvements, net of inducements	9	(3,457)	(26,387)
Cash provided by (used in) investing activities		(5,187)	(29,043)
Effect of foreign exchange on cash balances		—	(4)
Net change in cash and cash equivalents		(287,019)	(150,251)
Cash and cash equivalents, beginning of year		367,848	518,099
Cash and cash equivalents, end of year		80,829	367,848
Supplemental cash flow information relating to operating activities			
Interest paid		10,786	10,405
Interest received		49,498	36,130
Taxes paid		(2,024)	(1,716)

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

Note 1 – Corporate Information

RF Capital Group Inc. (RF Capital or the Company), is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 100 Queens Quay East, Suite 2500, Toronto, Ontario, M5E 1Y3. The Company's common shares and Series B preferred shares are listed on the Toronto Stock Exchange (TSX) under the symbols RCG and RCG.PR.B respectively. The Company is the parent company of its wholly owned operating subsidiary Richardson Wealth Limited (Richardson Wealth) and RF Securities Clearing LP (RF Securities). Richardson Wealth is a member of the Canadian Investment Regulatory Organization (CIRO) and a member of the Canadian Investor Protection Fund (CIFP). In 2023, RF Securities surrendered its registration with CIRO.

On January 1, 2023, the Company transitioned from a self-clearing to a Type 3 Introducing Broker with the transfer of its carrying broker operations to Fidelity Clearing Canada ULC.

Note 2 – Basis of Preparation

a. Basis of Presentation

These consolidated financial statements of the Company have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The Company's consolidated financial statements are prepared on a historical cost basis except for certain financial instruments and cash-settled RSUs 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 February 29, 2024.

b. Principles of Consolidation

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

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

c. Critical Accounting Estimates and Use of Judgment

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

Note 3 – Material Accounting Policies

a. Cash and Cash Equivalents

Cash is comprised of cash on deposit and cash equivalents including highly liquid investments such as interest-bearing treasury bills and bankers' acceptances with original maturities of three or fewer months that are convertible into cash. The Company may be required, from time-to-time, to restrict cash.

b. Financial Instruments

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

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

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

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

c. Impairment of Financial Assets

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

d. Receivable from and Payable to Clients

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

e. Employee and other loans receivable

The Company advances 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. Employee loans are typically amortized over the term of the loan using the straight-line method and amortization is recorded in advisor award and loan amortization expense on the Consolidated Statements of Income.

f. Equipment and Leasehold Improvements

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

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

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

g. Goodwill

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

h. Intangible Assets

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

Application software	3 years
Insurance customer relationships	Average life expectancy of individual policies
Portfolio management platform	7 years
Brand	10 years
Customer relationships	15 years, 11 years remaining

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

i. Impairment of Non-Financial Assets

Goodwill

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

Intangible Assets

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

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

j. Revenue Recognition

The Company recognizes revenue when 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.

The main types of revenue contracts are as follows:

Wealth management: 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.

Corporate finance: 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.

Interest: 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.

k. Share-Based Compensation

Share Option Awards

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

Restricted Share Unit, Performance Share Unit Plans

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

Deferred Share-Based Awards

The Company uses the average closing price of the Company's common shares as per the plan to estimate the fair value of the DSUs on grant date. Average price is used to give a fair assessment on grant date as the stock is thinly traded and is used to avoid single day volatility. 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. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and recognition is spread over the remaining vesting period to the extent that they relate to future services. Remeasurements after the vesting period are recognized immediately in full 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.

l. Provisions

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

m. Income Taxes

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

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

Current Income Tax

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

Current income tax 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.

In May 2021, the IASB issued an amendment to IAS 12 Income Taxes (IAS 12) which is effective for our fiscal year beginning January 1, 2023. The amendment narrows the IAS 12 exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. lease liability and right of use assets). Upon adoption of this amendment the Company has recorded separate deferred tax assets and liabilities related to the assets and liabilities that give rise to these temporary differences. There is no impact on the Company's consolidated balance sheet, as the balances are eligible for an offset when levied by the same tax authority. The change impacts disclosure in Note 14 only.

n. Leases

Right-Of-Use Assets

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

Lease liabilities

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

o. Preferred Shares

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

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.

p. Future Changes in Accounting Policies

The Company monitors for changes in standards proposed by the IASB and analyzes the effect those changes may have on the Company's financial reporting and disclosures. For the year ended December 31, 2023, there were no significant changes in accounting policies and no new standards which are expected to impact the Company's consolidated financial statements. Beginning January 1, 2024, there is an amendment to IAS 1 affecting the classification of non-current liabilities with covenants.

q. Functional Currency

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

($ 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.

	2023	2022
Commissions	17,375	21,429
Fee revenue	255,707	254,802
Corporate finance	6,150	8,643
Other customer revenue	17,914	22,374
Revenue - contracts with customers	297,146	307,248
Interest revenue	48,833	37,581
Other revenue	5,140	9,143
Total revenue	351,119	353,972
Timing of revenue recognition		
Point in time	23,525	30,072
Over time	273,621	277,176
Revenue - contracts with customers	297,146	307,248
Interest revenue	48,833	37,581
Other revenue	5,140	9,143
Total revenue	351,119	353,972

In 2023, the Company recategorized certain revenues in order to provide more relevant and transparent disclosure. Comparative periods were realigned to conform to the current period presentation.

Other Income

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

	2023	2022
Insurance commissions	15,381	17,807
Foreign exchange	4,370	6,093
Brokerage services[1]	—	2,245
Securities lending[1]	—	1,819
Other	1,194	1,465
	20,945	29,429

[1]Effective January 1, 2023, the Company no longer provides brokerage services and securities lending.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 5 – Securities Owned

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

	2023	2022
Debt securities:		
Canadian and U.S. federal governments	—	23
Canadian provincial and municipal governments	—	173
Corporate and other	—	107
Equity securities	450	346
Derivative financial instruments	163	24
	613	673

Note 6 – Other Assets

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

	2023	2022
Accounts receivable	6,602	26,470
Prepaid deposits	8,490	8,425
	15,092	34,895

Note 7 – Securities Borrowed

The following table presents a breakdown of the Company's securities borrowed and the corresponding cash delivered as collateral. As of January 1, 2023, the Company no longer provides securities borrowing and lending services.

	Securities borrowed	Cash delivered as collateral
As at December 31, 2023	—	—
As at December 31, 2022	33,525	34,487

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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.

	2023	2022
Investment advisor loans	39,421	39,561
Transition agreements for retirees	4,847	1,030
Other loans	4,329	4,819
	48,597	45,410

As at December 31, 2023, the current portion of employee loans is $12,389 (2022 - $20,423)

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.

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 transition loans are interest free, and terms vary with the individual circumstances.

Other loans

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

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 9 – Equipment and Leasehold Improvements

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

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Cost								
As at January 1	**7,885**	3,795	**8,028**	5,103	**37,481**	35,042	**53,394**	43,940
Additions, net of inducements	**1,067**	4,629	**1,003**	3,657	**1,387**	18,101	**3,457**	26,387
Disposals and write-offs	**—**	(539)	**—**	(732)	**—**	(15,662)	**—**	(16,933)
As at December 31	**8,952**	7,885	**9,031**	8,028	**38,868**	37,481	**56,851**	53,394
Accumulated depreciation								
As at January 1	**1,978**	1,846	**2,972**	2,332	**10,992**	24,221	**15,942**	28,399
Depreciation	**1,010**	671	**1,579**	1,372	**3,519**	2,433	**6,108**	4,476
Disposals and write-offs	**—**	(539)	**—**	(732)	**—**	(15,662)	**—**	(16,933)
As at December 31	**2,988**	1,978	**4,551**	2,972	**14,511**	10,992	**22,050**	15,942
Net book values								
As at December 31	**5,964**	5,907	**4,480**	5,056	**24,357**	26,489	**34,801**	37,452

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.

	2023	2022
As at January 1	**52,809**	19,547
Additions	**2,229**	43,623
Amortization	**(7,605)**	(10,361)
As at December 31	**47,433**	52,809

Lease expense and accretion of lease liability expense can be found in the Statement of Cash Flows.

During 2023, the Company entered into six lease extension agreements and one new lease agreement. In 2022, the Company entered into three new lease agreements.

($ 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:

		Intangible Assets			
	Goodwill	Customer relationships	Portfolio management platform	Brand and other	Total
Cost					
As at January 1, 2022	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
Additions	—	371	1,302	57	1,730
As at December 31, 2023	164,957	197,503	5,031	649	368,140
Accumulated amortization					
As at January 1, 2022	—	15,595	—	66	15,661
Amortization	—	13,109	—	118	13,227
Disposals	—	—	—	(59)	(59)
As at December 31, 2022	—	28,704	—	125	28,829
Amortization	—	13,107	534	50	13,691
As at December 31, 2023	—	41,811	534	175	42,520
Net book value					
As at December 31, 2022	164,957	168,428	3,729	467	337,581
As at December 31, 2023	164,957	155,692	4,497	474	325,620

Intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth completed in 2020. As at December 31, 2023, the Company determined there were no indicators of impairment relating to its finite life intangible assets.

Goodwill is not amortized and is instead tested for impairment annually. In performing the impairment test, the Company estimates the value-in-use of the business or CGU and compares it to the carrying value. As at December 31, 2023, the Company determined there was no impairment relating to its goodwill.

The Company uses a discounted cash flow model to estimate the value-in-use of the business. For the year ended 2023, the Company projected cash flows for ten years based on historical operating and financial result trends and expected future business performance including the five-year earnings forecast approved by the board. The Company is focused on executing a growth strategy that will take five years to implement. Therefore, the Company projected cash flows past the five-year mark from the balance sheet date. Beyond ten years, cash flows were assumed to grow at perpetual rates of 5.0% (5.0% in 2022). The perpetual rate is based on assumptions around organic growth, inflation, recruitment, and attrition. The discount rate applied to these cash flows to determine the recoverable amount was 14.5% (16.0% in 2022) and was based on the Company's weighted average cost of capital (WACC). The cost of capital was estimated using a WACC 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. The key assumptions described above may change as market and economic conditions change.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 12 – Advisor award and loan amortization

The Company records any reduction in investment advisor loans as advisor award and loan amortization over the term of such loans. For the year ended December 31, 2023, the Company recorded advisor award and loan amortization of $17,541 (2022 – $17,267) and a corresponding reduction to loans outstanding.

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

The Company records the second recognition awards as advisor award and loan amortization over the three-year vesting period. For the year ended December 31, 2023, the Company recorded $846 (2022 – nil) as advisor award and loan amortization in the statement of income with a corresponding increase to Accounts payable and accrued liabilities.

Note 13 – Related Party Transactions and Balances

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

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

b. shareholders who can significantly influence the Company.

Related Party Balances

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

	2023	2022
Revenue		
Investment management and fee income	**71**	102
Interest income	**131**	56

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 $12 (2022 – $1,079) and payables to clients of $303 (2022 – $499) represent outstanding transactions where the Company executes security trades on either a cash or margin basis for key management personnel. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company. Interest on margin loans is based on market terms and conditions.

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

	2023	2022
Fixed salaries and benefits	2,834	2,336
Retirement allowance	311	20
Variable incentive-based compensation	2,042	1,565
Share-based compensation	1,670	1,513
Directors' fees	1,191	1,108
	8,048	6,542

Shareholder

Richardson Financial Group Limited (RFGL), a significant shareholder, holds $30,422 (2022 - $30,422) of redeemable preferred shares issued by a subsidiary of the Company, classified as financial liabilities (refer to Note 21). In 2023, the Company incurred $3,334 of related interest expense (2022 – $2,470). RFGL and its wholly owned affiliate collectively own approximately 6.97 million common shares (2022 – 6.97 million), representing 44.2% (2022 – 44.1%) of the issued and outstanding common shares.

Note 14 – Income Tax

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

	2023	2022
Current tax expense	2,029	1,938
Deferred tax expense		
Origination and reversal of temporary differences	2,290	(246)
Total income tax expense	4,319	1,692

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

	2023		2022	
	Amount	Rate	Amount	Rate
Income tax expense at the combined Canadian federal and provincial statutory tax rate	(2,007)	26.5%	(824)	26.5%
Non-deductible expenses	785	(10.4%)	1,851	(59.5%)
Tax losses and other temporary differences not recognized	2,701	(35.7%)	(969)	31.1%
Adjustment for prior years	1,051	(13.9%)	—	0.0%
Rate difference in subsidiaries	20	(0.3%)	(31)	1.0%
Part VI.I Tax	1,717	(22.7%)	1,717	(55.2%)
Other	52	(0.7%)	(52)	1.7%
Income tax expense and effective rate	4,319	(57.2%)	1,692	(54.4%)

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

	2023	2022
Deferred tax assets (liability)		
Deductible temporary differences:		
Non-capital losses	5,724	11,679
Equipment and leasehold improvements	(1,784)	668
Right-of-use asset	(12,092)	(13,458)
Intangible assets	(40,747)	(44,205)
Deferred compensation arrangements	3,058	2,273
Lease liability	15,421	16,091
Leasehold inducements	1,377	49
Other	(82)	68
Net deferred tax asset (liability)	(29,125)	(26,835)

The net deferred tax liability of 29,125 (2022 – 26,835) is the deferred tax asset balance net of the deferred tax liability of 40,747 for intangible assets (2022 – 44,205).

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

	2023	2022
Non-capital losses	82,667	69,868
Other	(1,013)	(841)
Total losses and other temporary differences not recognized	81,654	69,027

Note 15 – 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 attached to the preferred shares will be determined by the Board of Directors of the Company prior to issue.

a. Common Shares

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

b. Preferred Shares

Preferred shares issued and outstanding are 4,600 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.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	($ thousands) Total dividend
March 3, 2022	0.233313	1,073
May 3, 2022	0.233313	1,073
July 28, 2022	0.233313	1,073
November 3, 2022	0.233313	1,073
March 31, 2023	0.233313	1,073
June 30, 2023	0.233313	1,073
September 29, 2023	0.233313	1,073
December 29, 2023	0.233313	1,073

On February 29, 2024, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share, payable on March 29, 2024, to preferred shareholders of record on March 15, 2024.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 terminated on March 8, 2023. Any common shares purchased under the NCIB have been cancelled. During the year ended December 31, 2023, 23,692 common shares, with an aggregate cost of $704, were repurchased under the Company's NCIB and were cancelled. The Company cancelled 9,096 common shares purchased in the previous year under the NCIB for an aggregate cost of $270. The Company's NCIB ended on March 8, 2023 and has not been renewed. 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.

During the year ended December 31, 2023, 23,007 common shares (2022 – 9,717) that were held in escrow were forfeited and cancelled, resulting in a share capital reduction of $647 (2022 – $187).

During the year ended December 31, 2023, 3,000 common shares were forfeited and cancelled in satisfaction of an employee loan, resulting in a share capital reduction of $89.

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:

	Number of common shares
As at December 31, 2021	231,448
Released on vesting	(1,844)
As at December 31, 2022	229,604
Released on vesting	(45,872)
As at December 31, 2023	183,732

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 16 – Share Options and Deferred Share-Based Awards

a. Share Options

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

	Number of common share options	Weighted-average exercise price
As at December 31, 2021	50,000	20.00
Granted, expired and forfeited	—	—
As at December 31, 2022	50,000	20.00
Granted	**5,000**	**—**
As at December 31, 2023	**55,000**	**19.23**

Common share options outstanding and vested under the Share Option Plan, by exercise price range, as at December 31, 2023, are as follows:

Exercise prices[1]	Number outstanding	Weighted-average exercise price[1]	Weighted-average remaining contractual life
18.00	5,500	18.00	4.00
20.10	27,500	20.10	4.36
20.50	16,500	20.50	4.50
12.26	5,500	12.26	6.36
As at December 31, 2023	55,000	19.23	4.57

[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, 2023, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.35% (December 31, 2022 – 0.31%).

For the year ended December 31, 2023, the Company recorded $70 (2022 – $111) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

For the year ended December 31, 2023, there were no options expired, or forfeited.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The weighted-average fair value of the options granted, and principal assumptions applied for options granted during 2023 are as follows:

Weighted average fair value		3.21
Weighted average on key assumptions:		
Common share price on grant date[1]	$	12.26
Exercise price[1]	$	12.26
Risk-free interest rate [2]		3.92%
Dividend yield [3]		—
Expected volatility [4]		36.75%
Expected option life (years) [5]		4

[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 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 622,994 RSUs and 76,732 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 $11,517. The fair value of the RSUs and PSUs at December 31, 2023 is $5,213.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

On May 2, 2022, the Company granted 1,195 Restricted Share Units (RSUs) to employees that entitle them to cash payments on December 1, 2024. The RSUs were granted at a price of $16.72 and a value of $20. The fair value of the RSUs at December 31, 2023 is $9.

On August 5, 2022, the Company granted 6,814 RSUs and 1,066 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 $109. The fair value of the RSUs and PSUs at December 31, 2023 is $59.

On November 3, 2022, the Company granted 7,084 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 31, 2023, is $53.

On March 10, 2023, the Company granted 580,795 Restricted Share Units (RSUs) and 91,103 Performance Share Units (PSUs) to employees that entitle them to cash payments on December 1, 2025 and March 7, 2026, respectively. The RSUs and PSUs were granted at a price of $13.31 and a value of $8,943. The fair value of the RSUs and PSUs at December 31, 2023 is $5,006.

On August 14, 2023, the Company granted 1,734 Restricted Share Units (RSUs) to employees that entitle them to cash payments on December 1, 2025. The RSUS were granted at a price of $8.65 and a value of $15. The fair value of the RSUs at December 31, 2023 is $13

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

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

	Number of RSUs
Balance, December 31, 2021	323,620
Granted	638,087
Vested	(5,483)
Forfeited	(17,550)
Balance, December 31, 2022	938,674
Granted	**582,529**
Vested	**(199,160)**
Forfeited	**(98,017)**
Balance, December 31, 2023	**1,224,026**

	Number of PSUs
Balance, December 31, 2021	—
Granted	77,798
Balance, December 31, 2022	77,798
Granted	**91,103**
Forfeited	**(12,593)**
Balance, December 31, 2023	**156,308**

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 $3,367 as at December 31, 2023, (2022 – $1,992).

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 and the changes during the year are as follows:

	Number of DSUs
Balance, December 31, 2021	132,249
Granted	121,674
Balance, December 31, 2022	253,923
Granted	104,880
Balance, December 31, 2023	358,803

Note 17 – 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

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

Balance, December 31, 2021	27,323
Additions	575
Payments[1]	(2,314)
Recoveries	(850)
As at December 31, 2022	24,734
Additions	**3,319**
Payments[1]	**(15,352)**
Recoveries	**(400)**
As at December 31, 2023	**12,301**

[1]Includes $400 and $1,200 relating to key management personnel in 2023 and 2022 respectively.

b. Commitments

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

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

	2023	2022
Less than 1 year	8,946	8,211
1-5 years	37,609	30,882
Greater than 5 years	36,132	49,806
	82,687	88,899

Note 18 – Financial Guarantees

During 2023, as a result of RF Securities resigning as a Dealer Member with CIRO, the full cross-guarantee with RF Securities and Richardson Wealth was terminated. In the prior year ended December 31, 2022, RF Securities, as required by CIRO, executed a full cross-guarantee arrangement with Richardson Wealth which stipulated that, in the event of default, RF Securities guaranteed Richardson Wealth's outstanding obligations to clients up to the level of RF Securities' risk-adjusted capital. In return, Richardson Wealth guaranteed RF Securities' obligations to clients, in the event of default, up to the level of Richardson Wealth's risk-adjusted capital.

Note 19 – Net Income (Loss) Per Common Share

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

($ thousands)	2023	2022
Net income/(loss) from continuing operations	(9,828)	(4,803)
Less: dividends on preferred shares	(4,292)	(4,292)
Net income/(loss) attributable to common shareholders from continuing operations	(14,120)	(9,095)
Net income/(loss) from discontinued operations	(2,064)	—
Net income/(loss) attributable to common shareholders	(16,184)	(9,095)
Weighted-average number of common shares outstanding (in thousands):		
Basic		
Common shares	15,566	15,854
Common shares held by the SIP Trust[1]	(184)	(231)
Contingently returnable common shares held in escrow	(152)	(6,022)
	15,230	9,601
Diluted		
Dilutive effect of shares held by the SIP Trust[1]	184	231
Dilutive effect of contingently returnable common shares held in escrow	152	6,022
	15,566	15,854
Net income/(loss) per common share - Basic		
Continuing operations	(0.93)	(0.95)
Discontinued operations	(0.14)	—
Total	(1.07)	(0.95)
Net income/(loss) per common share - Diluted[2]		
Continuing operations	(0.93)	(0.95)
Discontinued operations	(0.14)	—
Total	(1.07)	(0.95)

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

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

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 20 – Fair Value of Financial Instruments

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

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

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

Financial Instruments – Measurement

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

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

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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	—	—	5,850	5,850
Other assets	—	—	34,895	34,895
Total financial assets	673	—	846,361	847,034
Financial liabilities				
Payable to clients	—	—	1,034,808	1,034,808
Payable to brokers	—	—	24,650	24,650
Accounts payable and accrual liabilities	—	—	50,966	50,966
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,221,346	1,221,346

Financial Instruments – Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

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

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

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

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

	Level 3 fair value
As at December 31, 2021	347
Net unrealized gain (loss) before income taxes	(326)
Disposals/expiries	3
As at December 31, 2022	24
Net unrealized gain (loss) before income taxes	**127**
Additions	**39**
Disposals/expiries	**(27)**
As at December 31, 2023	**163**

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.

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

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

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)

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%.

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Interest Rate Sensitivity Analysis

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

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

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)
Client funds held in trust	377,096	2,772	(2,772)
Receivable from clients	367,316	2,700	(2,700)
Employee and other loans receivable	5,850	43	(43)
Securities borrowing and lending, net	34,487	253	(253)
Payable to clients	(1,034,808)	(7,606)	7,606
Debt	(110,922)	(815)	815

Currency Risk

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

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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. The analysis assumes that all other variables remain constant.

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

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	514	(514)
Euro	122	(122)
Australian dollar	21	(21)
United States dollar	1,068	(1,068)

The prior period foreign exchange sensitivity analysis has been restated to reflect a change in methodology in 2023.

b. Credit Risk

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

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

Credit risk is managed in several ways. For margin lending, management has established lending limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, the Company manages its credit risk in certain types of trading activities by establishing aggregate limits by individual counterparty, reviewing security and loan concentrations, and marking to market collateral provided on transactions. Policies authorized by the Company prescribe the level of approval and the amount of credit exposure the Company may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. The Company did not incur any material loss arising from a counterparty default in 2023 and 2022. As at December 31, 2023 and 2022, the Company had an allowance for credit losses of nil.

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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, 2023, and 2022.

c. Liquidity Risk

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

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

2022	Carrying value	Term to maturity
Payable to clients	1,034,808	Due on demand
Preferred Shares	30,422	Due on demand
Payable to brokers	24,650	Due within one month
Accounts payable and accrued liabilities	50,966	Due within one to three years
Debt	80,500	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 2023.

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Credit Facilities

Prior to outsourcing its carrying broker operations on January 1, 2023 (see note 23), the Company maintained access to certain credit facilities to facilitate the securities settlement process for both client and proprietary transactions. The facilities consisted of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities was based on floating rate benchmarks. During 2023, after the date on which it outsourced its carry broker operations, the Company closed these credit facilities. Available credit facilities with Schedule I Canadian chartered banks were nil at December 31, 2023, compared to $389.6 million at December 31, 2022. The Company had no amounts outstanding under any of these facilities as at December 31, 2023 and 2022.

Note 21 – Debt and Capital Management

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

	2023	2022
Revolving credit facility	80,500	80,500
Preferred shares	30,422	30,422
	110,922	110,922

Revolving Credit Facility

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

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

On May 4, 2023, the Company amended the credit facility to extend the maturity date to May 4, 2025.

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

As at December 31, 2022, the Company had met three covenants but did not meet the fourth, its fixed charge coverage ratio. The loan syndicate agreed, subsequent to December 31, 2022, to waive the fixed charge coverage ratio covenant until

March 30, 2023. On March 15, 2023, the Company amended the credit agreement with the syndicate to exclude certain capital expenditures in connection with the Company's new head office for the purpose of calculating its fixed charge coverage ratio.

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

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Company has the right to acquire the preferred shares from the holder for cash at any time. The preferred shares are entitled to receive preferential cash dividends that accrue at an annual rate of prime plus 4%. These shares do not carry the right to vote.

Capital Management

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

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

	2023	2022
Common shares	461,523	462,935
Preferred shares	112,263	112,263
Contributed surplus	46,726	46,151
Accumulated other comprehensive income	20,293	19,652
Accumulated deficit	(310,266)	(294,080)
	330,539	346,921

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

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades and/or working capital requirements. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out as cash dividends. As at and during the years ended December 31, 2023 and 2022, all of the Company's subsidiaries were in compliance with their respective regulatory capital requirements.

Note 22 – Net Change in Non-Cash Operating Items

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

	2023	2022
Securities owned	60	61,682
Receivable from clients and brokers	(377,076)	262,878
Client funds held in trust	367,316	99,020
Employee and other loans receivable	(21,430)	(12,374)
Other assets	19,856	(20,335)
Obligations related to securities sold short	—	(13,625)
Payable to clients, brokers and issuers	(294,866)	(523,318)
Accounts payable and accrued liabilities	10,314	(2,733)
Provisions	(12,433)	(2,589)
	(308,259)	(151,394)

Note 23 – Change in Operations

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

Note 24 – Cessation of CDOR

On May 16, 2022, Refinitiv Benchmark Services Limited (RBSL) published a Canadian Dollar Offered Rate (CDOR) cessation notice stating that the calculation and publication for all tenors of CDOR will cease following a final publication on June 28, 2024. Canadian Alternative Reference Rate Working Group (CARR) has recommended retiring CDOR over two phases through 2023 and 2024, and expects that CDOR-based contracts will be transitioned to the Canadian Overnight Repo Rate Average (CORRA). The Company has determined that this would affect the discounting of leases and debt. As the effects of the change will not be reflected until 2024, the Company continued to use the CDOR rate until the end of 2023.

Note 25 – Discontinued Operations

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

Shareholder information

Transfer agent & registrar

TSX Trust Company
100 Adelaide Street West
Suite 301
Toronto, ON
M5H 4H1

800.387.0825

shareholderinquiries@tmx.com

tsxtrust.com

Corporate head office

100 Queens Quay East
Suite 2500
Toronto, ON
M5E 1Y3

416.943.6696
866.263.0818

richardsonwealth.com

Shareholder inquiries

For all other shareholder inquiries or to request a copy of RF Capital's annual report, please contact Investor Relations:

416.943.6169

investorrelations@rfcapgroup.com

Regulatory filings

Canadian Securities Administrators

sedar.com

Independent auditors

KPMG LLP

Independent legal counsel

Goodmans LLP

Fiscal year-end

December 31

Stock exchange listings

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