

CYMBRIA CORPORATION

2017

Financial Statements

Years ended December 31, 2017 and 2016

CYMBRIA CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Financial Statements have been prepared by the Manager, EdgePoint Investment Group Inc., on behalf of Cymbria Corporation ("Cymbria"). Management is responsible for the information and representations contained in these Financial Statements.

Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts based on estimates and assumptions. The significant accounting policies that management believes are appropriate for Cymbria are described in Note 3 to the Financial Statements.

KPMG LLP, Cymbria's external auditor, has audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the Financial Statements. Their report, as auditors, is set forth herein.

The Board of Directors is responsible for reviewing and approving Cymbria's Financial Statements, overseeing management's performance of its financial reporting responsibilities and engaging the independent auditors. The Board of Directors is composed of three members who are independent of management. For all share classes of Cymbria, the Financial Statements have been reviewed and approved by the Board of Directors.



Patrick Farmer
Chairman
March 8, 2018



Norman Tang
Chief Financial Officer
March 8, 2018

Independent auditors' report

To the shareholders of Cymbria Corporation

We have audited the accompanying Financial Statements of Cymbria Corporation, which comprise the *Statements of Financial Position* as at December 31, 2017 and 2016, the *Statements of Comprehensive Income*, *Statements of Changes in Equity* and *Statements of Cash Flows* for the years then ended, and notes, comprising of a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audits. We conducted our audits in accordance with International Financial Reporting Standards. Those standards require that we comply with ethical requirements, and plan and perform an audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Cymbria's preparation and fair presentation of financial statements 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 Cymbria's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Opinion

In our opinion, these Financial Statements present fairly, in all material respects, the financial position of Cymbria Corporation as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants, Toronto, Canada
March 8, 2018

CYMBRIA CORPORATION

Statements of Financial Position
(in '000s except per share amounts and number of shares)
As at December 31, 2017 and 2016

	2017	2016
Assets		
Investments	\$ 807,555	\$ 639,513
EdgePoint Wealth Management Inc.	185,941	110,327
Foreign exchange forward contracts	957	235
Total financial assets held-for-trading or at fair value through profit or loss*	994,453	750,075
Cash and cash equivalents	68,223	101,596
Receivable for investments sold	10	2,627
Dividends receivable	355	515
Income tax recovery	-	4,814
Total Assets	\$ 1,063,041	\$ 859,627
Liabilities		
Accrued liabilities	\$ 95	\$ 717
Payable for investments purchased	933	642
Foreign exchange forward contracts	-	617
Income taxes payable	2,186	-
Total current liabilities	3,214	1,976
Deferred share unit plan liability (Note 7)	756	485
Deferred income tax liability (Note 10)	43,538	30,490
Total Liabilities	\$ 47,508	\$ 32,951
Shareholders' equity		
Share capital (Note 5)	\$ 220,034	\$ 220,034
Retained earnings (Note 6)	795,499	606,642
Total Shareholders' Equity	\$ 1,015,533	\$ 826,676
Shareholders' equity		
Common stock	\$ -	\$ -
Class A	627,136	508,138
Class J	388,397	318,538
Number of shares outstanding (Note 5)		
Class A	14,474,051	14,399,226
Class J	8,156,427	8,224,207
Total shareholder's equity per share		
Class A	\$ 43.33	\$ 35.29
Class J	\$ 47.62	\$ 38.73

*Cost of investments is reflected in the *Schedule of Investment Portfolio*.

Certain comparative figures have been reclassified to conform with the current year's presentation.
The accompanying notes are an integral part of these annual Financial Statements.

ON BEHALF OF THE BOARD:



Reena Carter, Director



James MacDonald, Director

CYMBRIA CORPORATION

Statements of Comprehensive Income
(in '000s except per share amounts)
Years ended December 31, 2017 and 2016

	2017	2016
Income		
Dividends from EdgePoint Wealth Management Inc.	\$ 10,350	\$ 7,452
Dividends from other investments	9,174	8,359
Interest for distribution purposes	226	41
Foreign currency gain (loss) on cash and other net assets	(406)	(851)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	100,563	83,753
Net realized gain (loss) on foreign exchange forward contracts	7,197	2,620
Change in unrealized appreciation (depreciation) on investments	97,687	14,000
Change in unrealized appreciation (depreciation) on foreign exchange forward contracts	1,340	4,640
Total Income	\$ 226,131	\$ 120,014
Expenses (Note 8)		
Management fees	\$ 6,501	\$ 5,344
Operating expenses	1,225	957
Investment research and portfolio maintenance	680	518
Interest expense (Note 9)	94	–
Harmonized Sales Tax	1,103	880
Net withholding tax	1,323	1,039
Transaction costs	489	289
Total Expenses	\$ 11,415	\$ 9,027
Profit for the year before taxes	\$ 214,716	\$ 110,987
Income taxes (recovery) (Note 10)		
Current	\$ 12,811	\$ 10,198
Deferred	13,048	2,424
	\$ 25,859	\$ 12,622
Net income	\$ 188,857	\$ 98,365
Net income, by class		
Class A	\$ 112,961	\$ 58,992
Class J	\$ 75,896	\$ 39,373
Net income, per share		
Class A	\$ 7.83	\$ 4.10
Class J	\$ 9.25	\$ 4.78

The accompanying notes are an integral part of these annual Financial Statements.

CYMBRIA CORPORATION

Statements of Changes in Equity
(in '000s)
Years ended December 31, 2017 and 2016

	2017	2016
Class A:		
Shareholders' equity, beginning of the year	\$ 508,138	\$ 447,965
Net income, by class	112,961	58,992
Capital transactions:		
Class J to Class A share exchanges	702	338
Cumulative surplus on Class J to Class A share exchanges	(24)	(8)
Surplus	5,359	851
	<u>118,998</u>	<u>60,173</u>
Shareholders' equity, end of the year	\$ 627,136	\$ 508,138
Class J:		
Shareholders' equity, beginning of the year	\$ 318,538	\$ 280,346
Net income, by class	75,896	39,373
Capital transactions:		
Class J to Class A share exchanges	(678)	(330)
Surplus	(5,359)	(851)
	<u>69,859</u>	<u>38,192</u>
Shareholders' equity, end of the year	\$ 388,397	\$ 318,538

The accompanying notes are an integral part of these annual Financial Statements.

CYMBRIA CORPORATION

Statements of Cash Flows

(in '000s)

Years ended December 31, 2017 and 2016

	2017	2016
Cash Flow from Operating Activities		
Net income	\$ 188,857	\$ 98,365
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	406	851
Net realized (gain) loss on investments	(100,563)	(83,753)
Net realized (gain) loss on foreign exchange forward contracts	(7,197)	(2,620)
Change in unrealized (appreciation) depreciation on investments	(97,687)	(14,000)
Change in unrealized (appreciation) depreciation on foreign exchange forward contracts	(1,340)	(4,640)
(Increase) decrease in dividends receivable	160	(116)
Increase (decrease) in accrued liabilities and other payables	6,649	(11,158)
Increase (decrease) in deferred income tax liability	13,048	2,424
Purchase of investments	(352,777)	(185,890)
Proceeds from sales of investments	317,477	278,227
Net Cash Generated (Used) by Operating Activities	\$ (32,967)	\$ 77,690
Net increase (decrease) in cash and cash equivalents	\$ (32,967)	\$ 77,690
Foreign currency gain (loss) on cash and other net assets	(406)	(851)
Cash and cash equivalents, beginning of year	101,596	24,757
Cash and cash equivalents, end of the year	\$ 68,223	\$ 101,596
Cash and cash equivalents comprise:		
Cash at bank	\$ 68,223	\$ 101,596
	\$ 68,223	\$ 101,596
Interest received, net of withholding tax	\$ 226	\$ 41
Dividends received, net of withholding tax	\$ 18,361	\$ 14,656
Interest paid	\$ -	\$ -
Income taxes paid	\$ (5,811)	\$ (22,210)

The accompanying notes are an integral part of these annual Financial Statements.

CYMBRIA CORPORATION

Schedule of Investment Portfolio
(in '000s except number of shares/units)
As at December 31, 2017

Number of shares/units	Security	Average cost	Fair value	% of shareholders' equity
Banks				
628,828	Wells Fargo & Co.	\$ 32,528	\$ 47,956	4.7%
		32,528	47,956	4.7%
Consumer Discretionary				
862,573	Subaru Corp.	38,468	34,479	3.4%
271,350	Salvatore Ferragamo SpA	8,898	9,065	0.9%
83,868	Delticom AG	5,030	1,454	0.1%
		52,396	44,998	4.4%
Consumer Staples				
794,716	Shiseido Co., Ltd.	19,095	48,283	4.8%
414,704	Unilever NV	23,824	29,369	2.9%
		42,919	77,652	7.7%
Diversified Financials				
279,585	EdgePoint Wealth Management Inc.	510	185,941	18.3%
118,186	Affiliated Managers Group Inc.	22,624	30,492	3.0%
70	Berkshire Hathaway Inc., class A	20,607	26,186	2.6%
49,517	Berkshire Hathaway Inc., class B	8,893	12,338	1.2%
		52,634	254,957	25.1%
Energy				
827,416	PrairieSky Royalty Ltd.	24,446	26,527	2.6%
969,909	CES Energy Solutions Corp.	3,706	6,334	0.6%
		28,152	32,861	3.2%
Health Care				
62,885	Anthem Inc.	6,135	17,786	1.8%
808,832	Swedish Orphan Biovitrum AB	15,509	13,919	1.4%
202,200	Shionogi & Co. Ltd.	13,870	13,753	1.4%
179,931	Bioverativ Inc.	12,187	12,195	1.1%
		47,701	57,653	5.7%
Industrials				
740,601	Flowserve Corp.	44,077	39,220	3.9%
555,032	Generac Holdings Inc.	28,484	34,549	3.4%
190,312	WABCO Holdings Inc.	17,792	34,328	3.4%
422,740	CSX Corp.	26,277	29,231	2.9%
280,029	Wabtec Corp.	27,087	28,663	2.8%
313,997	WESCO International Inc.	22,975	26,899	2.6%
1,013,556	Kubota Corp.	19,680	24,983	2.4%
711,900	Mitsubishi Electric Corp.	15,321	14,864	1.5%
175,705	Brenntag AG	11,811	13,984	1.4%
630,729	Grafton Group plc	4,679	8,585	0.8%
		218,183	255,306	25.1%
Information Technology				
332,978	Ubiquiti Networks, Inc.	16,793	29,726	2.9%
244,680	TE Connectivity Ltd.	14,308	29,231	2.9%
27,641	Constellation Software Inc.	18,063	21,063	2.1%
305,153	Microsemi Corp.	19,566	19,812	2.0%
731,586	Real Matters Inc.	5,321	7,374	0.7%
43,916	EchoStar Corp.	3,225	3,306	0.3%
		77,276	110,512	10.9%

CYMBRIA CORPORATION

Schedule of Investment Portfolio
(in '000s except number of shares/units)
As at December 31, 2017

Number of shares/units	Security	Average cost	Fair value	% of shareholders' equity
Insurance				
2,423,660	Echelon Financial Holdings Inc.	\$ 33,409	\$ 31,144	3.1%
517,550	Vienna Insurance Group AG	15,959	20,111	2.0%
402,000	T&D Holdings Inc.	8,276	8,642	0.8%
		57,644	59,897	5.9%
Materials				
121,360	Carpenter Technology Corp.	7,266	7,779	0.8%
4,000	SK Kaken Co. Ltd.	504	535	0.0%
		7,770	8,314	0.8%
Real Estate				
627,885	Realogy Holdings Corp.	29,071	20,915	2.1%
486,304	Grand City Properties SA	12,049	14,412	1.4%
118,664	Deutsche Wohnen AG	5,047	6,525	0.6%
30,238	Seritage Growth Properties REIT, class A	1,542	1,538	0.2%
		47,709	43,390	4.3%
Total Investments		\$ 664,912	\$ 993,496	97.8%
Foreign exchange forward contracts (Note 13)		–	957	0.1%
Adjustment for transaction costs		(557)		
Total financial assets held-for-trading or at fair value through profit or loss		\$ 664,355	\$ 994,453	97.9%

1. The Corporation:

Cymbria Corporation (“Cymbria”) is an investment company incorporated on September 4, 2008, under the laws of the Province of Ontario. It commenced operations and was listed on the Toronto Stock Exchange on November 4, 2008. EdgePoint Investment Group Inc. (the “Manager”) provides senior management to Cymbria and is also its Investment Advisor.

The registered office of Cymbria is located at 150 Bloor St. W., Suite 500, Toronto, Ontario, M5S 2X9, Canada.

The investment objective of Cymbria is to provide long-term capital appreciation through a concentrated portfolio of global companies and an investment in EdgePoint Wealth Management Inc. (“EdgePoint”), which offers mutual funds, institutional and other investments through financial advisors. The portfolio management team looks for global companies that it believes have strong competitive positions, long-term growth prospects and are run by competent management teams. The portfolio management team endeavours to acquire ownership stakes in these companies at prices below its assessment of each company’s true value.

2. Basis of preparation:**(a) Statement of compliance:**

The financial statements of Cymbria have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on March 8, 2018.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is Cymbria’s functional currency.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Cymbria’s accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring and publishing its net asset value.

(a) Financial instruments:**(i) Recognition and measurement**

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss (“FVTPL”), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition.

Measurement in subsequent periods depend on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or FVTPL, in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at FVTPL are recognized initially on the trade date, which is the date on which Cymbria becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. Cymbria derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when Cymbria has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Cymbria has not classified any of their financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and FVTPL

Financial instruments classified as held-for-trading or FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statement of Comprehensive Income in the period in which they occur. Cymbria’s investments, with the exception of derivative financial assets and liabilities, are designated as FVTPL. Cymbria’s derivative financial assets and liabilities are classified as held-for-trading.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. Cymbria uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Cymbria’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

3. Significant accounting policies (continued):

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

The investment in EdgePoint, for which no published market exists, is estimated primarily using a discounted cash flow method, unless such securities have been exchanged in an arm's length transaction that approximates a trade effected in a published market. The Manager engages a third-party valuator to assist in the valuation of EdgePoint.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost using the effective interest method, less any impairment losses. Cymbria classifies cash and cash equivalents, receivable for investments sold, and dividends receivable as loans and receivables.

Cash and cash equivalents are cash on deposit and short-term notes with maturities of less than 90 days.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Cymbria's other financial liabilities are comprised of payables for investments purchased, income taxes payable, and accrued liabilities. Due to the short-term nature of these financial liabilities, their carrying values approximate fair values.

(v) Shareholders' equity

Cymbria classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Cymbria's common shares, Class A shares, and Class J shares do not contain a redemption feature, are therefore not

puttable and are classified as equity under IAS 32, *Financial Instruments*.

(b) Foreign currency:

Cymbria's functional and presentation currency is the Canadian dollar. Foreign-denominated investments and other foreign-denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash and other financial assets and liabilities are presented as 'Foreign exchange gain (loss) on cash and other net assets' and those relating to derivatives are presented within 'Net realized gain (loss) on foreign exchange forward contracts' and 'Change in unrealized appreciation (depreciation) on foreign exchange forward contracts' in the *Statement of Comprehensive Income*.

(c) Income recognition:

Interest income for distribution purposes from investments in fixed income and short-term investments represents the coupon interest received by Cymbria accounted for on an accrual basis. Cymbria does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(d) Deferred share unit plan:

On October 28, 2009, Cymbria approved a Deferred Share Unit ("DSU") plan for its directors. The plan is described in Note 7. DSUs granted to eligible directors are considered compensation costs in respect of past performance and are recognized in operating expenses. Compensation costs are measured based on the fair market value, as defined in the plan, of Cymbria's Class A shares on the date DSUs are granted. DSUs earn additional DSUs related to dividends that would otherwise have been paid if Class A shares had been issued on the grant date. DSUs are accounted for as a financial liability with changes in their fair value recognized in operating expenses.

(e) Income taxes:

Income taxes expense comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies (continued):

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Cymbria currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.

(f) Net income, per share:

Net income, per share in the *Statements of Comprehensive Income* represents the net income for each class for the period divided by the average shares outstanding for each class for the period.

(g) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2017, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of Cymbria.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement*, in respect of financial assets. IFRS 9 contains two primary measurement

categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables.

The effective date of this standard is January 1, 2018, but early adoption is permitted. The Manager has assessed that the standard will not have a material impact on the classification and measurement of financial assets and liabilities of Cymbria because: the financial instruments classified as held-for-trading and Fair Value Through Profit or Loss ("FVTPL") under IAS 39 will continue to be measured at fair value under IFRS 9; and the financial instruments currently measured at amortized cost meet the solely principal and interest criterion and accordingly, will continue to be measured at amortized cost under IFRS 9.

4. Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

The following discusses the most significant accounting judgments that the Manager has made in preparing the financial statements:

i. *Fair value measurement of derivatives and securities not quoted in an active market*

Cymbria holds financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgments and estimates Cymbria has made in preparing financial statements. See Note 11 for more information on the fair value measurement of Cymbria's financial statements.

ii. *Deferred tax assets*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

CYMBRIA CORPORATION

Notes to Financial Statements (Continued)
As at and for the years ended December 31, 2017 and 2016

5. Share capital:

Cymbria has authorized an unlimited number of Class A non-voting, non-redeemable shares, an unlimited number of Class J non-voting, non-redeemable shares and an unlimited number of common shares. Share capital consists of the following:

December 31, 2017	Number of shares	Amount ('000s)
Common shares outstanding, December 31, 2017	100	—*
Class A shares issued:		
Shares outstanding, January 1, 2017	14,399,226	\$ 137,792
Class A shares issued in exchange for Class J shares	74,825	702
Contributed surplus		(24)
Class A shares outstanding, December 31, 2017	14,474,051	\$ 138,470
Class J shares issued:		
Shares outstanding, January 1, 2017	8,224,207	\$ 82,242
Class J shares exchanged for Class A shares	(67,780)	(678)
Class J shares outstanding, December 31, 2017	8,156,427	\$ 81,564
Total		\$ 220,034

*Amount of common shares outstanding is \$100.

December 31, 2016	Number of shares	Amount ('000s)
Common shares outstanding, December 31, 2016	100	—*
Class A shares issued:		
Shares outstanding, January 1, 2016	14,363,241	\$ 137,462
Class A shares issued in exchange for Class J shares	35,985	338
Contributed surplus		(8)
Class A shares outstanding, December 31, 2016	14,399,226	\$ 137,792
Class J shares issued:		
Shares outstanding, January 1, 2016	8,257,157	\$ 82,572
Class J shares exchanged for Class A shares	(32,950)	(330)
Class J shares outstanding, December 31, 2016	8,224,207	\$ 82,242
Total		\$ 220,034

*Amount of common shares outstanding is \$100.

6. Retained earnings:

The changes in retained earnings for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017 ('000s)	December 31, 2016 ('000s)
Opening retained earnings	\$ 606,642	\$ 508,277
Net income	188,857	98,365
Closing retained earnings	\$ 795,499	\$ 606,642

7. Deferred share unit plan:

In 2009, Cymbria implemented a Deferred Share Unit ("DSU") plan that gives directors the option to receive all of their Cymbria-related compensation in the form of DSUs. The number of DSUs awarded is based on the fair market value, as defined by the plan, of Class A shares on the award date. DSUs earn additional DSUs related to dividends that would otherwise have been paid if Class A shares had been issued on the grant date. The number of DSUs issued in regard to dividends is based on the fair market value of Class A shares, as defined in the plan, on the date dividends are paid. Upon redemption of DSUs, participants can elect to receive either a cash payment equal to the fair market value, as defined in the plan, of DSUs credited to the participant's account, or the equivalent number of Class A shares purchased in the open market on the participant's behalf. The plan is considered unfunded and participants' rights are no greater than those of an unsecured Cymbria creditor.

The following table summarizes DSU activity for the years ended December 31, 2017 and 2016:

December 31, 2017	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2017	12,410	\$ 485
Granted during 2017 (Fair value on grant date)	2,199	103
Cumulative fair value adjustments during the year		168
Balance, December 31, 2017	14,609	\$ 756
December 31, 2016	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2016	9,484	\$ 308
Granted during 2016 (Fair value on grant date)	2,926	103
Cumulative fair value adjustments during the year		74
Balance, December 31, 2016	12,410	\$ 485

A maximum of 1,000,000 DSUs may be awarded under the plan, with the maximum value of DSUs awarded to participants within any one-year period not to exceed \$100,000 per participant.

8. Related party transactions:

i. Management fees:

The Manager charges a monthly management fee at an annual rate of 1% of the daily average net asset value of Class A shares, excluding EdgePoint's value. During the year ended December 31, 2017, the effective management fee charged on Class A shares was approximately 0.85% per annum.

The Manager charges Class J shareholders a monthly management fee at an annual rate of 0.5% of the daily average net asset value of Class J shares, excluding EdgePoint's value. During the year ended December 31, 2017, the effective management fee charged on Class J shares was approximately 0.43% per annum.

The total management fee for the year ended December 31, 2017 amounted to \$6.5 million (December 31, 2016: \$5.4 million), with \$0.0 million in outstanding accrued fees due to the Manager at December 31, 2017 (December 31, 2016: \$0.5 million), which have been subsequently paid.

ii. Operating expenses

Cymbria is also responsible for various expenses relating to its operations. These expenses may include, but are not limited to: taxes (including income, capital and harmonized sales taxes), accounting, legal and audit fees, Board of Directors' fees and expenses, custodial fees, portfolio transaction costs, registrar and transfer agency fees, regulatory costs, shareholder reporting, investment advisor expenses incurred in connection with its duties as Investment Advisor and all administration expenses incurred by the Manager for its duties as Manager, excluding any salaries to the Manager's principal shareholders, and all general operating expenses that could include allocated salaries, overhead and other costs directly related to Cymbria's operations and incurred by the Manager. For the year ended December 31, 2017, allocated expenses totaled \$0.3 million (December 31, 2016: \$0.6 million). Except for interest, bank charges, withholding tax, and transaction costs paid or payable directly by Cymbria, the Manager incurs such expenses on Cymbria's behalf and is then reimbursed by Cymbria for such expenses. Cymbria's common operating expenses are allocated to classes based on the average daily net asset value of each class.

9. Credit facility:

On September 22, 2017, Cymbria entered into a credit agreement with a Canadian chartered bank (the "Bank") that matures on September 21, 2022 and can be renewed on an annual basis. The credit agreement allows Cymbria to borrow up to \$100 million. Interest is charged on the outstanding balance based on whether the facility is drawn as bankers acceptance or prime loan. For a bankers acceptance loan, interest is charged on the outstanding balance at the bankers acceptance rate plus 80 basis points. For a prime loan, interest is charged on the outstanding balance at the Bank's

prime rate. In addition, Cymbria will pay a standby fee on the unused portion of the credit facility equal to 34 basis points if the facility is less than 25% drawn and 26 basis points otherwise. Cymbria paid a closing fee of \$250,000 to initiate the facility. When drawn upon, the credit facility will be secured by a selection of eligible securities in Cymbria's investment portfolio. As at December 31, 2017, the outstanding balance of the credit facility was nil. For the year ended December 31, 2017, Cymbria accrued \$0.1 million in interest and standby fees on the credit facility, which have been subsequently paid. As at the date of this report, Cymbria has complied with all covenants, conditions or other requirements of the credit agreement.

10. Income taxes:

Cymbria, as a public corporation, is subject to income taxes on its net investment income and net realized gain on investments at rates of approximately 26.50% and 13.25%, respectively. Taxable dividends from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income. The effective income tax rates for deferred income taxes are approximately 26.50% on investment income and 13.25% on net realized gains.

At the end of the most recent taxation year December 31, 2017, Cymbria had capital and non-capital losses for tax purposes of nil (December 31, 2016: nil).

The total provision for income taxes in the *Statements of Comprehensive Income* is at a rate less than the combined federal and provincial statutory rate for the following reasons:

	December 31, 2017 ('000s)	December 31, 2016 ('000s)
Profit for the year before taxes \$	214,716	\$ 110,987
Tax at the combined statutory rate: 26.50% (2016: 26.50%)	\$ 56,900	\$ 29,412
Increase (decrease) in provision due to:		
Capital gains taxed at 50%	\$ (27,345)	\$ (13,801)
Non-taxable Canadian dividends	(2,938)	(2,247)
Foreign withholding taxes	(972)	(764)
Other	214	22
Income taxes	\$ 25,859	\$ 12,622

The components of Cymbria's deferred income tax liability are as follows:

	December 31, 2017 ('000s)	December 31, 2016 ('000s)
Deferred share units	\$ 200	\$ 128
Net unrealized appreciation of investments	(43,738)	(30,618)
Deferred income tax liability	\$ (43,538)	\$ (30,490)

10. Income taxes (continued):

A loss realized by Cymbria on a disposition of capital property will be a suspended loss when Cymbria acquires a substituted property identical or the same as the property sold within 30 days before and 30 days after the sale, and Cymbria owns the substituted property 30 days after the original disposition. If a loss is suspended, Cymbria cannot deduct the loss from its capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

As of the most recent taxation year of December 31, 2017, Cymbria had suspended losses of \$207,911 (December 31, 2016: \$207,911)

11. Fair value measurement:

Cymbria's investments and derivative financial instruments are carried at fair value. In the opinion of the Manager, the fair values of financial instruments, other than investments and derivative financial instruments, approximate their carrying values given their short-term nature.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Cymbria can access at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., as derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Changes in valuation methods may result in transfers into, or out of, an investment's assigned level.

The following table categorizes financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is included. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

December 31, 2017				
('000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 807,555	\$ –	\$ 185,941	\$ 993,496
Foreign exchange forward contracts	–	957	–	957
Total	\$ 807,555	\$ 957	\$ 185,941	\$ 994,453

December 31, 2016				
('000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 630,722	\$ –	\$ 119,118	\$ 749,840
Foreign exchange forward contracts	–	235	–	235
Foreign exchange forward contracts	–	(617)	–	(617)
Total	\$ 630,722	\$ (382)	\$ 119,118	\$ 749,458

For the year ended December 31, 2017, the net change in value for financial instruments classified as held-for-trading is a \$8.5 million gain (December 31, 2016: \$7.3 million gain) and designated at FVTPL a \$198.2 million gain (December 31, 2016: \$97.8 million gain).

The following tables reconcile Cymbria's Level 3 fair value measurements for the years ended December 31, 2017 and December 31, 2016.

December 31, 2017	
('000s)	Equities
Balance at beginning of the year	\$ 119,118
Transfers out	(8,791)
Change in unrealized appreciation in value of investments	75,614
Balance at end of the year	\$ 185,941
Total change in unrealized appreciation for assets held as at December 31, 2017	\$ 75,614

December 31, 2016	
('000s)	Equities
Balance at beginning of the year	\$ 99,376
Investments purchased during the year	6,698
Change in unrealized appreciation in value of investments	13,044
Balance at end of the year	\$ 119,118
Total change in unrealized appreciation for assets held as at December 31, 2016	\$ 13,044

During the year ended December 31, 2017, there was one transfer between levels (December 31, 2016: nil). Real Matters Inc. transferred from Level 3 to Level 1 on May 11, 2017 when it filed its initial public offering and began trading on the Toronto Stock Exchange.

11. Fair value measurement (continued):

(a) Equities

Cymbria’s equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. When certain of Cymbria’s equities do not trade frequently, current observable prices may not be available. In such cases, fair value is determined using observable market data and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

As at December 31, 2017, Cymbria’s only Level 3 investment was EdgePoint.

EdgePoint is a private company not traded on any public exchange and is considered a Level 3 asset because there is no market in which a share price can be readily observed. The Manager engages a third-party valuator to assist in the valuation of EdgePoint. EdgePoint’s value is determined using the Discounted Cash Flow (“DCF”) method. Under the DCF method, EdgePoint’s fair value is estimated using the net present value of expected future cash flows. The cash flows include significant assumptions over market growth, net sales, expenses including income taxes and the estimated market value of portfolio management services received from a related party, discount rates and an exit or terminal value. The projected cash flows, together with the terminal value of the business at the end of the forecast period, are discounted to the valuation date using an appropriate rate. This value is corroborated with a number of other recognized valuation methodologies for comparable businesses, such as price-to-AUM and price-to-earnings ratios. These data points are then compared to analyst reports and information available for publicly traded wealth management companies to determine a range of values for the business, which is then discounted for the private nature of the shares and minority interest issues due to less than a controlling interest being owned. The Manager determines the most appropriate valuation methodologies to use, which are subject to change. On a quarterly basis or as frequently as necessary, the Manager reviews the key assumptions, including EdgePoint’s results and business prospects, for significant changes since the most recent valuation. If there are material changes, the Manager may engage the third-party valuator to assist in the re-valuation of EdgePoint and the amount recorded in the financial statements will be updated.

The following table sets out information about significant unobservable inputs used at December 31, 2017 in measuring EdgePoint, which is categorized as Level 3 in the fair value hierarchy.

EdgePoint Wealth Management Inc.

Fair Value at December 31, 2017: \$185.9 million
 (December 31, 2016: \$110.3 million).

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	5%	4%–6%	(\$10.1M)–\$10.7M
Redemption rate	11%	8%–14%	\$44.3M–(\$23.0M)
Discount rate	12%	10%–13%	\$22.3M–(\$9.8M)

Significant unobservable inputs are developed as follows:

- (i) Annual market growth: represents the future weighted average investment returns of the funds managed by EdgePoint. EdgePoint’s management fee revenue is calculated as a percentage of assets under management (“AUM”), therefore higher investment returns of the funds will increase EdgePoint’s expected annual cash flow. The range of 4%-6% was developed based on a weighted average of the index returns of the funds’ benchmarks over a range of prior periods.
- (ii) Redemption rate: represents the weighted average of units redeemed by unitholders of the mutual funds managed by EdgePoint as a percentage of AUM. A higher redemption rate will decrease EdgePoint’s AUM and will therefore lower the annual cash flow. The range of 8%-14% is based on a combination of EdgePoint’s historical redemption rate and the long-term redemption rate of the industry.
- (iii) Discount rate: is the annual percentage used to determine the present value of EdgePoint’s future cash flows. The discount rate factors in not only the time value of money, but also the risk or uncertainty of those future cash flows. A higher discount rate would indicate a greater uncertainty of future cash flows and therefore determine a lower net present value for EdgePoint. The range of 10%–13% was determined based on a combination of EdgePoint’s assumed weighted-average cost of capital, the risk-free rate, market risk factors, and other systematic and unsystematic risk factors.

Although the Manager believes that its estimates of fair value for EdgePoint are appropriate, the use of different assumptions could lead to different measurements of fair value. For the fair value measurement of EdgePoint, changing a combination of the significant assumptions noted above to reasonably possible alternative assumptions would increase or decrease the value of EdgePoint. Taking a pessimistic view by changing the annual market rate to 4%, redemption rate to 14%, and discount rate to 13% would result in a decrease in the value of EdgePoint by \$25.3 million. Conversely, taking an optimistic view by changing the annual market rate to 6%, redemption rate to 8%, and discount rate to 10% would result in an increase in the value of EdgePoint by \$63.8 million.

(b) Derivative assets and liabilities

Derivative assets and liabilities consists of foreign exchange forward contracts. Foreign exchange forward contracts are valued primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency and interest rates. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit related inputs are determined not to be significant to fair value, are classified as Level 2. Counterparty credit risk is managed through the use of collateral and a Credit Support Annex, when available.

12. Financial instrument risk:

In the normal course of business, Cymbria is exposed to a variety of financial risks: market risk (comprising market price risk, foreign currency risk and interest rate risk), counterparty credit risk and liquidity risk. The value of investments in Cymbria's portfolio can fluctuate daily as a result of changes in interest rates, market and economic conditions, and factors specific to individual securities within Cymbria. The level of risk depends on Cymbria's investment objectives and the type of securities in which it invests.

Risk management

Cymbria's overall risk management program seeks to maximize the returns derived for the level of risk to which Cymbria is exposed and seeks to minimize potential adverse effects on Cymbria's financial performance. All investments result in the risk of loss of capital. The team takes a conservative approach to risk management by applying in-depth, thorough research to each investment idea in order to understand the risks of the individual business and weighs this against its return potential.

Risk is further managed by investing in a diversified portfolio of companies. The team believes that investing in businesses with competitive advantages is a more effective approach to diversification than focusing on traditional sector allocations. The team takes a common-sense approach to risk by assessing how much money can be lost and the probability of losing it. While this approach may seem overly simplistic, it provides vital clarity about the true investment risks.

The Manager employs a governance structure that oversees Cymbria's investment activities and monitors compliance with Cymbria's stated investment strategy, internal guidelines and securities regulations. The Governance and Oversight Committee of the Manager conducts quarterly reviews to monitor portfolio activity for compliance with applicable rules.

Risk factors

(a) Market risk:

Cymbria's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following includes sensitivity analyses that show how shareholders' equity would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(i) Market price risk

Market price risk arises primarily from uncertainties about the future market prices of instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. Cymbria's most significant exposure to market price risk arises from its investment in equity securities.

If equity prices for these securities had increased or decreased on their respective stock exchanges by 5% as at December 31, 2017, with all other variables held constant, Cymbria's shareholders' equity would have increased or decreased, respectively, by approximately \$40.4 million or 4.0% of total shareholders' equity or 21.4% of net income (December 31, 2016: \$37.5 million or 4.5% of total shareholders' equity or 38.1% of net income). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Foreign currency risk

Foreign currency risk arises from financial instruments denominated in a currency other than the Canadian dollar, which is Cymbria's functional currency. Cymbria is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the Investment Advisor deems it appropriate, Cymbria will enter into foreign exchange forward contracts to reduce its foreign currency exposure.

The following tables indicate the currencies (excluding the Canadian dollar) to which Cymbria's financial instruments had significant exposure. Period-end figures are in Canadian dollars and include the notional amount of forward exchange contracts, if any:

December 31, 2017 (\$'000s)				
Currency	Investments	Cash and cash equivalents	Foreign exchange forward contracts	Total
U.S. dollar	452,150	7,024	(43,950)	415,224
Japanese Yen	145,539	–	–	145,539
Euro	94,921	–	–	94,921
Swedish Krona	13,919	–	–	13,919
British pound	8,585	–	–	8,585

December 31, 2016 (\$'000s)				
Currency	Investments	Cash and cash equivalents	Foreign exchange forward contracts	Total
U.S. dollar	467,470	5	(140,079)	327,396
Japanese yen	42,150	–	–	42,150
Euro	37,111	–	–	37,111
Swiss franc	17,916	–	–	17,916
British pound	5,245	–	–	5,245

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% relative

12. Financial instrument risk (continued):

to all foreign currencies with all other variables held constant, Cymbria's shareholders' equity would have decreased or increased, respectively, by approximately \$33.9 million or 3.3% of total shareholders' equity or 18.0% of net income (December 31, 2016: \$21.5 million or 2.6% of total shareholders' equity or 21.9% of net income).

In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value, or future cash flows of financial instruments, will fluctuate as a result of changes in market interest rates. The majority of Cymbria's financial assets are equity shares, which are not interest bearing. Cymbria has a credit facility in place but has not drawn on the facility during the period and is not exposed to interest rate risk on the amount of the facility that has not been drawn. Aside from the credit facility, Cymbria's financial liabilities are primarily short-term in nature and generally not interest bearing and its exposure to interest rate risk is considered insignificant.

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to honour an obligation or commitment that it has entered into with Cymbria.

Cymbria's main exposure to credit risk is its trading of listed securities. It minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

Cymbria may enter into foreign exchange contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short-term spot settlements carried out with counterparties with a credit rating of at least "A." The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

(c) Liquidity risk:

Liquidity risk is the risk that Cymbria will encounter difficulty in meeting obligations associated with financial liabilities.

Aside from financial liabilities that arise from its normal investing activities, Cymbria has no other significant financial liabilities. As Cymbria's shares are non-redeemable, they do not represent a liquidity risk.

Cymbria may invest in derivatives, fixed income securities and unlisted equity investments that are not traded in an

active market. As a result, Cymbria may not be able to quickly liquidate its investments in these instruments at amounts, which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with Cymbria's policy, the Manager monitors Cymbria's liquidity position on a daily basis.

Cymbria may invest in illiquid assets, but maintains the majority of its assets in liquid investments traded in an active market that can be readily sold. As at December 31, 2017, illiquid securities represent approximately 18.3% of Cymbria's shareholders' equity (December 31, 2016: 14.4%).

Cymbria also has the ability to borrow up to 25% of its shareholders' equity to invest in securities for the purpose of enhancing returns. No such borrowing occurred during the period.

The tables below analyze Cymbria's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amount in the tables are the contractual undiscounted cash flows.

December 31, 2017	On demand (\$'000s)	< 3 months (\$'000s)	> 3 months (\$'000s)	Total (\$'000s)
Payable for investments purchased	933	-	-	933
Accrued liabilities	-	95	-	95
Income tax payable	-	2,186	-	2,186
Deferred share unit plan liability	-	-	756	756
Deferred income tax liability	-	-	43,538	43,538

December 31, 2016	On demand (\$'000s)	< 3 months (\$'000s)	> 3 months (\$'000s)	Total (\$'000s)
Payable for investments purchased	642	-	-	642
Accrued liabilities	-	717	-	717
Foreign exchange forward contracts	-	617	-	617
Deferred share unit plan liability	-	-	485	485
Deferred income tax liability	-	-	30,490	30,490

13. Foreign exchange forward contracts:

December 31, 2017				
Settlement date	Currency to be delivered ('000s)	Currency to be received ('000s)	Contract price	Fair value ('000s)
February 21, 2018	3,000 USD	3,833 CAD	1.2777	\$ 65
February 27, 2018	3,000 USD	3,802 CAD	1.2673	34
March 14, 2018	2,500 USD	3,209 CAD	1.2837	69
March 21, 2018	20,500 USD	26,374 CAD	1.2866	633
March 28, 2018	6,000 USD	7,688 CAD	1.2814	156
Total number of contracts:	5		Net fair value	\$ 957

14. Offsetting financial assets and financial liabilities:

In the normal course of business, Cymbria may enter into various netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Cymbria has not offset any financial assets and financial liabilities in the statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers similar financial instruments.

The ISDA and similar master netting agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of Cymbria or the counterparties. In addition, Cymbria and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The collateral provided in respect of the below transactions is subject to the standard industry terms of ISDA's *Credit Support Annex*. This means that cash given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral. Cash collateral pledged by Cymbria is included in Cash and cash equivalents on the statement of financial position.

Cymbria has control over an investment, Cymbria qualifies as an investment entity under IFRS 10 – Consolidated Financial statements, and therefore accounts for investments it controls at fair value through profit and loss. Cymbria's primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in Cymbria's prospectus to meet those objectives. Cymbria also measures and evaluates the performance of any investment on a fair value basis. Investments over which Cymbria has control or significant influence are categorized as subsidiaries and associates, respectively.

Cymbria's investments are susceptible to market price risk arising from uncertainty about future values of those investments. The maximum exposure to loss from interests in investments is equal to the total fair value of the investment at any given point in time. The fair value of investments is included in the statements of financial position.

As at December 31, 2017 and 2016, Cymbria had material investments in the following subsidiaries, associates and unconsolidated structured entities:

December 31, 2017	Place of Business	Type	Ownership %
Echelon Financial Holdings Inc.	Canada	Associate	20.4%
EdgePoint Wealth Management Inc.	Canada	Associate	20.7%

December 31, 2016	Place of Business	Type	Ownership %
Echelon Financial Holdings Inc.	Canada	Associate	20.7%
EdgePoint Wealth Management Inc.	Canada	Associate	20.7%

December 31, 2017 (\$'000s)					
Type of financial instrument	Gross amounts of recognized financial assets and liabilities	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net Amount
			Financial instruments	Cash collateral pledged	
Foreign exchange forward contracts – assets	957	957	–	2,440	957
Foreign exchange forward contracts – liabilities	–	–	–	–	–

December 31, 2016 (\$'000s)					
Type of financial instrument	Gross amounts of recognized financial assets and liabilities	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net Amount
			Financial instruments	Cash collateral pledged	
Foreign exchange forward contracts – assets	235	235	(235)	1,961	–
Foreign exchange forward contracts – liabilities	(617)	(617)	235	59	(323)

15. Interests in subsidiaries, associates, and unconsolidated structured entities:

Cymbria may invest in a subsidiary, associate or unconsolidated structured entity as part of its investment strategy.

In determining whether Cymbria has control or significant influence over an investment, Cymbria assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where

OFFICERS

Tye Bousada, CFA

Co-Chief Executive Officer

Geoff MacDonald, CFA

Co-Chief Executive Officer

Diane Rossi

Corporate Secretary

Norman Tang, CPA, CA

Chief Financial Officer

DIRECTORS

Ugo Bizzarri, CFA

Director

Reena Carter, CA, CPA, CBV, C.Dir

Director and Chair of the Audit Committee

Patrick Farmer, CFA

Chairman

James MacDonald

Director and member of the Audit Committee

Richard Whiting

Director and member of the Audit Committee

AUDITOR

KPMG LLP

333 Bay St., Suite 4600

Bay Adelaide Centre

Toronto, ON M5H 2S5

CUSTODIAN

CIBC Mellon Trust Company

1 York St., Suite 900

Toronto, ON M5J 0B6

MANAGER AND INVESTMENT ADVISOR

EdgePoint Investment Group Inc.

150 Bloor St. W., Suite 500

Toronto, ON M5S 2X9

LEGAL COUNSEL

Stikeman Elliott LLP

5300 Commerce Crt. W.

199 Bay St.

Toronto, ON M5L 1B9

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.

100 University Ave., 8th floor

Toronto, ON M5J 2Y1

TORONTO STOCK EXCHANGE LISTING

CYB

EDGEPOINT INVESTMENT GROUP

150 Bloor Street West, Suite 500

Toronto, ON M5S 2X9

Website: www.cymbria.com

Email: info@edgepointwealth.com

Tel: 416.963.9353 or Toll free: 1.866.757.7207

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