

Management's Statement on Financial Reporting

The following financial statements, which consolidate the financial results of Guardian Capital Group Limited, its subsidiaries and other controlled entities, and the Company's interest in a joint venture, and all other information in this annual report, are the responsibility of management.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 31 to 35. Management maintains a system of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced. Management also administers a program of ethical business conduct compliance.

KPMG LLP, the Company's independent auditors, have audited the accompanying financial statements. Their report follows. The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with management and KPMG LLP to review their activities and to discuss the external audit process, internal controls, accounting policies and financial reporting matters. KPMG LLP has unrestricted access to the Company, the Audit Committee and the Board of Directors.

The Audit Committee has reviewed the financial statements and Management's Discussion and Analysis and recommended their approval to the Board of Directors. Based on this recommendation, the financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.



George Mavroudis,
President and Chief Executive Officer



Donald Yi,
Chief Financial Officer

February 22, 2017

Independent Auditors' Report

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL GROUP LIMITED

We have audited the accompanying consolidated financial statements of Guardian Capital Group Limited, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of operations, comprehensive income, equity and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 the Company'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 the consolidated 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Capital Group Limited as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

February 22, 2017

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2016	2015
Assets		
Current assets		
Cash	\$ 37,974	\$ 22,276
Interest-bearing deposits with banks	77,268	112,636
Accounts receivable and other	36,370	31,005
Receivables from clients and broker	60,672	49,125
Securities backing third party investor liabilities (note 3)	99,452	5,651
	311,736	220,693
Securities (note 4)	620,218	539,920
Other assets		
Deferred tax assets (note 11c)	1,618	1,854
Intangible assets (note 5)	29,386	28,376
Equipment (note 6)	3,957	4,059
Goodwill (note 7)	15,014	15,014
Investment in associate	333	333
	50,308	49,636
Total assets	\$ 982,262	\$ 810,249
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	\$ 62,664	\$ 54,755
Third party investor liabilities (note 3)	99,452	5,651
Client deposits	77,364	112,687
Accounts payable and other	37,829	30,251
Income taxes payable	6,300	868
Payable to clients	60,672	49,125
	344,281	253,337
Other liabilities	699	666
Deferred tax liabilities (note 11c)	51,812	47,720
Total liabilities	396,792	301,723
Equity		
Shareholders' equity		
Capital stock (notes 12a and 12b)	20,268	20,929
Treasury stock (note 13a)	(22,342)	(21,563)
Contributed surplus	13,972	12,280
Retained earnings	327,669	291,317
Accumulated other comprehensive income	240,610	201,292
	580,177	504,255
Non-controlling interests	5,293	4,271
Total equity	585,470	508,526
Total liabilities and equity	\$ 982,262	\$ 810,249

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Barry J. Myers,
Director


George Mavroudis,
Director

Consolidated Statements of Operations

For the years ended December 31 (\$ in thousands, except per share amounts)	2016	2015
Revenue		
Gross commission revenue	\$ 123,584	\$ 115,015
Commissions paid to advisors	(85,163)	(81,153)
	38,421	33,862
Management fee income, net (note 14)	68,181	65,273
Administrative services income	14,553	12,677
Dividend and interest income (note 15)	21,531	21,099
Net revenue	142,686	132,911
Expenses		
Employee compensation and benefits (note 16)	61,093	56,291
Amortization	4,185	4,063
Interest	837	868
Other expenses	31,904	28,691
	98,019	89,913
Operating earnings	44,667	42,998
Net gains (note 17)	38,617	11,040
Earnings before income taxes	83,284	54,038
Income tax expense (notes 11a and 11b)	12,709	9,061
Net earnings	\$ 70,575	\$ 44,977
Net earnings available to:		
Shareholders	\$ 69,475	\$ 44,105
Non-controlling interests	1,100	872
Net earnings	\$ 70,575	\$ 44,977
Net earnings available to shareholders per Class A and Common share (note 18):		
Basic	\$ 2.44	\$ 1.50
Diluted	2.32	1.44

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ in thousands)	2016		2015	
Net earnings	\$	70,575	\$	44,977
Other comprehensive income (loss)				
Available for sale securities, net of taxes:				
Net change in fair value		81,249		(22,391)
Income tax provision (recovery)		10,241		(2,866)
		71,008		(19,525)
Transfer to net earnings of unrealized gains upon disposal		(25,341)		(8,063)
Reversal of income taxes		3,177		386
		(22,164)		(7,677)
Net change in available for sale securities, net of taxes		48,844		(27,202)
Net change in foreign currency translation adjustment on foreign subsidiaries		(9,526)		21,796
Other comprehensive income (loss)		39,318		(5,406)
Comprehensive income	\$	109,893	\$	39,571
Comprehensive income available to:				
Shareholders	\$	108,793	\$	38,699
Non-controlling interests		1,100		872
Comprehensive income	\$	109,893	\$	39,571

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2016	2015
Total equity, beginning of year	\$ 508,526	\$ 492,234
Shareholders' equity, beginning of year	504,255	488,835
Capital stock		
Balance, beginning of year	20,929	21,434
Acquired and cancelled (note 12c)	(661)	(505)
Capital stock, end of year	20,268	20,929
Treasury stock		
Balance, beginning of year	(21,563)	(19,890)
Acquired (note 13a)	(2,200)	(1,740)
Disposed of (note 13a)	1,421	67
Treasury stock, end of year	(22,342)	(21,563)
Contributed surplus		
Balance, beginning of year	12,280	10,841
Stock-based compensation expense	1,731	1,506
Equity-based entitlements redeemed	(39)	(67)
Contributed surplus, end of year	13,972	12,280
Retained earnings		
Balance, beginning of year	291,317	269,752
Net earnings available to shareholders	69,475	44,105
Dividends declared and paid (note 12d)	(9,736)	(8,648)
Capital stock acquired and cancelled (note 12c)	(23,204)	(13,892)
Acquisition of non-controlling interests (note 25)	(183)	—
Retained earnings, end of year	327,669	291,317
Accumulated other comprehensive income		
Balance, beginning of year	201,292	206,698
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	169,746	196,948
Net change during year	48,844	(27,202)
Balance, end of year	218,590	169,746
Foreign currency translation adjustment on foreign subsidiaries		
Balance, beginning of year	31,546	9,750
Net change during year	(9,526)	21,796
Balance, end of year	22,020	31,546
Accumulated other comprehensive income, end of year	240,610	201,292
Shareholders' equity, end of year	580,177	504,255
Non-controlling interests		
Balance, beginning of year	4,271	3,399
Net earnings available to non-controlling interests	1,100	872
Acquisition of non-controlling interests (note 25)	(78)	—
Non-controlling interests, end of year	5,293	4,271
Total equity, end of year	\$ 585,470	\$ 508,526

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2016	2015
Operating activities		
Net earnings	\$ 70,575	\$ 44,977
Adjustments for:		
Income taxes paid	(10,624)	(9,855)
Income tax expense	12,709	9,061
Net gains	(38,617)	(11,040)
Amortization of intangible assets	3,428	3,336
Amortization of equipment	757	727
Stock-based compensation	1,731	1,506
Other non-cash expenses	102	744
	40,061	39,456
Net change in non-cash working capital items (note 20)	2,454	(5,679)
Net cash from operating activities	42,515	33,777
Investing activities		
Net disposition (acquisition) of securities	4,661	(15,273)
Net acquisition of securities backing third party investor liabilities	(88,821)	(4,077)
Acquisition of intangible assets	(5,422)	(3,126)
Proceeds from disposition of intangible assets	1,973	1,502
Acquisition of equipment	(723)	(901)
Business acquisitions (note 24)	-	(3,548)
Net cash used in investing activities	(88,332)	(25,423)
Financing activities		
Dividends	(9,736)	(8,648)
Acquisition of capital stock	(23,865)	(14,397)
Acquisition of treasury stock	(2,200)	(1,740)
Disposition of treasury stock	1,421	67
Net proceeds from bank loans and borrowings	9,511	3,303
Acquisition of non-controlling interest (note 25)	(261)	-
Net funds from third party investors in consolidated mutual funds	88,821	4,077
Net cash (used in) from financing activities	63,691	(17,338)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(574)	1,890
Net change in net cash	17,300	(7,094)
Net cash, beginning of year	20,674	27,768
Net cash, end of year	\$ 37,974	\$ 20,674
Net cash represented by:		
Cash	\$ 37,974	\$ 22,276
Net bank indebtedness	-	(1,602)
	\$ 37,974	\$ 20,674

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Guardian Capital Group Limited (“Guardian”) is a publicly traded company with its common and class A shares listed on the Toronto Stock Exchange. Guardian is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. Guardian, through its subsidiaries, provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements include the accounts of Guardian, its subsidiaries, and its interest in joint ventures (together, the “Company”) and have been prepared under International Financial Reporting Standards (“IFRS”). These consolidated financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of Guardian on February 22, 2017

(b) Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is Guardian’s functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

Certain reclassifications have been made to the 2015 comparative financial information in order to conform to the current period’s presentation.

(c) Estimates and judgments

The preparation of these consolidated financial statements necessitates the use of judgments, estimates and assumptions, which affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Management believes that the significant areas where judgment is necessarily applied are those which relate to the:

- (i) Determination of when control of another entity exists;
- (ii) Valuation of certain securities that do not have quoted market prices;
- (iii) Assessment of goodwill, intangible assets and available for sale securities for impairments;
- (iv) Assessment of provisions; and
- (v) Measurement of share-based payments.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company considers several factors in determining whether it has power over another entity which it will be able to use to obtain benefits.

- a. When voting rights are relevant in determining power over an entity, the Company considers its: existing voting rights; potential voting rights that are currently exercisable and have no substantive barriers to exercise; agreements with other vote holders; rights from other contractual arrangements; economic interests; or a combination of the foregoing. Offsetting these factors, the Company considers matters which prevent it from the exercise of power.
- b. When voting rights are not relevant in determining power over an entity, the Company considers: evidence of its practical ability to direct the activities of the entity for the Company’s benefit; indications of a special relationship between it and the entity; and whether it has a significant exposure to variability of returns. In evaluating these three factors, the Company gives greater weight to evidence of its ability to direct the activities of the entity.

(ii) Transactions eliminated on consolidation

All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation.

(iii) Non-controlling interests

Non-controlling interests in the equity of subsidiaries are shown as a component of the equity section of the consolidated balance sheet, to the extent that they represent a residual interest in the Company’s assets.

(iv) Consolidated funds

When the Company consolidates an investment fund in which it invests, it records its proportionate share of the securities held by the fund as Securities and the proportionate share of the securities attributable to third party investors as Securities backing third party investor liabilities. The ownership interest in the fund attributable to third party investors is classified as a liability and recorded as Third party investor liabilities.

(e) Joint ventures

Joint ventures are those entities over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The investments are carried in the balance sheets at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the joint venture.

(f) Foreign currency translation

Amounts denominated in foreign currencies included in these consolidated financial statements are translated into Canadian dollars as follows:

- (i) Foreign currency denominated monetary items are translated at the reporting date exchange rates. Revenues and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in net gains in the statements of operations.
- (ii) The accounts of certain subsidiaries of the Company are maintained in foreign currencies. Assets and liabilities have been translated into Canadian dollars at exchange rates prevailing at the reporting date and revenues and expenses at average monthly rates. Adjustments resulting from the exchange gains and losses on the translation of balance sheets of the Company's foreign operations are recorded as a foreign currency translation adjustment in the statements of comprehensive income, and the cumulative balance is included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheets.

(g) Financial instruments

The Company's financial assets may be classified as held for trading, available for sale or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities.

(i) Measurement of financial instruments

All of the Company's financial instruments are initially measured at fair value. Subsequent to initial recognition, financial instruments classified as held for trading or available for sale are measured:

- a. at fair value using quoted bid prices in an active market;
- b. where there is no active market, but the fair value can be reliably measured, the fair value is determined using valuation techniques; or
- c. all other financial instruments, which include loans & receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method.

(ii) Changes in fair value

During each reporting period, changes in the fair value of financial assets classified as available for sale are reflected in other comprehensive income, and changes in fair value of financial assets classified as held for trading are reflected in net earnings.

(iii) Classification of the Company's financial instruments

The Company's financial instruments are classified as follows:

- a. Loans & receivables are comprised of interest-bearing deposits with banks, accounts receivable and other, loans receivable, receivables from clients and broker and securities at amortized cost.
- b. Available for sale is comprised of securities, that are not classified in another category.
- c. Held for trading is comprised of cash, the Company's proportionate share of the securities held by consolidated investment funds, due on securities sold short, derivative contracts and third party investor liabilities.
- d. Other financial liabilities is comprised of bank loans and borrowings, client deposits, accounts payable and other, and payable to clients

(iv) Fair value hierarchy

Financial assets and liabilities measured at fair value are categorized using a fair value hierarchy which reflects the significance of the inputs used in making the fair value measurements. The fair value hierarchy is as follows

- a. Level 1 – Quoted market prices: financial instruments with quoted prices for identical instruments in active markets.
- b. Level 2 – Valuation technique using observable inputs: financial instruments with quoted prices of similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- c. Level 3 – Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

(v) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Impairment of securities and other financial assets

For securities and other financial assets other than those classified as held for trading, an assessment is made each period by management as to whether there is any objective evidence of impairment. Factors considered in determining whether an objective evidence of impairment exists include the length of time and the extent of unrealized loss, the financial condition and near-term prospects of the issuer and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If it is determined that the security is impaired, the carrying value of the security is written down to its fair value, and any cumulative loss amount recognized in other comprehensive income is reclassified to net income.

For securities and other financial assets carried at amortized cost, if, in subsequent periods, the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the loss is reversed in the statement of operations. The reversal is limited to what the amortized amount of the security or financial asset would have been if no impairment loss had been recognized in a prior period.

(i) Intangible assets

Intangible assets represent new business costs (costs pertaining mainly to new advisors and branches joining the Company's mutual fund dealer and securities dealer subsidiaries), computer software and the Company's rights to future revenues (substantially in the Company's life insurance

managing general agency subsidiary). Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives, as outlined below:

- (i) New business costs – They are amortized over a number of years, ranging from three to fifteen years;
 - (ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and
 - (iii) Rights to future revenues – They are amortized over fifteen years.
- Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized and no longer in use.

(j) Equipment

Equipment is carried at cost less accumulated amortization and accumulated impairment losses, and is amortized over its expected useful life, as outlined below:

- (i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three to five years;
 - (ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and
 - (iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases.
- Amortization rates and the useful life of equipment is reviewed annually and adjusted, if appropriate. Equipment is derecognized upon disposal or when it no longer has any residual value.

(k) Goodwill

Goodwill represents the excess of the cost of acquisition of an acquired business over the fair value of the net identifiable tangible and intangible assets of the acquired business at the date of acquisition. Goodwill is not amortized, but is carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash-generating units for the purpose of impairment testing.

(l) Impairment of non-financial assets

The Company annually reviews its indefinite-life, non-financial assets, which includes goodwill, for impairment. If the net carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and the excess amount is charged to Statement of Operations as an impairment loss.

The Company annually reviews its finite-life, non-financial assets, including intangible assets and equipment, whether there are any indications an asset may be impaired. If such indication exists, its carrying amount is compared to the estimated recoverable amount and any excess of the carrying amount over recoverable amount is charged to net gains as an impairment loss.

Recoverable amount is considered to be the higher of the estimated fair value of asset, less the estimated cost to sell and the net present value of future cash flow expected from the use of the asset.

(m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheets, and the net amount is recorded in the statements of operations. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(n) Treasury stock

The Company accounts for its shares purchased and held by its subsidiary, the Guardian Capital Group Employee Profit Sharing Plan Trust (the "EPSP Trust"), as treasury stock.

(o) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The various types of revenues and the associated accounting policies adopted by the Company are as follows:

- (i) Gross commission revenue earned and commissions paid to advisors are recorded on a trade date basis.
- (ii) Management fees – The Company provides investment management and investment advisory services to clients, in consideration for management fees, which are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The fees are earned over the time during which the assets are managed or advised on by the Company. Certain clients also pay performance fees, if the performance of such clients' assets under management exceeds that of certain performance benchmarks by an agreed level over a stated time period. Such fees are recorded when the services have been provided, the amount of the fees can be reliably measured, and it is probable that the fees will be received. Management fees are presented net of referral fees paid to third party agents.
- (iii) Administrative services income – The Company earns income from certain clients and advisors, associated with the maintenance of accounts with the Company, and the provision of general corporate, trust or other services. Such income is recognized, on an accrual basis, as the services continue to be performed on an ongoing basis, based on agreements with the clients or advisors. When the Company holds assets or liabilities on a fiduciary basis in providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.

(iv) Dividend and interest income is recorded as follows:

- a. Dividends are recognized when the Company's right to receive payment is established.
- b. Interest is recorded as earned over the period of time during which the interest-paying investment is held, on an effective interest rate method.

(p) Employee compensation and benefits

Wages, salaries, profit sharing, bonuses, payroll taxes and levies and paid annual leaves are accrued in the year in which the associated services are rendered by employees and when a reliable estimate of the obligation can be made.

(q) Stock-based compensation

Stock-based compensation is accounted for under the fair value method, under which the compensation cost is measured at the fair value of the equity instruments issued ("Stock-based entitlement") and is expensed over the vesting period of the Stock-based entitlement.

Fair value of a Stock-based entitlement is determined on the issuance date and is the product of the fair value of the equity instrument and the number of those instruments that are ultimately expected to vest.

Where a Stock-based entitlement has been modified, the incremental change in fair value of the Stock-based entitlement is expensed over the remaining vesting period.

(r) Interest expense

Interest expense comprises interest payable on borrowings recognized using the effective interest rate method.

(s) Pensions

The Company operates a defined contribution pension plan, payments to the plan are charged as expenses as they are incurred. The Company has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(t) Net gains or losses

Net gains or losses include any gains or losses related to changes in the fair value of held for trading securities, or on disposal of available for sale securities or other assets recognized on a trade date basis, and adjustments to record any impairment in value.

(u) Income tax

Income tax on net earnings for the year comprises current tax and deferred tax. Income tax is recognized in the statements of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also recognized in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable net earnings for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right of offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheets and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities, relate to income taxes levied by the same taxation authority and a legal right to set off exists.

(v) Earnings per share

The calculation of basic earnings per share is based on the weighted average of Class A and common shares outstanding during the year and on earnings available to the holders of the Class A and common shares. Diluted earnings per share are calculated by adjusting for the effect of outstanding dilutive instruments, such as stock options or stock-based entitlements, using the treasury stock method.

(w) Related parties

For the purposes of these financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities. All material transactions with related parties are recorded at fair value.

(x) Future changes in accounting policies

A number of new standards, and amendments to existing standards, have been issued by the International Accounting Standards Board ("IASB"), which are effective for the Company's consolidated financial statements in certain future periods. The following is a description of these new standards and amendments:

(i) Financial instruments

On July 24, 2014, the IASB issued its fourth and final version of IFRS 9 Financial Instruments ("IFRS 9"), which is to replace IAS 39 Financial Instruments: Recognition and Measurement, with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Based on the Company's initial assessment, the implementation of IFRS 9 could result in reclassification of the Company's significant holdings in securities. The potential changes to the classification of these securities could have the effect of more net gains and losses being recorded in Net Earnings rather than in Other Comprehensive Income. The Company continues to evaluate the impact IFRS 9 will have on its consolidated financial statements.

(ii) Revenue

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers (“IFRS 15”), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers that reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Based on the Company’s initial assessment of IFRS 15, it is anticipated there will be no significant impact to the manner in which the Company recognizes revenues. However, there may be some changes to how certain expenses associated with securing those revenues are recognized. IFRS 15 requires the capitalization and amortization of certain incremental costs associated with the securing of new revenue streams. The Company continues to evaluate the impact IFRS 15 will have on its consolidated financial statements

(iii) Leases

On January 13, 2016, the IASB issued IFRS 16 Leases (“IFRS 16”), which is to replace IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company continues to evaluate the impact IFRS 16 will have on its consolidated financial statements.

3. SECURITIES BACKING THIRD PARTY INVESTOR LIABILITIES and THIRD PARTY INVESTOR LIABILITIES

Securities backing third party investor liabilities represent third party investors’ proportionate interest in the assets of the consolidated investment funds. They are classified as held for trading and are categorized as level 1, based upon the fair value hierarchy.

Third party investor liabilities represents third party investors’ proportionate ownership interest in the consolidated funds. The liabilities are payable on redemption of the units of the funds by the third party investors and will be settled with the proceeds from disposition of securities backing third party investor liabilities. The value of the liabilities is equal to and varies with the value of the securities backing third party investor liabilities. The liabilities are classified as held for trading and are categorized as level 1, based upon the fair value hierarchy.

4. SECURITIES

(a) Classification of securities

An analysis of the Company’s securities by available for sale and held for trading classifications and by the type of security is as follows:

As at December 31	2016	2015
Available for sale securities:		
Short-term securities (i)	\$ 12,567	\$ 2,058
Bonds	1,147	1,102
Fixed income funds	9,449	8,139
Equity investment funds	27,599	47,949
Bank of Montreal common shares (ii)	386,240	353,790
Other equity securities	15,647	20,949
Real estate fund (iii)	23,759	22,284
	476,408	456,271
Held for trading securities (iv):		
Equity securities	143,810	83,649
Securities	\$ 620,218	\$ 539,920

- (i) Short-term securities shown above include non-controlled investment funds that hold short-term securities, as well as directly held short-term securities.
- (ii) During the year, the Company sold a total of 531 (2015 – 204) of the Bank of Montreal common shares. The gains on these sales are disclosed in note 17.
- (iii) As at December 31, 2016, the Company had a commitment to invest \$35,000 (2015 -\$25,000) in a real estate limited partnership managed by a subsidiary of the Company. As at December 31, 2016, the Company had invested \$23,166 (2015 - \$21,488) in this fund.
- (iv) Held for trading securities consist of the Company’s proportionate share of the securities held by investment funds which the Company controls and consolidates.

(b) Fair value hierarchy

The Company’s securities have been categorized based upon a fair value hierarchy as follows:

As at December 31	2016	2015
Level 1	\$ 548,424	\$ 449,953
Level 2(i)	59,427	77,049
Level 3(ii)	12,367	12,918
Securities	\$ 620,218	\$ 539,920

- (i) Level 2 securities include investments in certain funds, and are valued using the net asset value of each fund.
- (ii) Level 3 securities are substantially comprised of an investment in one entity which is valued based on a multiple of 4% (2015 – 4%) of the assets managed by it. All level 3 securities are classified as available for sale.
- (iii) During 2016 and 2015, there have been no transfers between Levels.

(c) Changes in Level 3

An analysis of the changes in securities categorized as Level 3 is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 12,918	\$ 5,973
Increase (decrease) in estimated fair value, recognized in other comprehensive income	(551)	6,945
Balance, end of year	\$ 12,367	\$ 12,918

5. INTANGIBLE ASSETS

A summary of the composition of and changes in the Company's intangible assets is as follows:

For the years ended December 31	2016				2015			
	New business costs	Computer software	Rights to future revenue	Total	New business costs	Computer software	Rights to future revenue	Total
Cost:								
Balance, beginning of year	\$ 12,800	\$ 3,911	\$ 33,114	\$ 49,825	\$ 12,047	\$ 3,702	\$ 25,537	\$ 41,286
Purchases	342	374	4,706	5,422	564	196	2,366	3,126
Arising on acquisition	—	—	—	—	—	—	6,113	6,113
Disposals	(116)	(53)	(1,176)	(1,345)	—	—	(902)	(902)
Foreign exchange translation adjustments	(37)	(2)	—	(39)	189	13	—	202
Balance, end of year	12,989	4,230	36,644	53,863	12,800	3,911	33,114	49,825
Accumulated amortization:								
Balance, beginning of year	10,055	3,227	8,167	21,449	8,340	2,806	6,349	17,495
Amortization expense	850	423	2,155	3,428	978	409	1,949	3,336
Disposals	(95)	(53)	(244)	(392)	—	—	(131)	(131)
Impairment	—	—	—	—	695	—	—	695
Foreign exchange translation adjustments	(6)	(2)	—	(8)	42	12	—	54
Balance, end of year	10,804	3,595	10,078	24,477	10,055	3,227	8,167	21,449
Carrying value, end of year	\$ 2,185	\$ 635	\$ 26,566	\$ 29,386	\$ 2,745	\$ 684	\$ 24,947	\$ 28,376

6. EQUIPMENT

A summary of the composition of and changes in the Company's equipment is as follows:

For the years ended December 31	2016			2015		
	Office equipment	Leasehold improvements	Total	Office equipment	Leasehold improvements	Total
Cost:						
Balance, beginning of year	\$ 8,059	\$ 3,328	\$ 11,387	\$ 6,864	\$ 3,282	\$ 10,146
Purchases	366	357	723	871	30	901
Arising on acquisition	—	—	—	28	—	28
Disposals	(20)	—	(20)	—	—	—
Foreign exchange translation adjustments	(101)	(3)	(104)	296	16	312
Balance, end of year	8,304	3,682	11,986	8,059	3,328	11,387
Accumulated amortization:						
Balance, beginning of year	5,530	1,798	7,328	4,916	1,574	6,490
Amortization expense	539	218	757	520	207	727
Reclassification	—	—	—	28	—	28
Disposals	(20)	—	(20)	—	—	—
Foreign exchange translation adjustments	(33)	(3)	(36)	66	17	83
Balance, end of year	6,016	2,013	8,029	5,530	1,798	7,328
Carrying value, end of year	\$ 2,288	\$ 1,669	\$ 3,957	\$ 2,529	\$ 1,530	\$ 4,059

7. GOODWILL

A summary of the changes in the Company's goodwill is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 15,014	\$ 12,299
Arising on acquisition (note 24)	–	2,715
Balance, end of year	\$ 15,014	\$ 15,014

Goodwill acquired in business acquisitions is allocated to the cash generating units (“CGUs”) that are expected to benefit from the business acquisitions. The carrying amount of goodwill has been allocated to the relevant CGUs as follows:

As at December 31	2016	2015
Financial advisory:		
Mutual fund distributor	\$ 4,227	\$ 4,227
Life insurance managing general agency	9,599	9,599
Investment management:		
Fundamental global and emerging markets	1,188	1,188
Total goodwill	\$ 15,014	\$ 15,014

Goodwill is not amortized, but is subject to annual impairment testing, as described below.

Impairment tests were performed upon the goodwill associated with each CGU in both 2016 and 2015, based upon each CGU's estimated fair value, less costs to sell. Management used a multi-factor model to determine fair value, with the principal assumptions being values assigned as multiples of key business analytics pertaining to each CGU. Management considers that the key business analytics are client assets under management in the investment management CGU, client assets under administration in both financial advisory CGUs and annual service fees and first year commissions in the life insurance managing general agency. It is management's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that the multiples used are consistent with market transactions. Based on the results of this testing, there were no indications that the goodwill was impaired in 2016 or 2015.

The most sensitive assumptions used in the above testing were:

As at December 31	2016	2015
Mutual fund distributor:		
Multiple of assets under administration	1.00%	1.00%
Life insurance managing general agency:		
Multiple of annual net service revenue	6	6
Fundamental global and emerging markets:		
Multiple of assets under management	1.75%	1.75%

The following table shows for each CGU the amount by which the estimated fair value less the costs to sell referred to above exceeds its carrying value:

As at December 31	2016	2015
Mutual fund distributor	\$ 89,256	\$ 79,857
Life insurance managing general agency	42,424	31,502
Fundamental global and emerging markets	–	–

The fair value estimated above would be considered to be Level 3 under the fair value hierarchy as defined in accounting policy note 2 (g)(iv).

Management believes that a possible reasonable change in key assumptions would not cause the carrying value in either financial advisory CGU to exceed its fair value less the costs to sell. A reduction of the multiple used to value the investment management CGU to 1.65% from 1.75% would reduce the estimated fair value less costs to sell of this CGU by \$52 (2015 – \$85).

8. BANK LOANS AND BORROWINGS

Bank loans and borrowings are comprised of the following:

As at December 31	2016	2015
Net bank indebtedness (a)	\$ –	\$ 1,602
Bankers' acceptances payable (b)	62,400	53,100
Bank loan (b)	264	53
Bank loans and borrowings	\$ 62,664	\$ 54,755

(a) Net bank indebtedness

Net bank indebtedness consists of net overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of \$11,000 (2015 – \$11,000), due on demand, secured by a general security agreement and securities valued at \$77,248 (2015 – \$62,464), and bearing interest at the bank prime rate plus 0.25%. Under this line of credit, the Company may offset certain overdraft positions against certain cash balances to establish a net position. As at December 31, 2016, the Company had no overdraft position. As at December 31, 2015 net bank indebtedness was comprised of overdraft positions of \$43,256 and cash balances of \$41,654.

On February 3, 2017, this facility was amended to increase the borrowing limit to \$45,000 and eliminate the offsetting of overdraft positions against cash balances, except for the calculation of interest.

(b) Bankers' acceptances payable and bank loan

Under written loan agreements, the Company has \$90,000 (2015 – \$90,000) in borrowing facilities from a major Canadian chartered bank. Borrowings under these facilities may be in the form of either demand loans bearing a rate of bank prime or bankers' acceptances for periods ranging from 30 to 270 days, at rates negotiated in the bankers' acceptance market, plus 0.50%. These facilities are secured by the deposit of treasury stock valued at \$54,917 at December 31, 2016 (2015 – \$41,521), and other securities valued at \$111,044 at December 31, 2016 (2015 – \$89,792).

The Company has, through its life insurance managing general agency subsidiary, a \$2,000 (2015 - \$2,000) loan facility with a Canadian chartered bank, bearing interest at bank prime (2015 – bank prime), secured by a general security agreement on the subsidiary's assets. No amounts were drawn on the facility during 2016 or 2015.

9. PROVISIONS

From time to time, the Company is named as a party to claims, proceedings and investigations, including legal, regulatory and taxes, in the ordinary course of its business. While it is often not possible to estimate the outcome of the various proceedings at any time, the Company makes provisions, where possible, for the estimated outcome of such proceedings. Should any loss resulting from the resolution of any claims differ from these estimates, the difference will be accounted for as a charge to income in that year. As at December 31, 2016 and 2015, there were no material provisions recorded.

10. OPERATING LEASES

The Company has non-cancellable operating leases for premises and equipment with initial terms in excess of one year and which expire on various dates after year end. Future minimum payments required under these non-cancellable operating leases are as follows:

As at December 31	2016	2015
Payable within one year	\$ 2,069	\$ 2,077
Payable after one year and within five years	7,193	7,684
Payable after five years	6,396	8,615
Total lease obligations	\$ 15,658	\$ 18,376

During the year ended December 31, 2016, the Company recognized \$2,539 (2015 – \$2,443) of base rental costs in respect of these non-cancellable leases.

11. INCOME TAXES

(a) Income tax expenses

The components of the income tax expense are as follows:

For the years ended December 31	2016	2015
Current tax expense		
Tax on profits for the current year	\$ 15,256	\$ 8,769
Adjustments in respect of prior periods	189	(24)
	15,445	8,745
Deferred tax expense		
Origination and reversal of temporary differences	(1,637)	311
Adjustments in respect of prior periods	–	5
Benefits from previously unrecognized tax losses or temporary differences	(1,099)	–
	(2,736)	316
Income tax expense	\$ 12,709	\$ 9,061

(b) Reconciliation of income tax expense to statutory rates

The income tax expense in the consolidated statements of operations is less than the tax computed using combined Federal and Provincial statutory income tax rates of 26.5% (2015 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2016	2015
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 22,070	\$ 14,320
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,937)	(3,881)
Rate differential on earnings of foreign subsidiaries	(2,060)	(531)
Adjustments to deferred tax assets and liabilities for changes in temporary differences	866	(210)
Non-taxable portion of capital gains	(3,518)	(1,494)
Non-deductible expenses	313	318
Benefits from previously unrecognized tax loss or temporary difference	(1,099)	–
Tax losses not recognized as deferred tax assets	–	565
Other	74	(26)
Income tax expense	\$ 12,709	\$ 9,061

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2015 – 15.0%) and the Provincial income tax rate of 11.5% (2015 – 11.5%).

(c) Deferred tax assets and liabilities

A summary of the composition of and changes in the Company's deferred tax assets and liabilities is as follows:

For the year ended December 31, 2016							
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:							
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 1,041	\$ 372	\$ 441	\$ 1,854
Recognized in net earnings	–	–	–	(214)	28	(50)	(236)
Balance, end of year	\$ –	\$ –	\$ –	\$ 827	\$ 400	\$ 391	\$ 1,618
Deferred tax liabilities:							
Balance, beginning of year	\$ 46,624	\$ (69)	\$ (46)	\$ (13)	\$ 3,318	\$ (2,094)	\$ 47,720
Recognized in net earnings	(2,525)	1,704	38	(1,099)	(162)	(928)	(2,972)
Recognized in other comprehensive income	6,855	209	–	–	–	–	7,064
Balance, end of year	\$ 50,954	\$ 1,844	\$ (8)	\$ (1,112)	\$ 3,156	\$ (3,022)	\$ 51,812
For the year ended December 31, 2015							
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:							
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 2,155	\$ 368	\$ 537	\$ 3,060
Recognized in net earnings	–	–	–	(1,114)	4	(96)	(1,206)
Balance, end of year	\$ –	\$ –	\$ –	\$ 1,041	\$ 372	\$ 441	\$ 1,854
Deferred tax liabilities:							
Balance, beginning of year	\$ 49,693	\$ 15	\$ (47)	\$ (13)	\$ 2,108	\$ (1,513)	\$ 50,243
Recognized in net earnings	–	100	1	–	(410)	(581)	(890)
Recognized in other comprehensive income	(3,069)	(184)	–	–	–	–	(3,253)
Arising on acquisition (note 24)	–	–	–	–	1,620	–	1,620
Balance, end of year	\$ 46,624	\$ (69)	\$ (46)	\$ (13)	\$ 3,318	\$ (2,094)	\$ 47,720

The Company has tax losses available of \$1,011 (2015 – \$4,092) whose benefit has not been recognized in these financial statements, as the Company does not expect these losses, which have arisen in a foreign subsidiary, to be utilized in the foreseeable future. These tax losses, which will be available to offset future taxable income, may be carried forward indefinitely.

(d) Other temporary differences

The aggregate amount of temporary differences between costs for accounting purposes and costs for income tax purposes arising from the earnings accumulated in certain subsidiaries is \$168,305 (2015 – \$134,482), which amount may be subject to income tax if such subsidiaries are disposed of or the earnings are otherwise distributed. Deferred tax has not been provided on these temporary differences, as the Company does not intend to dispose of such subsidiaries or distribute such earnings.

12. CAPITAL STOCK

(a) Authorized

- (i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.
- (ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.
- (iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and outstanding

For the years ended December 31	2016		2015	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of year	26,979	\$ 19,878	27,368	\$ 20,279
Acquired and cancelled	(766)	(562)	(599)	(452)
Converted from common	473	114	210	51
Outstanding, end of year	26,686	19,430	26,979	19,878
Common shares				
Outstanding, beginning of year	4,349	1,051	4,777	1,155
Acquired and cancelled	(407)	(99)	(218)	(53)
Converted to Class A	(473)	(114)	(210)	(51)
Outstanding, end of year	3,469	838	4,349	1,051
Total outstanding, end of year	30,155	\$ 20,268	31,328	\$ 20,929

(c) Issuer bid

A summary of the Company's activity under its Normal Course Issuer Bid is as follows:

For the years ended December 31	2016	2015
Purchased and cancelled		
Class A	766	599
Common	407	218
Consideration paid	\$ 23,865	\$ 14,397
Less average issue price, charged to share capital	661	505
Excess consideration charged to retained earnings	\$ 23,204	\$ 13,892

(d) Dividends on common and Class A shares

For the years ended December 31	2016	2015
Dividends declared and paid, per share	\$ 0.33	\$ 0.29

The Company also declared dividends of \$0.085 and \$0.10 per share payable on January 18, 2017 and April 18, 2017, respectively, on the common and Class A shares outstanding.

13. TREASURY STOCK

The Company provides Stock-based entitlements to certain senior employees of the Company through the EPSP Trust. The EPSP Trust purchases shares of the Company that are related to these Stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements. The purchases are financed by a bank loan facility that is with a major chartered bank, which is secured by the shares held by the EPSP Trust and a guarantee issued by the Company.

(a) Changes in treasury stock

A summary of the changes in the Company's treasury stock is as follows:

For the years ended December 31	2016		2015	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,299	\$ 21,563	2,204	\$ 19,890
Acquired	130	2,200	101	1,740
Disposed	(237)	(1,421)	(6)	(67)
Balance, end of year	2,192	\$ 22,342	2,299	\$ 21,563

During the year, the Company disposed of 206 (2015 – 6) of its class A shares and 31 (2015 – nil) of its common shares for amounts equal to their costs.

As at December 31, 2016, the treasury stock was composed of 32 common shares (2015 – 63) and 2,160 class A shares (2015 – 2,236 shares).

(b) Equity-based entitlements

Equity-based entitlements allow the employees to acquire shares of the Company from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the number of shares under equity-based entitlements is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	803	708
Entitlements provided	130	101
Entitlements exercised	(5)	(6)
Balance, end of year	928	803

Equity-based entitlements provided during the year ended December 31, 2016 had a fair value of \$2,200 (2015 – \$1,740).

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

(c) Option-like entitlements

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust at prices equal to the amount of the borrowings per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the option-like entitlements is as follows:

For the years ended December 31	2016		2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of year	1,496	\$ 8.95	1,496	\$ 8.95
Entitlements exercised	(232)	5.97	–	–
Balance, end of year	1,264	\$ 9.49	1,496	\$ 8.95

No option-like entitlements were provided during 2016 or 2015.

As at December 31, 2016, there were option-like entitlements outstanding for 2 common shares (2015 – 33) and 1,262 class A shares (2015 – 1,463).

Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

The following table summarizes information about option-like entitlements outstanding:

	Number of shares	Weighted average exercise price	Vested number of shares	Weighted average exercise price
As at December 31, 2016				
\$5.01 – \$7.50	124	\$ 6.51	124	\$ 6.51
\$7.51 – \$10.00	876	9.35	846	9.34
\$10.01 – \$12.50	264	11.36	264	11.36
	1,264	\$ 9.49	1,234	\$ 9.49
As at December 31, 2015				
\$5.01 – \$7.50	355	\$ 6.15	355	\$ 6.15
\$7.51 – \$10.00	877	9.35	729	9.28
\$10.01 – \$12.50	264	11.36	264	11.36
	1,496	\$ 8.95	1,348	\$ 8.86

14. MANAGEMENT FEE INCOME, NET

Management fee income, net is comprised of the following:

For the years ended December 31	2016	2015
Management fee income, gross	\$ 72,177	\$ 68,698
Less: fees paid to referring agents	(3,996)	(3,264)
Management fee income, net	\$ 68,181	\$ 65,434

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the years ended December 31	2016	2015
Dividends on Bank of Montreal shares	\$ 14,442	\$ 15,175
Other dividends	5,383	4,667
Dividend income	19,825	19,842
Interest income	1,706	1,257
Dividend and interest income	\$ 21,531	\$ 21,099

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are composed of the following:

For the years ended December 31	2016	2015
Salaries and other compensation, payroll taxes and benefits	\$ 58,531	\$ 54,037
Contributions to defined contribution pension plans	831	748
Stock-based compensation	1,731	1,506
Employee compensation and benefits	\$ 61,093	\$ 56,291

17. NET GAINS

Net gains are composed of the following:

For the years ended December 31	2016	2015
Held for trading securities, net (i)	\$ 13,080	\$ 2,823
Available for sale securities (ii)	25,161	8,709
Net gains on securities	38,241	11,532
Foreign exchange (losses) (iii)	(644)	(1,223)
Gains on disposition of intangible assets	1,020	731
Impairment of intangible assets (iv)	–	(695)
Gain on other liability (iv)	–	695
Net gains	\$ 38,617	\$ 11,040

- (i) Net gains on held for trading securities include net gains on Company's proportionate share of the securities held by consolidated investment funds, the securities backing third party investor liabilities and the appreciation or depreciation in third party investor liabilities.
- (ii) Included in net gains on available for sale securities are gains on the sale of Bank of Montreal common shares. Information pertaining to these sales is as follows:

For the years ended December 31	2016	2015
Shares sold	531	204
Proceeds of sales	\$ 43,279	\$ 15,412
Gains	23,995	8,047
Income tax expense	3,179	453

- (iii) Net losses on foreign exchange in the current year relate mainly to exchange losses on Canadian dollars held by the international private banking subsidiary which uses US dollars as its functional currency. On translation of this subsidiary's results to Canadian dollars for the purpose of consolidating into the Company's results, an equal and offsetting gain is recorded in other comprehensive income.
- (iv) In 2015, the Company evaluated for impairment the intangible assets acquired as part of the 2014 acquisition of GuardCap Asset Management Limited ("GuardCap"). The Company determined the intangible assets were impaired and, as a result, they were written down by \$695 and a loss was recorded in net gains. In addition, the Company revised its best estimate of the present value of the deferred payment related to the GuardCap acquisition and wrote down the liability by the same offsetting amount.

18. NET EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings.

For the years ended December 31	2016	2015
Weighted average number of class A and common shares outstanding		
Basic	28,476	29,456
Effect of outstanding entitlements and options from stock based compensation plans	1,548	1,409
Diluted	30,024	30,865
Net earnings available to shareholders of class A and common shares		
Basic	\$ 69,475	\$ 44,105
Effect of outstanding entitlements and options from stock based compensation plans	232	386
Diluted	\$ 69,707	\$ 44,491

The effects of 775 (2015 – 877) entitlements from the Company's stock-based compensation arrangements were excluded from the calculation of the diluted number of shares as those entitlements were anti-dilutive.

19. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment, which involves the earning of commissions from the sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures.

(a) Business segments

The following table discloses certain information about these segments:

For the years ended December 31	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue										
Gross commission revenue	\$ –	\$ –	\$ 124,317	\$ 115,676	\$ –	\$ –	\$ (733)	\$ (661)	\$ 123,584	\$ 115,015
Commissions paid to advisors	–	–	(85,163)	(81,153)	–	–	–	–	(85,163)	(81,153)
	–	–	39,154	34,523	–	–	(733)	(661)	38,421	33,862
Management fee income, net	68,125	64,773	–	–	–	–	56	500	68,181	65,273
Administrative services income	6,870	5,320	7,683	7,357	–	–	–	–	14,553	12,677
Dividend and interest income	380	118	678	679	20,482	20,301	(9)	1	21,531	21,099
Net revenue	75,375	70,211	47,515	42,559	20,482	20,301	(686)	(160)	142,686	132,911
Expenses										
Employee compensation and benefits	35,127	32,555	17,328	15,567	8,638	8,169	–	–	61,093	56,291
Amortization	344	360	3,376	3,168	465	535	–	–	4,185	4,063
Interest	215	213	190	177	592	638	(160)	(160)	837	868
Other expenses	19,500	18,727	15,666	13,544	(2,736)	(3,580)	(526)	–	31,904	28,691
	55,186	51,855	36,560	32,456	6,959	5,762	(686)	(160)	98,019	89,913
Operating earnings	20,189	18,356	10,955	10,103	13,523	14,539	–	–	44,667	42,998
Net gains (losses)	(1,036)	(791)	1,014	744	38,639	11,087	–	–	38,617	11,040
Net earnings before income taxes	19,153	17,565	11,969	10,847	52,162	25,626	–	–	83,284	54,038
Income tax expense	5,288	5,041	3,410	3,118	4,011	902	–	–	12,709	9,061
Net earnings	\$ 13,865	\$ 12,524	\$ 8,559	\$ 7,729	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 70,575	\$ 44,977
Net earnings available to:										
Shareholders	\$ 13,865	\$ 12,524	\$ 7,459	\$ 6,857	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 69,475	\$ 44,105
Non-controlling interests	–	–	1,100	872	–	–	–	–	1,100	872
	\$ 13,865	\$ 12,524	\$ 8,559	\$ 7,729	\$ 48,151	\$ 24,724	\$ –	\$ –	\$ 70,575	\$ 44,977
Capital expenditure on segment assets										
Intangible assets	\$ 25	\$ 56	\$ 5,235	\$ 9,157	\$ 162	\$ 26	\$ –	\$ –	\$ 5,422	\$ 9,239
Equipment	349	169	9	115	365	617	–	–	723	901
Segment assets and liabilities:										
Assets	\$ 109,371	\$ 167,614	\$ 132,095	\$ 115,906	\$ 795,683	\$ 619,835	\$ (54,887)	\$ (93,106)	\$ 982,262	\$ 810,249
Liabilities	94,991	127,609	127,826	119,935	228,862	147,285	(54,887)	(93,106)	396,792	301,723

(b) Geographic segments

The Company also operates in various geographic regions. The following table discloses certain information about the Company's activities by geography:

For the years end December 31	Canada		Rest of the world		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Net revenue	\$ 130,925	\$ 125,827	\$ 12,574	\$ 7,582	\$ (813)	\$ (498)	\$ 142,686	\$ 132,911

As at December 31	Canada		Rest of the world		Inter-segment transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Segment non-current assets								
Intangible assets	\$ 28,268	\$ 27,186	\$ 1,118	\$ 1,190	\$ –	\$ –	\$ 29,386	\$ 28,376
Equipment	3,184	3,174	773	885	–	–	3,957	4,059
Goodwill	13,826	13,826	1,188	1,188	–	–	15,014	15,014

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Net change in non-cash working capital items is comprised of the following:

For the years ended December 31	2016	2015
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ 38,082	\$ (37,737)
Accounts receivable and other	(5,459)	425
Receivables from clients and broker	(11,547)	(2,965)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	(38,046)	37,768
Accounts payable and other	7,877	(6,135)
Payable to clients	11,547	2,965
Net change in non-cash working capital items	\$ 2,454	\$ (5,679)

21. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis of the Company's 2016 Annual Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Concentration Risk

The Company is exposed to concentration risk associated with the \$386,240 (2015 – \$353,790) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of \$38,624 (2015 – \$35,379) being recorded in other comprehensive income.

(b) 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. Market risk comprises three types of risk: price risk, currency risk, and interest rate risk.

(i) Price Risk

The Company is exposed to price risk with its securities. Unrealized changes in the values of its securities are recognized in net earnings, for held for trading securities, and in other comprehensive income, for available for sale securities. This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices.

	Fair value of held for trading securities	Unrealized gain or loss recognized in net earnings from 10% market change in region	Fair value of available for sale securities, excluding Bank of Montreal shares, short-term securities and bonds	Unrealized gain or loss recognized in other comprehensive income from 10% market change in region
As at December 31, 2016				
Canada	\$ 2,752	±\$ 275	\$ 34,898	±\$ 3,490
United States	–	–	12,007	1,201
Rest of the World	141,058	14,106	20,100	2,010
	\$ 143,810	±\$ 14,381	\$ 67,005	±\$ 6,701
As at December 31, 2015				
Canada	\$ 2,263	±\$ 226	\$ 41,037	±\$ 4,104
United States	–	–	19,057	1,906
Rest of the World	81,386	8,139	39,228	3,923
	\$ 83,649	±\$ 8,365	\$ 99,322	±\$ 9,933

The price risk associated with Securities backing third party investor liabilities are equal and off-setting by the appreciation or depreciation in Third party liabilities. As a result, they have not been included in the above risk analysis.

(ii) **Currency Risk**

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to \$158,503 (2015 – \$132,560). Changes in the value of these investments caused by changes in the US dollar and UK pounds exchange rates are reflected in other comprehensive income in the period in which the change occurs. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, a foreign subsidiary holds unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiary. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

(iii) **Interest Rate Risk**

The Company is exposed to interest rate risk through its bank loans and borrowings of \$62,664 as at December 31, 2016 (2015 – \$54,755). The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. If interest rates had been 1% higher throughout the year, with all other variables held constant, the Company's interest expense would have been increased by approximately \$565 (2015 – \$569). The Company holds, \$9,449 investment in fixed-income funds managed by its subsidiaries as at December 31, 2016 (2015 – \$8,139). The interest rate risk associated with these securities is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of \$77,268 as at December 31, 2016 (2015 – \$112,636), and the client deposits liability of \$77,364 as at December 31, 2016 (2015 – \$112,687). This risk is managed through the matching of interest rates and maturities on these balances.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at December 31	2016	2015
Cash	\$ 37,974	\$ 22,276
Interest-bearing deposits with banks	77,268	112,636
Accounts receivable and other	34,236	28,961
Receivable from clients and broker	60,672	49,125
Short-term securities	12,567	2,058
Bonds	1,147	1,102
Fixed income funds	9,449	8,139
	\$ 233,313	\$ 224,297

The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in a fixed-income funds is managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's credit risk. The short-term securities and bonds are short-duration, investment-quality securities. From time to time, advisors in the financial advisory segment may owe advances received or amounts resulting from reversal of commissions. The credit risk associated with these amounts are mitigated by management's review of the advisors' ability to repay the advances or the potential commission reversals, particularly in the MGA subsidiary, before amounts are paid to the advisors.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by maintaining a portfolio of securities, and by arranging for significant borrowing facilities with major Canadian banks, at attractive rates.

22. CAPITAL MANAGEMENT

The Company considers the following to be its capital: shareholders' equity and bank loans and borrowings. The Company's objectives in managing its capital are to:

- (a) maintain a strong capital base to provide investor, creditor, regulator and client confidence; and
- (b) provide returns to shareholders by the payment of dividends, the repurchase of the Company's shares, and the enhancement of long-term value.

The allocation of capital to, and the return from, the Company's businesses are monitored by senior management. Certain of the Company's operating subsidiaries are subject to various types of capital requirements imposed by the regulatory authorities to which they report. During the year, and at year end, the subsidiaries complied with those requirements. As at December 31, 2016, the Company's regulated businesses had total regulatory capital amounting to \$157,259 (2015 – \$179,659). These amounts are, in all cases, in excess of the regulatory requirements, and are adjusted by the Company as necessary from time to time. The Company's borrowing facility, through which bankers' acceptances are issued, is subject to certain terms and conditions. During the year, and at year end, the Company complied with those terms and conditions.

23. RELATED PARTIES

(a) Parent company

Minic Investments Limited ("Minic") is a corporation of which A. Michael Christodoulou, a director and officer of the Company, is currently President. Minic is owned by The Christodoulou 2004 Family Trust, a discretionary trust of which the children of the late John Christodoulou are possible beneficiaries. As at December 31, 2016, Minic beneficially owned 49.4% (2015 – 49.1%) of the Company's outstanding common shares. In 2016 and 2015, there were no transactions between Minic and the Company.

(b) Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. The Company has determined that its key management personnel include the Board of Directors of the Company and certain senior executives of the Company. The following summarizes transactions with key management personnel:

For the years ended December 31	2016	2015
Short-term employment benefits	\$ 4,349	\$ 3,769
Post-employment benefits	18	18
Stock-based compensation	761	642
	\$ 5,128	\$ 4,429

The Company provides investment management services to key management personnel at reduced fee rates, which are available to all employees of the Company. The following is a summary of the fees paid for these services:

For the years ended December 31	2016	2015
Investment management services	\$ 36	\$ 11

(c) Subsidiaries

The Company's significant subsidiaries are as follows:

As at December 31		2016	2015
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Capital Enterprises Limited	Canada	100%	100%
GuardCap Asset Management Limited	United Kingdom	100%	100%
Guardian Capital Real Estate Inc.	Canada	100%	100%
Guardian Capital LLC	United States	100%	NA
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc.	Canada	100%	100%
Worldsource Securities Inc.	Canada	100%	100%
IDC Worldsource Insurance Network Inc. (i)	Canada	80%	79%
Guardian Capital Holdings International Ltd.	Cayman Islands	100%	100%
Alexandria Bancorp Limited	Cayman Islands	100%	100%
Alexandria Global Investment Management Ltd.	Cayman Islands	100%	100%
Alexandria Trust Corporation	Barbados	100%	100%
Guardian Capital Group Limited Employee Profit Sharing Plan (ii)	Canada	0%	0%
Guardian Growth & Income Fund	Canada	77%	79%
AMG Guardian Capital Global Dividend Fund (iii)	United States	96%	73%
Guardian Emerging Markets Equity Fund	Canada	57%	98%
Guardcap UCITS Funds PLC, Global Equity Fund	Ireland	51%	95%
Guardcap UCITS Funds PLC, Emerging Markets Fund	Ireland	100%	NA
Guardian Canadian Focused Equity Fund	Canada	37%	100%

- (i) The principal place of business for IDC Worldsource Insurance Network Inc. ("IDC WIN"), the Company's insurance managing general agency ("MGA") subsidiary, is located at Suite 700, 625 Cochrane Drive, Markham, Ontario. The non-controlling life interests have a 20% (2015 – 21%) voting ownership interest in IDC WIN.

The accumulated non-controlling interest in the Company's accounts related to IDC WIN is as follows:

For the years ended December 31	2016	2015
Balance, beginning of year	\$ 4,271	\$ 3,399
Net earnings available to non-controlling interests	1,100	872
Acquisition of non-controlling interests (note 24)	(78)	–
Balance, end of year	\$ 5,293	\$ 4,271

The following is summarized financial information about IDC WIN before consolidation adjustments:

As at December 31	2016	2015
Cash	\$ 804	\$ 672
Other current assets	3,577	2,760
Intangible assets	16,671	13,756
Other non-current assets	738	943
	\$ 21,790	\$ 18,131

Current liabilities	\$ 6,688	\$ 9,658
Non-current liabilities	476	297
	\$ 7,164	\$ 9,955

For the years ended December 31	2016	2015
Revenue	\$ 25,832	\$ 20,490
Net earnings	6,452	4,278
Comprehensive income	6,452	4,278

(ii) The Company does not hold any ownership interest in the EPSP Trust. However, the EPSP Trust is consolidated because the Company has power over the activities of the EPSP Trust, which are conducted on behalf of the Company, and the Company remains exposed to the risks of the EPSP Trust, which are described in note 7, Bank Loans and Borrowings, and note 12, Treasury Stock.

(iii) Formerly known as Aston Guardian Capital Global Dividend Fund.

(d) Joint venture

The Company's joint venture is as follows:

As at December 31	2016	2015
	Country of organization	Voting ownership interest
Guardian Ethical Management Inc.	Canada	50%

Guardian Ethical Management Inc. ("GEM") is an investment fund manager specializing in socially responsible investing mandates, which complements the Company's existing investment management businesses. Management of GEM is shared equally with the other partner in the joint venture. The Company accounts for its investment in GEM using the equity method. The following is summarized financial information about GEM:

As at December 31	2016	2015
Cash	\$ 758	\$ 965
Other current assets	241	197
	\$ 999	\$ 1,162

Current liabilities	\$ 339	\$ 498
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For the years ended December 31	2016	2015
Net revenue	\$ 498	\$ 935
Net earnings	–	–
Comprehensive income	–	–

On January 1, 2017, the Company acquired the remaining 50% of the voting interest of GEM from its joint venture party.

(e) Interest in unconsolidated structured entities

The Company sponsors and manages a number of investment funds for the purpose of efficiently investing monies on behalf of the Company's clients, who are the primary investors in these funds. These investment funds, which are separate legal entities, are financed by investments made by clients and, to a limited extent, the Company. The Company is paid for the investment management services it provides to the funds either directly by the funds or by the investors. The following tables summarize the size of the unconsolidated investment funds managed by the Company, and the Company's interests in and transactions with those investment funds:

As at December 31	2016	2015
Net assets of unconsolidated investment funds	\$ 2,656,569	\$ 2,394,252
Company's interests in unconsolidated investment funds	59,860	77,454
For the years ended December 31	2016	2015
Net revenues earned directly from unconsolidated investment funds	\$ 8,807	\$ 8,426

The Company's maximum exposure to loss from its interest in these investment funds is limited to the amount of its investment.

24. ACQUISITIONS

(a) First Prairie Financial Inc.

On June 1, 2015, IDC WIN acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta. The key employees of First Prairie entered into employment agreements with IDC WIN as part of the transaction. The acquisition further strengthens IDC WIN's operations and its presence in the Prairie region.

The accounting for the acquisition is as follows:

Fair value of consideration:		
Cash on closing		\$ 3,625
Payments to be made over a period of 12 months		3,625
Total fair value of consideration		7,250
Fair value of identifiable net assets acquired:		
Intangibles		6,113
Deferred tax liabilities		(1,620)
Net non-cash working capital		(76)
Other assets		41
Cash		77
Total fair value of identifiable net assets acquired		4,535
Goodwill	\$	2,715
Net cash paid on closing is as follows:		
Cash paid to vendors	\$	3,625
Less cash acquired		(77)
Total fair value of consideration	\$	3,548

Goodwill, which is not deductible for income tax purposes, represents expectations that the Company will be able to maximize the value of the contracts with major insurance carriers and that synergies will be realized to maximize the profitability of the combined business.

In 2015, the acquired business has contributed net revenue of \$1,739 and net earnings of \$612 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that First Prairie would have earned net revenue of \$2,981 and net earnings of \$1,049 and, as a result, the Company's reported net revenue and net earnings would have been approximately \$134,153 and \$45,414, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same on January 1, 2015. Management has also assumed amortization of the intangible assets of \$405 and a provision for income taxes of \$378.

25. ACQUISITION OF NON-CONTROLLING INTERESTS

During 2016, the Company purchased for cash consideration of \$261 a portion of the non-controlling interest in IDC WIN, thereby increasing the Company's ownership interest to 79.7% from 79.3%. The transaction was recorded in the equity accounts as follows:

Consideration paid	\$	261
Carrying value of non-controlling interests		78
Excess consideration charged to retained earnings	\$	183