

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 33 to 36. 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, 2018

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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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, 2018

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2017	2016
Assets		
Current assets		
Cash	\$ 48,887	\$ 37,974
Interest-bearing deposits with banks	52,637	77,268
Accounts receivable and other	39,087	36,370
Receivables from clients and broker	63,366	60,672
Securities backing third party investor liabilities (note 3)	5,688	99,452
	209,665	311,736
Securities (note 4)	652,176	620,218
Other assets		
Deferred tax assets (note 11c)	1,557	1,618
Intangible assets (note 5)	29,575	29,386
Equipment (note 6)	4,497	3,957
Goodwill (note 7)	15,014	15,014
Investment in associate	–	333
	50,643	50,308
Total assets	\$ 912,484	\$ 982,262
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	\$ 55,859	\$ 62,664
Third party investor liabilities (note 3)	5,688	99,452
Client deposits	52,653	77,364
Accounts payable and other	41,011	37,829
Income taxes payable	1,333	6,300
Payable to clients	63,366	60,672
	219,910	344,281
Other liabilities	–	699
Deferred tax liabilities (note 11c)	51,370	51,812
Total liabilities	271,280	396,792
Equity		
Shareholders' equity		
Capital stock (notes 12a and 12b)	19,871	20,268
Treasury stock (note 13a)	(23,764)	(22,342)
Contributed surplus	15,882	13,972
Retained earnings	395,462	327,669
Accumulated other comprehensive income	226,965	240,610
	634,416	580,177
Non-controlling interests	6,788	5,293
Total equity	641,204	585,470
Total liabilities and equity	\$ 912,484	\$ 982,262

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)	2017	2016
Revenue		
Gross commission revenue	\$ 134,838	\$ 123,584
Commissions paid to advisors	(92,838)	(85,163)
	42,000	38,421
Management fee income, net (note 14)	71,818	68,181
Administrative services income	14,338	14,553
Dividend and interest income (note 15)	23,082	21,531
Net revenue	151,238	142,686
Expenses		
Employee compensation and benefits (note 16)	63,397	61,093
Amortization	4,213	4,185
Interest	814	837
Other expenses	34,645	31,904
	103,069	98,019
Operating earnings	48,169	44,667
Net gains (note 17)	62,534	38,617
Earnings before income taxes	110,703	83,284
Income tax expense (notes 11a and 11b)	15,516	12,709
Net earnings	\$ 95,187	\$ 70,575
Net earnings available to:		
Shareholders	\$ 93,692	\$ 69,475
Non-controlling interests	1,495	1,100
Net earnings	\$ 95,187	\$ 70,575
Net earnings available to shareholders per Class A and Common share (note 18):		
Basic	\$ 3.37	\$ 2.44
Diluted	3.19	2.32

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ in thousands)	2017	2016
Net earnings	\$ 95,187	\$ 70,575
Other comprehensive income (loss)		
Available for sale securities, net of taxes:		
Net change in fair value	24,614	81,249
Income tax provision	2,211	10,241
	22,403	71,008
Transfer to net earnings of unrealized gains upon disposal	(21,917)	(25,341)
Reversal of income taxes	2,641	3,177
	(19,276)	(22,164)
Net change in available for sale securities, net of taxes	3,127	48,844
Net change in foreign currency translation adjustment on foreign subsidiaries	(16,772)	(9,526)
Other comprehensive income (loss)	(13,645)	39,318
Comprehensive income	\$ 81,542	\$ 109,893
Comprehensive income available to:		
Shareholders	\$ 80,047	\$ 108,793
Non-controlling interests	1,495	1,100
Comprehensive income	\$ 81,542	\$ 109,893

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2017	2016
Total equity, beginning of year	\$ 585,470	\$ 508,526
Shareholders' equity, beginning of year	580,177	504,255
Capital stock		
Balance, beginning of year	20,268	20,929
Acquired and cancelled (note 12c)	(397)	(661)
Capital stock, end of year	19,871	20,268
Treasury stock		
Balance, beginning of year	(22,342)	(21,563)
Acquired (note 13a)	(2,300)	(2,200)
Disposed of (note 13a)	878	1,421
Treasury stock, end of year	(23,764)	(22,342)
Contributed surplus		
Balance, beginning of year	13,972	12,280
Stock-based compensation expense	1,988	1,731
Equity-based entitlements redeemed	(78)	(39)
Contributed surplus, end of year	15,882	13,972
Retained earnings		
Balance, beginning of year	327,669	291,317
Net earnings available to shareholders	93,692	69,475
Dividends declared and paid (note 12d)	(11,100)	(9,736)
Capital stock acquired and cancelled (note 12c)	(14,809)	(23,204)
Acquisition of non-controlling interests (note 25)	—	(183)
Net gain on treasury stock	10	—
Retained earnings, end of year	395,462	327,669
Accumulated other comprehensive income		
Balance, beginning of year	240,610	201,292
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	218,590	169,746
Net change during year	3,127	48,844
Balance, end of year	221,717	218,590
Foreign currency translation adjustment on foreign subsidiaries		
Balance, beginning of year	22,020	31,546
Net change during year	(16,772)	(9,526)
Balance, end of year	5,248	22,020
Accumulated other comprehensive income, end of year	226,965	240,610
Shareholders' equity, end of year	634,416	580,177
Non-controlling interests		
Balance, beginning of year	5,293	4,271
Net earnings available to non-controlling interests	1,495	1,100
Acquisition of non-controlling interests (note 25)	—	(78)
Non-controlling interests, end of year	6,788	5,293
Total equity, end of year	\$ 641,204	\$ 585,470

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2017	2016
Operating activities		
Net earnings	\$ 95,187	\$ 70,575
Adjustments for:		
Income taxes paid	(11,190)	(10,624)
Income tax expense	15,516	12,709
Net gains	(62,534)	(38,617)
Amortization of intangible assets	3,428	3,428
Amortization of equipment	785	757
Stock-based compensation	1,988	1,731
Other non-cash expenses	31	102
	43,211	40,061
Net change in non-cash working capital items (note 20)	1,427	2,454
Net cash from operating activities	44,638	42,515
Investing activities		
Net disposition of securities	16,609	4,661
Net acquisition of securities backing third party investor liabilities	(114,831)	(88,821)
Income taxes paid	(11,410)	–
Acquisition of intangible assets	(4,521)	(5,422)
Proceeds from disposition of intangible assets	1,694	1,973
Acquisition of equipment	(1,360)	(723)
Business acquisition (note 24)	425	–
Net cash used in investing activities	(113,394)	(88,332)
Financing activities		
Dividends	(11,100)	(9,736)
Acquisition of capital stock	(15,206)	(23,865)
Acquisition of treasury stock	(2,300)	(2,200)
Disposition of treasury stock	888	1,421
Net proceeds from (repayment of) bankers' acceptances	(24,300)	9,300
Acquisition of non-controlling interests (note 25)	–	(261)
Net funds from third party investors in consolidated mutual funds	114,831	88,821
Net cash from financing activities	62,813	63,480
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(639)	(574)
Net change in net cash	(6,582)	17,089
Net cash, beginning of year	37,710	20,621
Net cash, end of year	\$ 31,128	\$ 37,710
Net cash represented by:		
Cash	\$ 48,887	\$ 37,974
Bank indebtedness	(17,759)	(264)
	\$ 31,128	\$ 37,710

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, 2018

(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 2016 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) Assessment of goodwill, intangible assets and available for sale securities for impairments;
- (ii) Valuation of certain securities that do not have quoted market prices;
- (iii) Determination of when control of another entity exists;
- (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, for its benefit.

(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. Income taxes generally result from operating activities and taxes paid are shown in the statement of cash flow as an operating activity, unless the taxes can be specifically identified with significant investing or financing activities.

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 (“IAS 39”), with a more simplified guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 will be implemented on a retrospective basis, with restatement of comparative amounts and balances on transition.

Based on the Company’s assessment, IFRS 9 will not result in changes in how the carrying values of the Company’s financial instruments are determined. However, the recording of the changes in fair values of those instruments is expected to differ, depending upon the classification into which they fit. The Company’s existing holding of securities will be re-classified as Fair Value Through the Profit or Loss, and the current classifications, Available for Sale (“AFS”) and Held for Trading, will no longer be used. The Company’s securities will continue to be measured at fair value, but all changes in fair value will be recorded in net earnings, whereas under IAS 39, changes in fair value of AFS securities were recorded in other comprehensive income. As a result, under IFRS 9, the timing of net gains and losses will be determined entirely by the changes in the fair values, rather than the timing of disposition of the securities. This change may result in greater volatility in the Company’s net earnings.

The implementation of IFRS 9 will also result in the transfer of accumulated unrealized gains on AFS securities, net of taxes, from accumulated other comprehensive income to retained earnings, upon transition.

The following table shows the expected impact on the Company’s balance sheet on transition to IFRS 9:

As at January 1, 2017	2017
Increase (decrease) in previously reported amounts:	
Consolidated balance sheet	
Retained earnings	\$ 218,590
Accumulated other comprehensive income	(218,590)
Shareholders’ equity	\$ –

(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, which 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 assessment of IFRS 15, it is anticipated that there will be no significant impact on the manner in which the Company recognizes revenues. However, there will be changes to the Company’s accounting for the incremental costs incurred in securing a new revenue stream (“Contract Costs”). IFRS 15 requires the capitalization of Contract Costs at inception of a revenue stream and their amortization over the expected life of the related revenue stream, which is generally expected to be greater than one year. Contract Costs currently incurred by the Company are mainly comprised of sales incentives paid to employees, and these incentives are expensed over the period in which the obligation to pay them arises, which usually is one year. The adoption of IFRS 15 will result in a decrease in employee compensation and benefits expense, an increase in amortization expense, and higher net earnings in the first year of a new revenue stream, but lower net earnings in subsequent periods. In addition, Contract Costs, like other similar assets, will be subject to review for impairment.

The Company is currently in the process of finalizing the assessment phase, quantifying the adjustments to the opening balances and the comparative figures required to be presented in the Q1 2018 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.

The Company continually evaluates whether it controls these funds. On the date when the funds are no longer deemed to be controlled, the Securities backing third party investor liabilities and Third party investor liabilities are derecognized in the financial statements. During the current year, the Company determined it ceased to control three of these funds, as disclosed in note 23 (c) (v) and (vi). As a result, the Company derecognized, \$246,668 (2016 - nil) of such assets and their offsetting liabilities during the year.

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	2017	2016
Available for sale securities:		
Short-term securities (i)	\$ 9,810	\$ 12,567
Fixed-income securities (i)	19,328	10,484
Bank of Montreal common shares (ii)	372,146	386,240
Other equity securities (i)	167,790	43,358
Real estate fund (iii)	13,545	23,759
	582,619	476,408
Held for trading securities (iv):		
Equity securities	69,557	143,810
	\$ 652,176	\$ 620,218

(i) These securities may include units or shares of investment funds.

(ii) During the year, the Company sold a total of 300 (2016 – 531) of the Bank of Montreal common shares. The details on the gains on these sales are disclosed in note 17.

(iii) As at December 31, 2017, the Company had \$22,484 (2016 – \$11,834) in commitments to further invest in a real estate fund managed by a subsidiary.

(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. The Company continually evaluates its ownership of these funds and whether they are still deemed to be controlled. For certain funds, it was determined at certain dates during the year that they were no longer controlled by the Company and were deconsolidated as of those dates, as disclosed in note 23 (c) (v) and (vi). Those securities were reclassified from Held for trading securities to Available for sale securities.

(b) Fair value hierarchy

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

As at December 31	2017	2016
Level 1	\$ 586,130	\$ 548,424
Level 2(i)	54,141	59,427
Level 3(ii)	11,905	12,367
Securities	\$ 652,176	\$ 620,218

(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 3% (2016 – 4%) of the assets managed by it. All level 3 securities are classified as available for sale.

(iii) During 2017 and 2016, 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	2017	2016
Balance, beginning of year	\$ 12,367	\$ 12,918
Decrease in estimated fair value, recognized in other comprehensive income	(462)	(551)
Balance, end of year	\$ 11,905	\$ 12,367

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	2017				2016			
	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	\$ 12,989	\$ 4,230	\$ 36,644	\$ 53,863	\$ 12,800	\$ 3,911	\$ 33,114	\$ 49,825
Purchases	454	1,371	2,696	4,521	342	374	4,706	5,422
Disposals	(129)	–	(1,082)	(1,211)	(116)	(53)	(1,176)	(1,345)
Foreign exchange translation adjustments	(77)	(10)	0	(87)	(37)	(2)	–	(39)
Balance, end of year	13,237	5,591	38,258	57,086	12,989	4,230	36,644	53,863
Accumulated amortization:								
Balance, beginning of year	10,804	3,595	10,078	24,477	10,055	3,227	8,167	21,449
Amortization expense	804	303	2,321	3,428	850	423	2,155	3,428
Disposals	(46)	–	(311)	(357)	(95)	(53)	(244)	(392)
Foreign exchange translation adjustments	(33)	(4)	–	(37)	(6)	(2)	–	(8)
Balance, end of year	11,529	3,894	12,088	27,511	10,804	3,595	10,078	24,477
Carrying value, end of year	\$ 1,708	\$ 1,697	\$ 26,170	\$ 29,575	\$ 2,185	\$ 635	\$ 26,566	\$ 29,386

6. EQUIPMENT

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

For the years ended December 31	2017			2016		
	Office equipment	Leasehold improvements	Total	Office equipment	Leasehold improvements	Total
Cost:						
Balance, beginning of year	\$ 8,304	\$ 3,682	\$ 11,986	\$ 8,059	\$ 3,328	\$ 11,387
Purchases	316	1,044	1,360	366	357	723
Disposals	–	–	–	(20)	–	(20)
Foreign exchange translation adjustments	(73)	(7)	(80)	(101)	(3)	(104)
Balance, end of year	8,547	4,719	13,266	8,304	3,682	11,986
Accumulated amortization:						
Balance, beginning of year	6,016	2,013	8,029	5,530	1,798	7,328
Amortization expense	498	287	785	539	218	757
Disposals	–	–	–	(20)	–	(20)
Foreign exchange translation adjustments	(41)	(4)	(45)	(33)	(3)	(36)
Balance, end of year	6,473	2,296	8,769	6,016	2,013	8,029
Carrying value, end of year	\$ 2,074	\$ 2,423	\$ 4,497	\$ 2,288	\$ 1,669	\$ 3,957

7. GOODWILL

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

For the years ended December 31	2017	2016
Balance, beginning and 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	2017	2016
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 investment manager	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 2017 and 2016, 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 2017 or 2016.

The most sensitive assumptions used in the above testing were:

As at December 31	2017	2016
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 investment manager:		
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	2017	2016
Mutual fund distributor	\$ 94,572	\$ 89,256
Life insurance managing general agency	59,690	42,424
Fundamental global and emerging markets investment manager	—	—

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 an impairment in either financial advisory CGU. A reduction of the multiple used to value the fundamental global and emerging markets investment manager CGU to 1.65% from 1.75% would reduce the estimated fair value less costs to sell of this CGU by \$75 (2016 – \$52).

8. BANK LOANS AND BORROWINGS

Bank loans and borrowings are comprised of the following:

As at December 31	2017	2016
Bank indebtedness (a)	\$ 17,759	\$ 264
Bankers' acceptances payable (b)	38,100	62,400
Bank loans and borrowings	\$ 55,859	\$ 62,664

The Company has three borrowing facilities with major Canadian chartered banks, which provide the ability to borrow in the form of demand loans or through bankers' acceptances. During 2017, the Company negotiated increases in its borrowing facilities to a total of \$157,000 from \$103,000 in 2016. The facilities are secured by general security agreements, the deposit of securities valued at \$221,276 at December 31, 2017 (2016 - \$188,292) and the deposit of treasury stock valued at \$58,586 (2016 - \$54,917).

(a) Bank indebtedness

Bank indebtedness consists of demand loans and overdraft borrowing under the Company's borrowing facilities, which are due on demand and bear interest at the bank prime rate.

(b) Bankers' acceptances payable

These borrowings under bankers' acceptances are for periods ranging from 30 to 270 days, at rates negotiated in the bankers' acceptance market, plus 0.50%.

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, 2017 and 2016, 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	2017	2016
Payable within one year	\$ 2,042	\$ 2,069
Payable after one year and within five years	8,726	7,193
Payable after five years	5,715	6,396
Total lease obligations	\$ 16,483	\$ 15,658

During the year ended December 31, 2017, the Company recognized \$2,239 (2016 – \$2,539) of base rental costs in respect of these non-cancellable leases.

11. INCOME TAXES

(a) Income tax expense

The components of the income tax expense are as follows:

For the years ended December 31	2017	2016
Current tax expense		
Tax on profits for the current year	\$ 15,552	\$ 15,256
Adjustments in respect of prior periods	(28)	189
	15,524	15,445
Deferred tax expense		
Origination and reversal of temporary differences	581	(1,637)
Adjustments in respect of prior periods	(339)	–
Benefits from previously unrecognized tax losses or temporary differences	(228)	(1,099)
Adjustments due to changes in rates	(22)	–
	(8)	(2,736)
Income tax expense	\$ 15,516	\$ 12,709

(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% (2016 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2017	2016
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 29,336	\$ 22,070
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,785)	(3,937)
Rate differential on earnings of subsidiaries	(5,781)	(2,060)
Adjustments for changes in temporary differences	3	866
Non-taxable portion of capital gains	(3,819)	(3,518)
Non-deductible expenses	123	313
Benefits from previously unrecognized tax loss or temporary difference	(228)	(1,099)
Adjustments due to changes in rates	(22)	–
Other	(311)	74
Income tax expense	\$ 15,516	\$ 12,709

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2016 – 15.0%) and the Provincial income tax rate of 11.5% (2016 – 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, 2017								
	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	\$ –	\$ –	\$ –	\$ 827	\$ 400	\$ 391	\$	1,618
Recognized in net earnings	–	–	–	(194)	6	127		(61)
Balance, end of year	\$ –	\$ –	\$ –	\$ 633	\$ 406	\$ 518	\$	1,557
Deferred tax liabilities:								
Balance, beginning of year	\$ 50,954	\$ 1,844	\$ (8)	\$ (1,112)	\$ 3,156	\$ (3,022)	\$	51,812
Recognized in net earnings	(1,427)	2,533	8	(732)	(386)	(65)		(69)
Recognized in other comprehensive income	(424)	(6)	–	–	–	–		(430)
Foreign exchange translations adjustments	–	98	–	(41)	–	–		57
Balance, end of year	\$ 49,103	\$ 4,469	\$ –	\$ (1,885)	\$ 2,770	\$ (3,087)	\$	51,370

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
Foreign exchange translations adjustments	–	–	–	–	–	–		–
Balance, end of year	\$ 50,954	\$ 1,844	\$ (8)	\$ (1,112)	\$ 3,156	\$ (3,022)	\$	51,812

(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 \$201,900 (2016 – \$168,305), some of which amounts 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	2017		2016	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of year	26,686	\$ 19,430	26,979	\$ 19,878
Acquired and cancelled	(507)	(367)	(766)	(562)
Converted from common	155	37	473	114
Outstanding, end of year	26,334	19,100	26,686	19,430
Common shares				
Outstanding, beginning of year	3,469	838	4,349	1,051
Acquired and cancelled	(125)	(30)	(407)	(99)
Converted to Class A	(155)	(37)	(473)	(114)
Outstanding, end of year	3,189	771	3,469	838
Total outstanding, end of year	29,523	\$ 19,871	30,155	\$ 20,268

(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	2017	2016
Purchased and cancelled		
Class A	507	766
Common	125	407
Consideration paid	\$ 15,206	\$ 23,865
Less average issue price, charged to share capital	397	661
Excess consideration charged to retained earnings	\$ 14,809	\$ 23,204

(d) Dividends on common and Class A shares

For the years ended December 31	2017	2016
Dividends declared and paid, per share	\$ 0.385	\$ 0.33

The Company also declared dividends of \$0.10 and \$0.125 per share payable on January 18, 2018 and April 18, 2018, 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 related to these Stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements, and the shares are accounted for as treasury stock. The purchases are financed by a bank loan facility 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	2017		2016	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,192	\$ 22,342	2,299	\$ 21,563
Acquired	92	2,300	130	2,200
Disposed	(106)	(878)	(237)	(1,421)
Balance, end of year	2,178	\$ 23,764	2,192	\$ 22,342

During the year, the Company disposed of 104 (2016 – 206) of its class A shares and 2 (2016 – 31) of its common shares for amounts equal to their costs.

As at December 31, 2017, the treasury stock was comprised of 30 common shares (2016 – 32) and 2,148 class A shares (2016 – 2,160 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.

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

For the years ended December 31	2017	2016
Balance, beginning of year	928	803
Entitlements provided	92	130
Entitlements exercised	(8)	(5)
Forfeited	(1)	–
Balance, end of year	1,011	928

Equity-based entitlements provided during the year ended December 31, 2017 had a fair value of \$2,300 (2016 – \$2,200).

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	2017		2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of year	1,264	\$ 9.49	1,496	\$ 8.95
Entitlements exercised	(97)	8.02	(232)	5.97
Balance, end of year	1,167	\$ 9.62	1,264	\$ 9.49

No option-like entitlements were provided during 2017 or 2016.

As at December 31, 2017, there were option-like entitlements outstanding for 0 common shares (2016 – 2) and 1,167 class A shares (2016 – 1,262).

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, 2017				
\$5.01 – \$7.50	74	\$ 6.76	74	\$ 6.76
\$7.51 – \$10.00	869	9.35	869	9.35
\$10.01 – \$12.50	224	11.59	224	11.59
	1,167	\$ 9.62	1,167	\$ 9.62
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

14. MANAGEMENT FEE INCOME, NET

Management fee income, net is comprised of the following:

For the years ended December 31	2017	2016
Management fee income, gross	\$ 75,925	\$ 72,177
Less: fees paid to referring agents	(4,107)	(3,996)
Management fee income, net	\$ 71,818	\$ 68,181

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is comprised of the following:

For the years ended December 31	2017	2016
Dividends on Bank of Montreal shares	\$ 13,792	\$ 14,442
Other dividends	7,585	5,383
Dividend income	21,377	19,825
Interest income	1,705	1,706
Dividend and interest income	\$ 23,082	\$ 21,531

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are comprised of the following:

For the years ended December 31	2017	2016
Salaries and other compensation, payroll taxes and benefits	\$ 60,467	\$ 58,531
Contributions to defined contribution pension plans	942	831
Stock-based compensation	1,988	1,731
Employee compensation and benefits	\$ 63,397	\$ 61,093

17. NET GAINS

Net gains are comprised of the following:

For the years ended December 31	2017	2016
Held for trading securities, net (i)	\$ 38,828	\$ 13,080
Available for sale securities (ii)	22,325	25,161
Net gains on securities	61,153	38,241
Foreign exchange gains (losses) (iii)	541	(644)
Gains on disposition of intangible assets	840	1,020
Net gains	\$ 62,534	\$ 38,617

- (i) Net gains on held for trading securities include net gains on the Company's proportionate share of the securities held by consolidated investment funds, the securities backing third party investor liabilities and the appreciation or depreciation of 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	2017	2016
Shares sold	300	531
Proceeds of sales	\$ 29,867	\$ 43,279
Gains	18,975	23,995
Income tax expense	2,514	3,179

- (iii) Foreign exchange gains/losses arise from monetary assets and liabilities denominated in currencies, which are different from the functional currencies of the Company or its individual subsidiaries.

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	2017	2016
Weighted average number of class A and common shares outstanding		
Basic	27,779	28,476
Effect of outstanding entitlements and options from stock based compensation plans	1,636	1,548
Diluted	29,415	30,024
Net earnings available to shareholders of class A and common shares		
Basic	\$ 93,692	\$ 69,475
Effect of outstanding entitlements and options from stock based compensation plans	278	232
Diluted	\$ 93,970	\$ 69,707

The effects of 583 (2016 – 775) 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue										
Gross commission revenue	\$ -	\$ -	\$136,350	\$124,317	\$ -	\$ -	\$ (1,512)	\$ (733)	\$134,838	\$123,584
Commissions paid to advisors	-	-	(92,838)	(85,163)	-	-	-	-	(92,838)	(85,163)
Management fee income, net	71,397	68,125	43,512	39,154	-	-	(1,512)	(733)	42,000	38,421
Administrative services income	6,081	6,870	8,259	7,683	-	-	(2)	-	14,338	14,553
Dividend and interest income	280	380	867	678	21,835	20,482	100	(9)	23,082	21,531
Net revenue	77,758	75,375	52,638	47,515	21,835	20,482	(993)	(686)	151,238	142,686
Expenses										
Employee compensation and benefits	36,167	35,127	18,097	17,328	9,133	8,638	-	-	63,397	61,093
Amortization	371	344	3,382	3,376	460	465	-	-	4,213	4,185
Interest	50	215	29	190	755	592	(20)	(160)	814	837
Other expenses	20,755	19,500	16,582	15,666	(1,719)	(2,736)	(973)	(526)	34,645	31,904
	57,343	55,186	38,090	36,560	8,629	6,959	(993)	(686)	103,069	98,019
Operating earnings	20,415	20,189	14,548	10,955	13,206	13,523	-	-	48,169	44,667
Net gains (losses)	377	(1,036)	835	1,014	61,322	38,639	-	-	62,534	38,617
Net earnings before income taxes	20,792	19,153	15,383	11,969	74,528	52,162	-	-	110,703	83,284
Income tax expense	5,765	5,288	4,214	3,410	5,537	4,011	-	-	15,516	12,709
Net earnings	\$ 15,027	\$ 13,865	\$ 11,169	\$ 8,559	\$ 68,991	\$ 48,151	\$ -	\$ -	\$ 95,187	\$ 70,575
Net earnings available to:										
Shareholders	\$ 15,027	\$ 13,865	\$ 9,674	\$ 7,459	\$ 68,991	\$ 48,151	\$ -	\$ -	\$ 93,692	\$ 69,475
Non-controlling interests	-	-	1,495	1,100	-	-	-	-	1,495	1,100
	\$ 15,027	\$ 13,865	\$ 11,169	\$ 8,559	\$ 68,991	\$ 48,151	\$ -	\$ -	\$ 95,187	\$ 70,575
Capital expenditure on segment assets										
Intangible assets	\$ -	\$ 25	\$ 4,521	\$ 5,235	\$ -	\$ 162	\$ -	\$ -	\$ 4,521	\$ 5,422
Equipment	32	349	541	9	787	365	-	-	1,360	723
Segment assets and liabilities:										
Assets	\$ 90,457	\$109,371	\$144,393	\$ 132,095	\$720,020	\$ 795,683	\$ (42,386)	\$ (54,887)	\$912,484	\$982,262
Liabilities	71,647	94,991	128,956	127,826	113,063	228,862	(42,386)	(54,887)	271,280	396,792

(b) Geographic segments

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

	Canada		Rest of the world		Inter-segment transactions		Consolidated	
For the years end December 31	2017	2016	2017	2016	2017	2016	2017	2016
Net revenue	\$ 135,662	\$ 130,925	\$ 15,816	\$ 12,574	\$ (240)	\$ (813)	\$ 151,238	\$ 142,686
As at December 31	2017	2016	2017	2016	2017	2016	2017	2016
Segment non-current assets								
Intangible assets	\$ 28,683	\$ 28,268	\$ 892	\$ 1,118	\$ –	\$ –	\$ 29,575	\$ 29,386
Equipment	3,823	3,184	674	773	–	–	4,497	3,957
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	2017	2016
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ 20,012	\$ 38,082
Accounts receivable and other	(697)	(5,459)
Receivables from clients and broker	(2,694)	(11,547)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	(20,089)	(38,046)
Accounts payable and other	2,201	7,877
Payable to clients	2,694	11,547
Net change in non-cash working capital items	\$ 1,427	\$ 2,454

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 2017 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 \$372,146 (2016 – \$386,240) 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 \$37,215 (2016 – \$38,624) 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, 2017				
Canada	\$ 1,483	±\$ 148	\$ 34,358	±\$ 3,436
Rest of the World	68,074	6,807	146,977	14,698
	\$ 69,557	±\$ 6,955	\$ 181,335	±\$ 18,134
As at December 31, 2016				
Canada	\$ 2,752	±\$ 275	\$ 34,898	±\$ 3,490
Rest of the World	141,058	14,106	32,107	3,211
	\$ 143,810	±\$ 14,381	\$ 67,005	±\$ 6,701

The price risk associated with Securities backing third party investor liabilities are equal to and offset 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 \$188,085 (2016 – \$158,503). Changes in the value of these investments caused by changes in the US dollar and UK pound 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

As at December 31	2017	2016
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 52,637	\$ 77,268
Fixed-income securities	19,328	10,484
	\$ 71,965	\$ 87,752
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 55,859	\$ 62,664
Client deposits	52,653	77,364
	\$ 108,512	\$ 140,028

The Company most significant exposure to interest rate risk is through its bank loans and borrowings as detailed above. 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 have been increased by approximately \$661 (2016 – \$565). The Company holds \$19,328 (2016 – \$10,484) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed income securities are managed first by the Company that selects appropriate fixed income funds for various interest rates environments and then by the subsidiary who then manages the funds selected in accordance each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities.

(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	2017	2016
Cash	\$ 48,887	\$ 37,974
Interest-bearing deposits with banks	52,637	77,268
Accounts receivable and other	39,087	36,370
Receivable from clients and broker	63,366	60,672
Short-term securities	9,810	12,567
Fixed-income securities	19,328	10,484
	\$ 233,115	\$ 235,335

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 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, manages 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 is 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 liquid 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, 2017, the Company's regulated businesses had total regulatory capital amounting to \$190,941 (2016 – \$157,259). 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, 2017, Minic beneficially owned 49.4% (2016 – 49.4%) of the Company's outstanding common shares. In 2017 and 2016, 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	2017	2016
Short-term employment benefits	\$ 4,955	\$ 4,349
Post-employment benefits	21	18
Stock-based compensation	850	761
	\$ 5,826	\$ 5,128

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	2017	2016
Investment management services	\$ 25	\$ 36

(c) Subsidiaries

The Company's significant subsidiaries are as follows:

As at December 31		2017	2016
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Ethical Management Inc. (i)	Canada	100%	50%
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%	100%
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. (ii)	Canada	80%	80%
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 (iii)	Canada	0%	0%
Guardian Growth & Income Fund	Canada	75%	77%
AMG Guardian Capital Global Dividend Fund (iv)	United States	89%	96%
Guardcap UCITS Funds PLC, Emerging Markets Fund	Ireland	100%	100%
Guardian Emerging Markets Equity Fund (v)	Canada	0%	57%
Guardian Canadian Focused Equity Fund (v)	Canada	0%	37%
Guardcap UCITS Funds PLC, Global Equity Fund (vi)	Ireland	34%	51%

(i) On January 1, 2017, Guardian Ethical Management Inc. ("GEM") became a wholly owned subsidiary when the Company acquired the 50% voting interest in GEM which it previously did not own for consideration of \$333. Prior to becoming a subsidiary, GEM was a joint venture.

(ii) 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 interests have a 20% (2016 – 20%) 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	2017	2016
Balance, beginning of year	\$ 5,293	\$ 4,271
Net earnings available to non-controlling interests	1,495	1,100
Acquisition of non-controlling interests (note 25)	–	(78)
Balance, end of year	\$ 6,788	\$ 5,293

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

As at December 31	2017	2016
Cash	\$ 5,340	\$ 804
Other current assets	4,746	3,577
Intangible assets	22,046	16,671
Other non-current assets	4,063	738
	\$ 36,195	\$ 21,790
Current liabilities	\$ 5,495	\$ 6,688
Non-current liabilities	1,645	476
	\$ 7,140	\$ 7,164
For the years ended December 31	2017	2016
Revenue	\$ 29,244	\$ 25,832
Net earnings	7,951	6,452
Comprehensive income	7,951	6,452

- (iii) 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 13, Treasury Stock.
- (iv) Formerly known as Aston Guardian Capital Global Dividend Fund.
- (v) Effective March 31, 2017, Guardian Emerging Markets Equities Fund and Guardian Focused Equity Fund ceased to be subsidiaries and, as a result, the Company no longer consolidates these funds.
- (vi) Effective December 31, 2017, Guardcap UCITS Funds PLC, Global Equity Fund ceased to be a subsidiary and, as a result, the Company no longer consolidates this fund.

(d) 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	2017	2016
Net assets of unconsolidated investment funds	\$ 3,637,606	\$ 2,656,569
Company's interests in unconsolidated investment funds	193,559	59,860

For the years ended December 31	2017	2016
Net revenues earned directly from unconsolidated investment funds	\$ 9,327	\$ 8,807

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

24. INVESTMENT IN ASSOCIATE

On January 1, 2017, the Company acquired the remaining 50% of the voting interest not previously held in a joint venture, Guardian Ethical Management Inc. ("GEM") for consideration of \$333. The consideration paid was equal to 50% of net working capital of GEM, which consisted of cash and net current liabilities. As a result of the transaction, the Company derecognized the investment in associates and recognized the assets and liabilities of GEM, upon consolidation. This resulted in net cash inflow of \$425, which was comprised of \$758 of cash held by GEM, less the \$333 paid to the vendor.

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

26. SUBSEQUENT EVENT

On January 2, 2018, the Company closed the acquisition of a 70% interest in Alta Capital Management, LLC ("Alta"), an investment management firm based in Salt Lake City, Utah, USA. At closing, Alta had in excess of \$3 billion USD of assets under management ("AUM"). The primary reasons for acquiring Alta were to provide the Company with increased access to an important market and to further diversify its AUM and revenue sources.

The Company expects the total consideration for the transaction to be approximately \$62,000 (\$49,500 USD) which is comprised of \$56,327 (\$45,000 USD) paid on closing, plus the present value of an estimated deferred amount payable over four years from closing. The deferred amount is contingent upon the level of AUM achieved, to a maximum of \$10,000 USD.

The Company is in the process of ascertaining the fair values of the identifiable net assets acquired, including the valuation of investment contracts, and the determination of deferred tax liabilities and goodwill, if any. The Company expects that the identifiable net assets acquired will be primarily comprised of intangible assets, which represent Alta's existing investment management contracts. Goodwill, if any, will represent the value of Alta arising from potential synergies, including a broader platform for the Company's growth.

In conjunction with this acquisition, the Company has entered into employment agreements with the key employees of Alta.

The costs associated with this transaction were \$600 and have been included in 2017 expenses.