



# RF Capital Group Inc.

## Consolidated Financial Statements

December 31, 2023 and 2022





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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RF Capital Group Inc.

### *Opinion*

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

- the consolidated balance sheets as at December 31, 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
<b>ASSETS</b>			
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
		<b>1,379,983</b>	<b>1,699,654</b>
<b>LIABILITIES</b>			
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
		<b>1,049,444</b>	<b>1,352,733</b>
<b>EQUITY</b>			
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		<b>330,539</b>	<b>346,921</b>
		<b>1,379,983</b>	<b>1,699,654</b>

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

"Kishore Kapoor"

"Donald Wright"

Kishore Kapoor  
President and Chief Executive Officer

Donald Wright  
Chair of the Board

## Consolidated Statements of Income (Loss)

(\$ thousands)

For the years ended December 31,	Note	2023	2022
<b>REVENUE</b>			
Wealth management		275,191	278,319
Corporate finance		6,150	8,643
Interest		48,833	37,581
Other		20,945	29,429
<b>Total Revenue</b>	4	<b>351,119</b>	353,972
Variable advisor compensation		145,277	149,748
<b>Gross Margin</b>		<b>205,842</b>	204,224
<b>EXPENSES</b>			
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
		<b>211,351</b>	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)
		<b>4,319</b>	1,692
<b>Net income/(loss) from continuing operations</b>		<b>(9,828)</b>	(4,803)
<b>Net income/(loss) from discontinued operations</b>	25	<b>(2,064)</b>	—
<b>Net income/(loss)</b>		<b>(11,892)</b>	(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
<b>Net income/(loss)</b>	<b>(11,892)</b>	<b>(4,803)</b>
Other comprehensive income/(loss)		
Item that may be subsequently reclassified to net income/(loss):		
Foreign currency translation gain/(loss) from continuing operations	—	(4)
<b>Total other comprehensive income/(loss)</b>	<b>—</b>	<b>(4)</b>
<b>Total comprehensive income/(loss) attributable to shareholders</b>	<b>(11,892)</b>	<b>(4,807)</b>

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

## Consolidated Statements of Changes in Equity

(\$ thousands)	Note	Preferred 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
<b>Common shares purchased and cancelled</b>	15	—	—	<b>(50)</b>	<b>(1,710)</b>	<b>502</b>	<b>641</b>	—	<b>(567)</b>
<b>Share-based compensation</b>	16	—	—	<b>46</b>	<b>298</b>	<b>73</b>	—	<b>(2)</b>	<b>369</b>
<b>Preferred share dividends</b>	15	—	—	—	—	—	—	<b>(4,292)</b>	<b>(4,292)</b>
<b>Net loss</b>		—	—	—	—	—	—	<b>(11,892)</b>	<b>(11,892)</b>
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
<b>OPERATING ACTIVITIES</b>			
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)
<b>Cash provided by (used in) operating activities</b>		<b>(268,497)</b>	<b>(107,402)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid on preferred shares	15	(4,292)	(4,292)
Purchase of shares for cancellation	15	(422)	(731)
Lease payments		(8,621)	(8,779)
<b>Cash provided by (used in) financing activities</b>		<b>(13,335)</b>	<b>(13,802)</b>
<b>INVESTING ACTIVITIES</b>			
Intangibles	11	(1,730)	(2,656)
Equipment and leasehold improvements, net of inducements	9	(3,457)	(26,387)
<b>Cash provided by (used in) investing activities</b>		<b>(5,187)</b>	<b>(29,043)</b>
Effect of foreign exchange on cash balances		—	(4)
<b>Net change in cash and cash equivalents</b>		<b>(287,019)</b>	<b>(150,251)</b>
Cash and cash equivalents, beginning of year		367,848	518,099
<b>Cash and cash equivalents, end of year</b>		<b>80,829</b>	<b>367,848</b>
<b>Supplemental cash flow information relating to operating activities</b>			
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 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.

## I. 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.

## 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 <sup>1</sup>	—	2,245
Securities lending <sup>1</sup>	—	1,819
Other	1,194	1,465
	20,945	29,429

<sup>1</sup>Effective January 1, 2023, the Company no longer provides brokerage services and securities lending.

## 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
	<b>613</b>	<b>673</b>

## 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
	<b>15,092</b>	<b>34,895</b>

## 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
<b>As at December 31, 2023</b>	—	—
As at December 31, 2022	33,525	34,487

## 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
	<b>48,597</b>	<b>45,410</b>

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.

## 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
<b>Cost</b>								
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
<b>Accumulated depreciation</b>								
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
<b>Net book values</b>								
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.

## Note 11 – Goodwill and Intangible Assets

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

	Intangible Assets				Total
	Goodwill	Customer relationships	Portfolio management platform	Brand and other	
<b>Cost</b>					
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	<b>164,957</b>	<b>197,503</b>	<b>5,031</b>	<b>649</b>	<b>368,140</b>
<b>Accumulated amortization</b>					
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	—	<b>41,811</b>	<b>534</b>	<b>175</b>	<b>42,520</b>
<b>Net book value</b>					
As at December 31, 2022	164,957	168,428	3,729	467	337,581
As at December 31, 2023	<b>164,957</b>	<b>155,692</b>	<b>4,497</b>	<b>474</b>	<b>325,620</b>

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.

## 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



## 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
	<b>8,048</b>	<b>6,542</b>

## 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	<b>4,319</b>	<b>1,692</b>

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
<b>March 31, 2023</b>	<b>0.233313</b>	<b>1,073</b>
<b>June 30, 2023</b>	<b>0.233313</b>	<b>1,073</b>
<b>September 29, 2023</b>	<b>0.233313</b>	<b>1,073</b>
<b>December 29, 2023</b>	<b>0.233313</b>	<b>1,073</b>

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.

### 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
<b>Released on vesting</b>	<b>(45,872)</b>
<b>As at December 31, 2023</b>	<b>183,732</b>

## 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
<b>Granted</b>	<b>5,000</b>	<b>—</b>
<b>As at December 31, 2023</b>	<b>55,000</b>	<b>19.23</b>

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 <sup>1</sup>	Number outstanding	Weighted-average exercise price <sup>1</sup>	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
<b>As at December 31, 2023</b>	<b>55,000</b>	<b>19.23</b>	<b>4.57</b>

<sup>1</sup>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.

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 <sup>1</sup>	\$ 12.26
Exercise price <sup>1</sup>	\$ 12.26
Risk-free interest rate <sup>2</sup>	3.92%
Dividend yield <sup>3</sup>	—
Expected volatility <sup>4</sup>	36.75%
Expected option life (years) <sup>5</sup>	4

<sup>1</sup>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

<sup>2</sup> Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life

<sup>3</sup>Based on the annual dividend yield on the date of grant

<sup>4</sup> Estimated by considering historic average share price volatility

<sup>5</sup> 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.

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
<b>Granted</b>	<b>582,529</b>
<b>Vested</b>	<b>(199,160)</b>
<b>Forfeited</b>	<b>(98,017)</b>
<b>Balance, December 31, 2023</b>	<b>1,224,026</b>

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

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
<b>Granted</b>	<b>104,880</b>
<b>Balance, December 31, 2023</b>	<b>358,803</b>

## 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.



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 <sup>1</sup>	(2,314)
Recoveries	(850)
As at December 31, 2022	24,734
<b>Additions</b>	<b>3,319</b>
<b>Payments<sup>1</sup></b>	<b>(15,352)</b>
<b>Recoveries</b>	<b>(400)</b>
<b>As at December 31, 2023</b>	<b>12,301</b>

<sup>1</sup>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
	<b>82,687</b>	<b>88,899</b>

## 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)
<b>Weighted-average number of common shares outstanding (in thousands):</b>		
<b>Basic</b>		
Common shares	15,566	15,854
Common shares held by the SIP Trust <sup>1</sup>	(184)	(231)
Contingently returnable common shares held in escrow	(152)	(6,022)
	15,230	9,601
<b>Diluted</b>		
Dilutive effect of shares held by the SIP Trust <sup>1</sup>	184	231
Dilutive effect of contingently returnable common shares held in escrow	152	6,022
	15,566	15,854
<b>Net income/(loss) per common share - Basic</b>		
Continuing operations	(0.93)	(0.95)
Discontinued operations	(0.14)	—
Total	(1.07)	(0.95)
<b>Net income/(loss) per common share - Diluted<sup>2</sup></b>		
Continuing operations	(0.93)	(0.95)
Discontinued operations	(0.14)	—
Total	(1.07)	(0.95)

<sup>1</sup>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.

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

## Note 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
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>613</b>	<b>—</b>	<b>839,749</b>	<b>840,362</b>
<b>Financial liabilities</b>				
Payable to clients	—	—	764,592	764,592
Accounts payable and accrual liabilities	—	—	61,207	61,207
Debt	—	—	110,922	110,922
<b>Total financial liabilities</b>	<b>—</b>	<b>—</b>	<b>936,721</b>	<b>936,721</b>

As at December 31, 2022	FVTPL	FVOCI	Amortized cost	Total
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>673</b>	<b>—</b>	<b>846,361</b>	<b>847,034</b>
<b>Financial liabilities</b>				
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
<b>Total financial liabilities</b>	<b>—</b>	<b>—</b>	<b>1,221,346</b>	<b>1,221,346</b>

### 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.

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
<b>Financial assets</b>				
Securities owned				
Equity securities	450	—	—	450
Derivative financial assets	—	—	163	163
<b>Financial assets carried at fair value</b>	<b>450</b>	<b>—</b>	<b>163</b>	<b>613</b>

As at December 31, 2022	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>				
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
<b>Financial assets carried at fair value</b>	<b>369</b>	<b>280</b>	<b>24</b>	<b>673</b>

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
<b>Net unrealized gain (loss) before income taxes</b>	<b>127</b>
<b>Additions</b>	<b>39</b>
<b>Disposals/expiries</b>	<b>(27)</b>
<b>As at December 31, 2023</b>	<b>163</b>

a. Market Risk

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

## Fair Value Risk

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

## Fair Value Sensitivity Analysis

The following tables 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%.

## 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.

## 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.



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	<b>764,592</b>	Due on demand
Preferred Shares	<b>30,422</b>	Due on demand
Accounts payable and accrued liabilities	<b>61,207</b>	Due within one to three years
Debt	<b>80,500</b>	Due within two years
	<b>936,721</b>	

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.

### 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
	<b>110,922</b>	<b>110,922</b>

### 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 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)
	<b>330,539</b>	<b>346,921</b>

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)
	<b>(308,259)</b>	<b>(151,394)</b>

## 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.