Consolidated Financial Statements of FIERA CAPITAL CORPORATION

DECEMBER 31, 2017 and 2016

FIERA CAPITAL

Fiera Capital Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fiera Capital Corporation

We have audited the accompanying consolidated financial statements of Fiera Capital Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 financial position of Fiera Capital Corporation as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP[1]

March 22, 2018

Montreal, Quebec

[1] CPA auditor, CA, public accountancy permit No. A121444

Fiera Capital Corporation

Consolidated Statements of Earnings

For the years ended December 31,
(In thousands of Canadian dollars, except per share data)

	2017	2016
	$	$
Revenues		
Base management fees	405,056	297,717
Performance fees	34,572	34,281
Other revenues (Note 12)	19,468	12,146
	459,096	344,144
Expenses		
Selling, general and administrative expenses (Note 21)	358,454	248,469
External managers	2,176	3,586
Amortization of intangible assets (Note 10)	41,110	42,723
Depreciation of property and equipment (Note 11)	3,817	3,401
Restructuring, integration and other costs (Note 5)	15,150	7,956
Acquisition costs	5,434	11,691
	426,141	317,826
Earnings before under-noted items	32,955	26,318
Realized gain on investments	(137)	(766)
Loss on disposal of intangible assets (Note 10)	371	-
Loss on disposal of property and equipment (Note 11)	522	-
Interest on long-term debt and other financial charges (Note 22)	11,479	12,897
Accretion and change in fair value of purchase price obligations	5,852	(3,337)
Gain on acquisition of control of investment in joint ventures (Note 4)	-	(5,827)
Gain on disposal of investment in joint ventures	-	(15,013)
Revaluation of assets held-for-sale (Note 6)	-	7,921
Loss on disposal of subsidiaries (Note 6)	-	8,315
Share of earnings of joint ventures	-	(77)
Earnings before income taxes	14,868	22,205
Income taxes (Note 14)	4,156	4,124
Net earnings	10,712	18,081
Net earnings (loss) attributable to :		
Company's shareholders	10,671	20,777
Non-controlling interest	41	(2,696)
	10,712	18,081
Earnings per share (Note 18)		
Basic	0.13	0.27
Diluted	0.12	0.27

The accompanying notes are an integral part of these consolidated financial statements.

Fiera Capital Corporation

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31,

(In thousands of Canadian dollars)

	2017	2016
	$	$
Net earnings	10,712	18,081
Other comprehensive income (loss):		
Items that may be reclassified subsequently to earnings:		
Unrealized gain on available-for-sale financial assets (net of income taxes of $17 in 2017 and $5 in 2016)	156	30
Reclassification of gain on disposal of investments (net of income tax recovery of $3 in 2017 and $121 in 2016)	(24)	(780)
Reclassification of share of other comprehensive income of joint ventures	-	(509)
Cash flow hedges (net of income taxes of $320 in 2017) (Note 12)	2,094	-
Unrealized exchange differences on translating financial statements of foreign operations	(17,300)	743
Other comprehensive income (loss)	(15,074)	(516)
Comprehensive income (loss)	(4,362)	17,565
Comprehensive income (loss) attributable to:		
Company's shareholders	(4,403)	20,261
Non-controlling-interest	41	(2,696)
	(4,362)	17,565

The accompanying notes are an integral part of these consolidated financial statements.

Fiera Capital Corporation

Consolidated Statements of Financial Position

As at December 31,

(In thousands of Canadian dollars)

	2017	2016
	$	$
Assets		
Current assets		
Cash and cash equivalents	**41,079**	40,110
Restricted cash	**930**	660
Accounts receivable (Note 9)	**128,398**	116,401
Investments (Note 12)	**5,408**	8,972
Prepaid expenses and other assets	**10,082**	6,547
	185,897	172,690
Non-current assets		
Goodwill (Note 10)	**523,885**	541,030
Intangible assets (Note 10)	**462,281**	458,760
Property and equipment (Note 11)	**16,572**	18,398
Derivative financial instruments (Note 12)	**3,484**	-
Deferred income taxes (Note 14)	**11,665**	8,094
Deferred charges and other	**1,131**	1,715
	1,204,915	1,200,687
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	**114,008**	89,160
Dividends payable	**-**	249
Purchase price obligations (Note 12)	**31,050**	13,470
Puttable financial instrument liabilities (Notes 4 and 12)	**-**	5,500
Restructuring provisions (Note 5)	**5,273**	1,879
Derivative financial instruments (Note 12)	**-**	1,861
Current portion of long-term debt (Note 15)	**1,354**	1,283
Amounts due to related parties	**1,241**	1,058
Client deposits and deferred revenues	**501**	275
	153,427	114,735
Non-current liabilities		
Long-term debt (Note 15)	**292,417**	429,140
Convertible debentures (Note 16)	**77,461**	-
Purchase price obligations (Note 12)	**58,086**	21,498
Long-term restructuring provisions (Note 5)	**715**	715
Cash settled share-based liabilities	**3,087**	4,243
Other non-current liabilities	**3,338**	2,694
Deferred lease obligations	**3,939**	3,479
Lease inducements	**4,420**	4,612
Deferred income taxes (Note 14)	**16,014**	22,926
	612,904	604,042
Equity attributable to:		
Company's shareholders	**592,545**	566,236
Non-controlling interest	**(534)**	30,409
	592,011	596,645
	1,204,915	1,200,687

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

/s/ Jean-Guy Desjardins   */s/ Raymond Laurin*

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Jean-Guy Desjardins, Director   Raymond Laurin, Director

Fiera Capital Corporation

Consolidated Statements of Changes in Equity

For the years ended December 31,

(In thousands of Canadian dollars)

	Share Capital	Restricted and Hold back shares	Contributed surplus	Convertible debentures equity component	(Deficit) Retained earnings	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non-Controlling Interest	Total Equity
	$	$	$	$	$	$	$	$	$
Balance, December 31, 2015	467,134	3,662	11,056	-	(35,528)	28,614	474,938	(4,910)	470,028
Net earnings	-	-	-	-	20,777	-	20,777	(2,696)	18,081
Other comprehensive income (loss)	-	-	-	-	-	(516)	(516)	-	(516)
Comprehensive income (loss)	-	-	-	-	20,777	(516)	20,261	(2,696)	17,565
Share-based compensation expense (Note 19)	-	-	9,636	-	-	-	9,636	26	9,662
Performance share units settled	-	-	(4,237)	-	-	-	(4,237)	-	(4,237)
Restricted shares vested	-	859	(859)	-	-	-	-	-	-
Stock options exercised (Note 17)	2,983	-	(630)	-	-	-	2,353	(223)	2,130
Shares issued as part of a business combination (Note 4)	98,504	-	-	-	-	-	98,504	-	98,504
Shares purchased for cancellation (Note 17)	(1,342)	45	-	-	(362)	-	(1,659)	-	(1,659)
Net change in non-controlling interest (Note 4)	-	-	-	-	-	-	-	31,711	31,711
De-recognition of non-controlling interest	-	-	-	-	-	-	-	8,278	8,278
Call option (Note 4)	-	-	1,419	-	-	-	1,419	-	1,419
Shares issued as settlement of purchase price obligations (Note 17)	8,500	-	-	-	-	-	8,500	-	8,500
Issuance of shares (Note 17)	3,637	-	-	-	-	-	3,637	-	3,637
Contribution to non-controlling interest	-	-	(100)	-	-	-	(100)	350	250
Conversion of hold back shares (Note 17)	2,718	(2,718)	-	-	-	-	-	-	-
Dividends (Note 17)	-	-	-	-	(47,016)	-	(47,016)	(2,127)	(49,143)
Balance, December 31, 2016	582,134	1,848	16,285	-	(62,129)	28,098	566,236	30,409	596,645
Net earnings	-	-	-	-	10,671	-	10,671	41	10,712
Other comprehensive income (loss)	-	-	-	-	-	(15,074)	(15,074)	-	(15,074)
Comprehensive income (loss)	-	-	-	-	10,671	(15,074)	(4,403)	41	(4,362)
Share-based compensation expense (Note 19)	-	-	9,707	-	-	-	9,707	113	9,820
Performance share and restricted share units vested (Note 17)	13,612	-	(8,323)	-	-	-	5,289	-	5,289
Restricted shares vested	-	854	(854)	-	-	-	-	-	-
Stock options exercised (Note 17)	3,816	-	(902)	-	-	-	2,914	-	2,914
Shares issued as part of a business combination (Note 4)	500	-	-	-	-	-	500	-	500
Issuance of convertible debentures, net of tax (Note 16)	-	-	-	3,330	-	-	3,330	-	3,330
Extinguishment of puttable financial instrument liabilities (Note 12)	-	-	2,747	-	-	-	2,747	-	2,747
Net change in non-controlling interest	-	-	-	-	-	-	-	(54,771)	(54,771)
Loss on dilution of non-controlling interest (Note 4)	-	-	-	-	(24,174)	-	(24,174)	24,174	-
Shares issued as settlement of purchase price obligations (Note 17)	8,478	-	-	-	-	-	8,478	-	8,478
Issuance of shares (Note 17)	79,484	-	-	-	-	-	79,484	-	79,484
Cancellation of shares	(4)	4		-	-	-	-	-	-
Conversion of hold back shares (Note 17)	3,566	(3,566)	-	-	-	-	-	-	-
Dividends (Note 17)	-	-	-	-	(57,563)	-	(57,563)	(500)	(58,063)
Balance, December 31, 2017	691,586	(860)	18,660	3,330	(133,195)	13,024	592,545	(534)	592,011

The accompanying notes are an integral part of these consolidated financial statements.

Fiera Capital Corporation

Consolidated Statements of Cash Flows

For the years ended December 31,
(In thousands of Canadian dollars)

	2017	2016
	$	$
Operating activities		
Net earnings	10,712	18,081
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment	44,927	46,124
Amortization of deferred charges	572	768
Loss on disposal of intangible assets and property and equipment	893	-
Accretion and change in fair value of purchase price obligations	5,852	(3,337)
Lease inducements	(588)	(601)
Deferred lease obligations	(284)	1,957
Share-based compensation expense	9,820	9,662
Cash settled share-based compensation expense	8,466	5,361
Restructuring, integration and other costs	3,374	3,492
Interest on long-term debt and other financial charges	11,479	12,897
Income tax expense	4,156	4,124
Income tax paid	(13,417)	(19,306)
Share of earnings of joint ventures	-	(77)
Gain on disposal of investment in joint venture	-	(15,013)
Revaluation of assets held-for-sale	-	7,921
Gain on acquisition of control of investment in joint venture	-	(5,827)
Loss on disposal of subsidiaries	-	8,315
Realized gain on investments	(137)	(766)
Realized and unrealized gain on financial instruments	(1,717)	-
Other non-current liabilities	2,100	252
Changes in non-cash operating working capital items (Note 23)	6,316	(16,513)
Net cash generated from operating activities	92,524	57,514
Investing activities		
Business combinations (2016 - less cash acquired of $16,739) (Note 4)	-	(162,867)
Proceeds from disposal of investment in joint venture	-	20,000
Settlement of purchase price adjustments and obligations	(3,431)	(1,321)
Investments, net	5,029	3,973
Contribution to non-controlling interest	-	250
Purchase of property and equipment	(3,238)	(3,993)
Purchase of intangible assets	(21,543)	(2,942)
Proceeds from disposal of intangible assets and property and equipment	1,052	-
Settlement of puttable financial instrument liabilities	(2,753)	-
Deferred lease obligations and lease inducements	1,338	331
Deferred charges and other	(191)	(35)
Restricted cash	(325)	2,226
Net cash used in investing activities	(24,062)	(144,378)
Financing activities		
Settlement of share-based compensation	(1,382)	(5,813)
Dividends paid	(58,312)	(49,228)
Issuance of share capital less issuance costs of $4,141 ($138 in 2016)	82,067	3,822
Shares purchased for cancellation	-	(1,659)
Net purchase of non-controlling interest	(36,324)	-
Long-term debt, net	(110,888)	166,520
Settlement of derivative financial instruments	(7,158)	-
Issuance of convertible debentures less issuance costs of $4,269	82,465	-
Interest paid on long-term debt	(16,145)	(11,015)
Financing charges	(210)	(1,133)
Net cash (used in) generated from financing activities	(65,887)	101,494
Net increase in cash and cash equivalents	2,575	14,630
Effect of exchange rate changes on cash denominated in foreign currencies	(1,606)	(245)
Cash and cash equivalents – beginning of year	40,110	25,725
Cash and cash equivalents – end of year	41,079	40,110

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of business

Fiera Capital Corporation ("Fiera Capital" or the "Company") was incorporated as Fry & Company (Investment Management) Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a global asset management firm which offers a wide range of traditional and alternative investment solutions, including depth and expertise in asset allocation. The Company provides investment advisory and related services to institutional investors, private wealth clients and retail investors. In the U.S., investment advisory services are provided by two of the Company's U.S. affiliates, Fiera Capital Inc. and Bel Air Management, LLC, that are registered as investment advisors with the U.S. Securities and Exchange Commission ("SEC"). The Company's affiliate Fiera Capital (UK) Limited (formerly Charlemagne Capital (UK) Limited) is registered with the Financial Conduct Authority in the United Kingdom and as an investment advisor with the SEC and Fiera Capital (IOM) Limited (formerly Charlemagne Capital (IOM)) is registered with the Isle of Man Financial Services Authority and is also registered as an investment advisor with the SEC. The Company's head office is located at 1501 McGill College Avenue, Suite 800, Montréal, Quebec, Canada. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "FSZ".

The Company's Board of Directors (the "Board") approved the consolidated financial statements for the years ended December 31, 2017 and 2016, on March 22, 2018.

2. Basis of presentation and adoption of new IFRS

Compliance with IFRS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2017.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. Basis of presentation and adoption of new IFRS (continued)

Revised IFRS, interpretations and amendments

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption did not have a significant impact on the amounts reported in these financial statements.

Amendments to IAS 7 – Statement of cash flows

In January 2016, the IASB published amendments to IAS 7 – *Statement of cash flows*. The amendments improved the information provided to users of financial statements about an entity's financing activities. The adoption of these amendments resulted in additional disclosures in the annual consolidated financial statements.

Amendments to IAS 12 – Income taxes

In January 2016, the IASB published amendments to IAS 12 – *Income taxes*. The amendments clarified the recognition of deferred tax assets where an asset is measured at fair value and that fair value is below the asset's tax base.

Annual improvements to IFRS (2014-2016) cycle

In December 2016, the IASB published annual improvements on the 2014-2016 cycle. The pronouncement contained amendments to clarify the scope of IFRS 12 – *Disclosure on interests in other entities*.

3. Significant accounting policies, judgments and estimation uncertainty

Significant accounting policies

This note provides a list of significant accounting policies adopted in the presentation of these consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities held at fair value through profit or loss (including derivatives) and assets available-for-sale, which have been measured at fair value as discussed in the note "Financial Instruments".

Consolidation

The financial statements of the Company include the accounts of the Company and its subsidiaries, as well as its share of interests in joint ventures. All intercompany transactions and balances with subsidiaries are eliminated on consolidation.

The consolidated financial statements include the accounts of Fiera Capital Corporation and its subsidiaries. Subsidiaries are those entities which the Company controls. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Non-controlling interests in the earnings and equity of subsidiaries are disclosed separately in the consolidated statements of financial position, earnings, comprehensive income (loss), and changes in equity.

Where applicable, the subsidiaries' accounting policies are changed prior to the business acquisition by the Company to ensure consistency with the policies adopted by the Company.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Company's interests in joint ventures are accounted for using the equity method of accounting.

Subsequent to the acquisition date, the Company's share of earnings of a joint venture is recognized in the consolidated statements of earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where applicable, the joint venture's accounting policies are changed prior to the acquisition by the Company, to ensure consistency with the policies adopted by the Company.

The Company assesses at each year-end whether there is any objective evidence that its interests in joint ventures are impaired; if impaired, the carrying value of the Company's investment in the joint venture is written down to its estimated recoverable amount (being the higher of fair value less costs to sell and value-in-use) and charged to the consolidated statements of earnings. In accordance with IAS 36 – *Impairment of assets*, impairment losses are reversed in subsequent years if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related costs are expensed when incurred in the consolidated statements of earnings.

At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – *Income Taxes.* Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of earnings. The determination of fair value involves making estimates relating to assets acquired and liabilities assumed including amoung others, intangible assets, property and equipment and contingent consideration. Contingent consideration that is classified as a liability is remeasured at each subsequent reporting date with the corresponding gain or loss being recognized in the statements of earnings.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Goodwill is measured as the excess of the consideration transferred over the net amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the consolidated statements of earnings as a bargain purchase gain.

Foreign currency translation

The Company has prepared and presented these consolidated financial statements in Canadian dollars, its functional and reporting currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses from the settlement of foreign currency transactions and from the translation at reporting date exchange rates for monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of earnings. Foreign exchange gains or losses are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to a part of the net investment in a foreign operation. Non-monetary assets and liabilities denominated in foreign currencies are translated in Canadian dollars using the exchange rates in effect at the date of initial recognition.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into Canadian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated at exchange rates at the date of transactions.

Translation gains or losses related to foreign operations are recognized in other comprehensive income (loss) and are reclassified in earnings on disposal or partial disposal of the investment in the related foreign operations.

Derivative financial instruments

The Company uses derivative financial instruments including interest rate and cross currency swaps and forward foreign exchange contracts, to manage its exposure to foreign exchange, interest rate and market risks arising from operational, financing and investment activities. Derivative financial instruments are used only for economic hedging purposes and not as speculative instruments.

The Company designates certain derivatives as either: fair value, cash flow or net investment hedges. When hedge accounting is applied, the Company documents at the inception of the hedging transaction, the relationship between the hedging instrument and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used for hedging transactions have been and will continue to be highly effective in offsetting changes in fair values and cash flows of hedged items.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. For trading derivatives, gains or losses on remeasurement to fair value are recognized immediately in profit or loss.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

For hedging derivatives, the effective portion of changes in fair value of derivatives that qualify for hedge accounting are recognized in other comprehensive income (loss) and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the definition for hedge accounting, any cumulative gains or losses in equity at that time remain in equity and are recognized when the transaction is ultimately recognized in profit or loss.

Derivatives are classified as a current when the remaining maturity of the contract is less than 12 months.

Transaction costs incurred for trading and hedging derivative financial instruments are recognized in profit or loss as incurred.

Revenue recognition

Revenue from management fees is recognized as the related services are rendered, when the fees are reliably measurable and it is probable that future economic benefits will flow to the entity. Management fees are either invoiced quarterly based on daily average assets under management ("AUM") or are calculated and invoiced monthly or quarterly in arrears based on the calendar quarter-end or month-end asset values under management or on an average of opening and closing AUM for the quarter.

Performance fees are recorded at the performance measurement dates contained in the individual account agreements and are dependent upon performance of the account exceeding agreed-upon benchmarks over the relevant period.

Other revenues

Other revenues consist mainly of brokerage commissions, consulting fees, tax planning, unrealized and realized gains or losses on forward foreign exchange contracts and unrealized gains or losses on short term investments.

Deferred revenues

Payments received in advance for services to be provided to external parties are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related services are rendered.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Regular-way purchases and sales of financial assets are recognized on the trade date.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Classification

Cash and cash equivalents and restricted cash	Loans and receivables
Investments	Available-for-sale / Fair value through profit or loss
Accounts receivable	Loans and receivables
Long-term receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Amounts due to related parties	Financial liabilities at amortized cost
Client deposits	Financial liabilities at amortized cost
Long-term debt	Financial liabilities at amortized cost
Convertible debentures – liability component	Financial liabilities at amortized cost
Puttable financial instrument liabilities	Fair value through profit or loss
Purchase price obligations	Fair value through profit or loss
Derivative financial instruments – held for trading	Fair value through profit or loss
Derivative financial instruments – cash flow hedges	Fair value through other comprehensive income (loss)

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. The instruments held by the Company that are classified in this category are certain securities and obligations, classified under investments and derivative financial instruments in the consolidated statements of financial position.

Financial instruments in this category are measured initially and subsequently at fair value. Transaction costs are expensed as incurred in the consolidated statements of earnings. Gains and losses arising from changes in fair value are presented in the consolidated statements of earnings in the period in which they arise. Dividends on financial assets through profit or loss are recognized in the consolidated statements of earnings when the Company's right to receive dividends is established. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statement of financial position date, which is classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. With the exception of the long-term receivable, these assets are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, if applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment, if applicable.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Available-for-sale

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months or management expects to dispose of it within twelve months.

Dividends on available-for-sale equity instruments are recognized in the consolidated statements of earnings when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are transferred from accumulated other comprehensive income (loss) to the consolidated statements of earnings.

Available-for-sale investments are assessed for indicators of impairment at the end of each reporting period. The investments are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred, the estimated future cash flows of the investment have been affected, such as a significant or prolonged decline in the fair value of the investment below cost.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Amounts that may be payable under written put rights or as purchase price obligations are initially recorded at their fair value and subsequently remeasured to fair value at each reporting date.

Compound financial instruments

Convertible unsecured subordinated debentures ("convertible debentures") issued by the Company are accounted for as compound financial instruments. The liability component of a compound financial instrument is measured initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts.

Restricted cash

Restricted cash consists of client deposits received following the settlement of a class action in favour of certain clients for whom the Company acted as agent and of cash held in a segregated account, in connection with lease arrangements.

Investments

Investments in other securities and obligations are carried on the consolidated statements of financial position at fair value using bid prices at the end of the reporting period. Investments in mutual fund and pooled fund units are carried at the net asset value reported by the fund manager.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are expensed in the consolidated statements of earnings during the period in which they are incurred.

The major categories of property and equipment are depreciated over their estimated useful lives using the straight-line method over the following periods:

Office furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	Shorter of lease term or useful life

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized in the consolidated statements of earnings.

Intangible assets other than goodwill

Intangible assets with an indefinite life such as the asset management contracts with mutual funds are accounted for at historical cost. Transaction costs, such as professional fees, are capitalized when they are directly attributable to preparing the intangible asset for its intended use. The Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. These mutual funds have an indefinite life. Accordingly, the Company does not amortize these intangible assets, but reviews them for impairment, annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Separately acquired finite-life intangible assets are accounted for at historical cost, less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Other intangible assets are comprised of trade names, software and non-compete agreements. The expected useful lives of finite-life customer relationships and management contracts are analyzed each year and determined based on the analysis of the historical and projected attrition rates of clients and other factors that may influence the expected future economic benefit that the Company will generate from the customer relationships.

Development costs for internally-generated intangible assets are capitalized when all of the following conditions are met:

- technical feasibility can be demonstrated;
- management has the intention to complete the intangible asset and use it;
- management can demonstrate the ability to use the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- the Company can demonstrate the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- costs attributable to the asset can be measured reliably.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are charged to the consolidated statements of earnings in the period in which they are incurred.

Amortization of finite-life intangible assets is based on their estimated useful lives using the straight-line method over the following periods:

Asset management contracts	10 years
Customer relationships	5 to 20 years
Other	2 to 8 years

Goodwill

Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the Company's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Impairment of non-financial assets

Property and equipment and finite-life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount is greater than its estimated recoverable amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Value-in-use is determined by discounting estimated future cash flows, using a pre-tax discount rate that reflects current assessments of the market, of the time value of money and of the risks specific to the CGU.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Fair value less costs to sell is determined using an EBITDA (earnings before interest, taxes, depreciation and amortization) multiple of comparable companies operating in similar industries for each CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of earnings.

Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the operating segment, and then to reduce the carrying amounts of the other assets in the operating segment on a pro rata basis. Previously impaired non-financial assets are reassessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there have been changes to the estimates used to determine the recoverable amount, and that these changes will be supported in the future. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

For goodwill impairment testing purposes, the operating segment represents the lowest level within the Company at which management monitors goodwill.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any lease inducements received from the lessor) are charged to the consolidated statements of earnings on a straight-line basis over the term of the lease.

Deferred charges

Deferred charges consist of insurance, rent and other long-term prepaid expenses and are amortized on a straight-line basis over the term of the contract or lease.

Deferred lease obligations

The Company leases office space with a predetermined fixed escalation of the minimum rent. The Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred lease obligations.

Lease inducements

Lease inducements consist of allocations received from lessors for leasehold improvements and are amortized on a straight-line basis over the lease term.

Income taxes

Income taxes are comprised of current and deferred tax. Income taxes are recognized in the consolidated statements of earnings, except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and joint ventures except in the cases of subsidiaries where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Employee benefits

Post-employment benefit obligations

Certain employees of the Company have entitlements under the Company's pension plans, which are defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions are earned by the employees.

Bonus plans

The Company recognizes a provision and an expense for bonuses at the time the Company becomes contractually obliged to make a payment or when there is a past practice that has created a constructive obligation.

Share-based compensation

The fair value of share-based payments is measured in accordance with IFRS 2. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value determined at grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

For cash-settled share-based payments, a liability is recognized at the grant date and is remeasured at each reporting period until the liability is settled, with any changes in fair value recognized in profit or loss.

Stock options

Share-based compensation expense is recorded using the fair value method. Under this method, the compensation expense for each tranche is measured at fair value at the grant date using the Black-Scholes option-pricing model and recognized as share-based compensation over the vesting period with an equal and offsetting amount recorded to contributed surplus.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

The vesting period is the period over which all of the specified vesting conditions are to be satisfied. When stock options are exercised, any consideration paid by employees is credited to share capital and the recorded fair value of the options is removed from contributed surplus and credited to share capital.

Deferred share unit plan

The expense associated with granting deferred share units ("DSU") was recognized when the deferred shares were issued. Changes in the fair value of previously issued DSU that arise due to changes in the price of the Company's Class A Shares are recognized in the consolidated statements of earnings.

The number of DSU granted to directors was determined by dividing the dollar value of the portion of directors' fees to be paid in DSU by the closing price of the Company's shares on the TSX for the business day immediately preceding the date of the grant.

In 2010, the Board discontinued the DSU plan; however, all existing rights and privileges were maintained for outstanding units. Eligible directors will be compensated in cash. The liability related to this plan is classified as current and is recognized in accounts payable and accrued liabilities. The liability is derecognized when the DSUs are settled.

Restricted share unit plan

The Restricted Share Unit Plan ("RSU Plan") is recorded as a share-based liability as participants may elect to receive up to 50% of the vested value in cash. The liability is measured at each reporting period based on the trading price of the Company's Class A Shares on the TSX, and is remeasured until the settlement date. The fair value of the restricted share unit ("RSU") is determined at each reporting date and the expense is recorded over the vesting period on a straight-line basis.

A RSU participant's account is credited with dividend equivalents in the form of additional RSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

Restricted share unit plan - cash

RSUs granted under this plan, unless specified otherwise in the participant's award notice, will be paid in cash on the vesting date. The plan is recorded as a cash settled share-based liability. The liability is measured at each reporting period based on the trading price of the Company's Class A Shares on the TSX, and is remeasured until the settlement date. The expense is amortized over the vesting period on a straight-line basis.

A RSU – cash participant's account is credited with dividend equivalents in the form of additional RSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Performance share unit plan

Performance share unit plan applicable to business units ("PSU plan applicable to BU")

Under the terms of the PSU plan applicable to BU, the Company grants PSUs at a value determined by reference to the value of a specific business unit rather than by reference to the price of the Class A Shares of the Company.

At the time of grant of any PSU plan applicable to BU, the Company determines (i) the award value, (ii) the number of PSUs granted, (iii) the value of each PSU granted, (iv) the formula used to determine the value of the applicable business unit, (v) the vesting terms and conditions of the PSUs, and (vi) the applicable vesting date(s).

The method of settlement is determined for each grant. Such methods may include all or a portion of the value of the vested PSUs payable in Class A Shares or in cash. The choice of the method of settlement may be at the option of either the Company or the participant. If the choice is at the option of the participant, the plan is accounted for as cash-settled, otherwise PSU plans applicable to BU are accounted for as equity-settled if Management's intention is to settle in shares. When the payment obligation is settled through the delivery of shares, the Company determines the total number of the Class A Shares to be issued based on the total settlement date value divided by a volume-weighted average price as defined in the plan.

The PSU applicable to BU compensation expense is recognized on a straight-line basis over the vesting period when it is probable that the performance targets will be met. The attainment of the performance conditions and the estimated vesting of the PSUs are reassessed at the end of each reporting period.

The fair value of equity instruments is measured at the grant date which is the date at which the Board approves the plan or when the Company and the participant agree to a share-based compensation arrangement and requires that the Company and the participant have a shared understanding of the terms and conditions of the arrangement. The Company recognizes compensation expense as of the grant date.

PSU Plan

Under the terms of the PSU plan, the Company grants PSUs at a value determined by reference to the price of the Class A Shares of the Company.

At the time of grant of any PSU plan, the Company determines (i) the award value, (ii) the number of PSUs granted, (iii) the value of each PSU granted, (iv) the vesting terms and conditions of the PSUs, and (v) the applicable vesting date(s).

The method of settlement is determined for each grant. Such methods may include all or a portion of the value of the vested PSUs payable in Class A Shares or in cash. The settlement method is at the option of the Company, therefore plans are accounted for as cash-settled or as equity-settled depending on Management's intention to settle each PSU plan in cash or in shares. When the payment obligation is settled through the delivery of shares, the Company determines the total number of the Class A Shares to be issued based on the total settlement date value divided by a volume-weighted average price as defined in the plan.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

The PSU compensation expense is recognized on a straight-line basis over the vesting period when it is probable that the performance targets will be met. The attainment of the performance conditions and the estimated vesting of the PSUs are reassessed at the end of each reporting period.

A PSU participant's account is credited with dividend equivalents in the form of additional PSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

The fair value of equity instruments is measured at the grant date which is the date at which the Company and the participant agree to a share-based compensation arrangement and requires that the Company and the participant have a shared understanding of the terms and conditions of the arrangement. For the PSU plans accounted for as cash-settled, the liability is measured at each reporting period based on the closing trading price of the Company's Class A Shares on the TSX, and is remeasured until the settlement date.

Restructuring provisions

The Company recognizes termination benefits when employment is terminated by the Company, or when an employee accepts an offer of voluntary redundancy in exchange for benefits and the Company can no longer withdraw the offer of those benefits or when the Company recognizes costs for a restructuring involving termination benefits. Benefits payable more than twelve months after the end of the reporting period are discounted to their present value.

Provisions, representing termination benefits, are measured at management's best estimate of the expenditures required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is significant.

Acquisition costs

Acquisition costs include expenses, fees, commissions and other costs associated with the collection of information, negotiation of contracts, risk assessments related to business combinations that have closed or that are being contemplated. These expenses are mostly composed of lawyers, advisors and specialists' fees.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings for the year attributable to equity owners of the Company by the weighted average number of shares and hold back shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive shares-based awards. The number of shares included with respect to options and similar instruments is computed using the treasury stock method, with only the bonus element of the issue reflected in diluted EPS. The bonus element is the difference between the number of ordinary shares that would be issued at the exercise price and the number of ordinary shares that would have been issued at the average market price. The Company's potentially dilutive shares comprise stock options, RSUs, PSU applicable to BUs, PSUs granted to employees and contingent purchase price consideration payable in shares for which management expects the shares to be issued based on meeting target conditions specified in the acquisition agreement and convertible debentures.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Share capital

Class A Shares (“Class A Shares”) and Class B special voting shares (“Class B Shares”) are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity, net of tax, from the proceeds.

Dividends

Dividends on shares are recognized when the dividends are declared and approved by the Company’s Board of Directors.

Contributed surplus

Contributed surplus is defined as the share-based payment reserve recorded at fair value at the grant date.

Significant accounting judgments and estimation uncertainties

The application of the Company’s accounting policies requires management to make estimates and use judgment that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management’s best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material. Management’s annual budget and long-term plan which covers a five-year period are key information for many significant estimates necessary to prepare these consolidated financial statements. Management prepares a budget on an annual basis and periodically updates its long-term plan. Cash flows and profitability included in the budget and long-term plan are based on existing and expected future assets under management, general market conditions and current and future cost structures. The Board approves the annual budget.

The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements:

Cash generating unit

The Company determined that it had one CGU for the purpose of assessing the carrying value of the allocated goodwill and indefinite-life intangible assets.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Share-based payments

The Company recognizes compensation expense for cash and equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted and for cash settled transactions, at each subsequent reporting date. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including assessing whether the performance conditions will be met and estimating the expected number of units expected to vest.

Impairment of non-financial assets

Goodwill is tested annually for impairment. The recoverable amount of the operating segment is determined based on a value-in-use calculation. This calculation requires assumptions and the use of estimates including growth rates for future cash flows, the number of years used in the cash flow model, the discount rate and other estimates. The recoverable amounts of indefinite-life intangible assets and finite-life intangible assets are based on the present value of the expected future cash flows, which involves making estimates about the future cash flows including projected client attrition rates, discount rates and gross profit margin percentage.

Business combinations

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied.

Income taxes

The calculation of income tax expense requires significant judgment in interpreting tax rules and regulations in multiple jurisdictions, which are subject to change. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets and liabilities require judgment in determining the amounts to be recognized. Significant judgment is required when assessing the timing of the reversal of the temporary differences to which future tax rates are applied. The recognition of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and level of future taxable profit.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

IFRS not yet adopted

The Company has not applied the following new and revised IFRS and interpretations that have been issued but are not mandatory for annual reporting periods ending December 31, 2017:

Effective date January 1, 2018:

IFRS 9 – *Financial Instruments*

In July 2014, the IASB finalized IFRS 9 – *Financial Instruments*, bringing together the financial asset and financial liability classification and measurement, impairment of financial assets and hedge accounting phases of the IASB project. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. IFRS 9 also introduces a new impairment model for financial assets not measured at fair value through profit or loss. This adds a new expected loss impairment model and limited amendments to classification and measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and is mandatorily effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. The first consolidated financial statements of the Company presented in accordance with IFRS 9 will be its unaudited interim condensed consolidated financial statements for the quarter ending March 31, 2018. As permitted by IFRS 9, the Company will not restate the comparative period consolidated financial statements. The retrospective impact of applying IFRS 9 will be accounted for through adjustments to the opening balance of retained earnings as at January 1, 2018.

Classification and measurement

IFRS 9 provides a single model for financial asset classification and measurement that is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

Under IFRS 9, all equity instrument financial assets must be classified as at fair value through profit or loss. However, the Company may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as at fair value through other comprehensive income with no subsequent reclassification of gains and losses to net income. Dividends will continue to be recognized in net income. This designation is also available for existing non trading equity instruments at the date of IFRS 9 adoption. Derivative financial instruments will continue to be measured at fair value through profit or loss.

As a result of the application of the classification and measurement requirements of IFRS 9, the Company will reclassify its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and therefore will reclassify a unrealized gain of $161 from accumulated other comprehensive income to retained earnings.

Impairment

The new impairment guidance sets out an expected credit loss model applicable to all debt instrument financial assets classified as amortized cost or at fair value through other comprehensive income (loss). The new guidance will not have a significant impact on the Company's profit or loss.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Hedge accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Company elected not to adopt the IFRS 9 hedge accounting requirements and instead will continue applying the IAS 39 hedge accounting requirements. The Company will, however, comply with the revised hedge accounting disclosures required by the consequential amendments made to IFRS 7.

IFRS 15 – *Revenue from Contracts with Customers*

The IASB issued IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration. This standard is effective for annual reporting periods beginning on or after January 1, 2018 and can be applied on a retrospective basis or using a modified retrospective approach. The Company will adopt IFRS 15 using the modified retrospective approach by recognizing the cumulative effect of initial application in opening retained earnings as of the effective date.

The new guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and enhanced quantitative and qualitative disclosure requirements.

Significant judgment is required in determining whether fulfillment costs should be expensed or capitalized. IFRS 15 could therefore result in changes to the timing of recognition of certain commission related expenses.

A detailed impact assessment was completed in 2017 for all major revenue streams, reviewing contracts and analyzing the revenue recognized by the Company. No significant impacts on net earnings were identified.

Due to recent developments in the interpretation of the guidance on fulfillment costs, the Company continues to assess the impact to certain commission payments and related expenses.

The adoption of IFRS 15 is not expected to have a significant impact on the Company's revenues.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Amendments to IFRS 2 – *Share-based payments*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments will come into effect for annual periods beginning on or after January 1, 2018. The adoption of this standard will not have a significant impact on the Company's consolidated financial statements.

Amendments to IAS 40 – *Investment Property*

In December 2016, the IASB published amendments to IAS 40 – *Investment Property* to clarify the accounting for transfers of property to, or from, investment property. The amendments will come into effect for annual periods beginning on or after January 1, 2018. The adoption of this standard will not have a significant impact on the Company's consolidated financial statements.

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB published IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* to clarify the exchange rate that should be used for transactions that include the receipt or payment of advance consideration in a foreign currency. This new standard will come into effect for annual periods beginning on or after January 1, 2018. The adoption of this standard will not have a significant impact on the Company's consolidated financial statements.

<u>Effective date January 1, 2019:</u>

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted only for entities also applying IFRS 15 – *Revenue from Contracts with Customers*. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRIC 23 – *Uncertainty over Tax Treatments*

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Tax Treatments*. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and the effect of changes in facts and circumstances. This new interpretation is applicable to annual reporting periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

3. Significant accounting policies, judgments and estimation uncertainty (continued)

Annual improvements to IFRS (2015-2017) cycle

In December 2017, the IASB issued *Annual Improvements to IFRS Standards 2015–2017 Cycle*. The pronouncement contains amendments to four International Financial Reporting Standards (IFRS) as result of the IASB's annual improvements project. The amendments to IFRS 3 – *Business combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 – *Joint arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to IAS 12 – *Income taxes* clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 – *Borrowing costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of these amendments on its consolidated financial statements.

4. Business combinations

City National Rochdale ("CNR")

On December 1, 2017, the Company entered into an agreement to acquire a management contract in connection with the City National Rochdale Emerging Markets Fund (the "CNR Fund"), a mutual fund that invests primarily in Asian emerging and developed markets. The transaction was in line with the Company's global asset management growth strategy, and provided a complementary presence in the emerging markets strategy.

The CNR Fund transaction is subject to CNR Fund shareholder and U.S. regulatory approval at which time the CNR Fund will be reorganized and all of its net assets will be transferred to a new Fiera fund. The Fiera fund will have similar investment objectives and strategies and will be managed by the Company's portfolio management team.

On December 1, 2017, the Company paid an initial purchase consideration of CA$15,466 (US$12,000) in cash. This amount was recorded as an indefinite life intangible asset management contract. Additional contingent consideration is linked to realized fund revenue and includes an amount up to CA$15,466 (US$12,000) payable over five years and additional contingent payments payable over the ten-year term of the agreement.

Contingent payments by the Company to CNR are recorded as purchase price obligations and represent a financing arrangement whereby the Company pays management and service fees to the seller relating to certain qualified client accounts over five-year and ten-year periods. Contingent payments will be made to the seller depending on the amount of seller-sourced assets in the CNR Fund and based on the Morningstar® rating of the CNR Fund.

The present value of forecasted contingent consideration payments to be made to the seller were estimated at CA$60,574 (US$47,000) at December 1, 2017 and CA$60,597 (US$48,304) at December 31, 2017. This amount was recorded as an indefinite life intangible asset management contract with a corresponding financial instrument liability recorded in purchase price obligations.

4. Business combinations (continued)

For the period from December 1, 2017 to December 31, 2017, the Company recorded an expense of CA$1,665 (US$1,304) in accretion and changes in fair value of purchase price obligations.

The Company incurred acquisition-related costs of CA$1,144 (US$896), mainly composed of legal, financial advisor fees and due diligence costs. These costs are capitalized to intangible assets.

Samson Capital Advisors LLC ("Samson")

The purchase price consideration for the 2015 acquisition of Samson included an initial amount of up to US$4,175 payable over three years if certain targets are achieved. The first target was met and the Company paid US$1,391 (CA$1,863) on March 13, 2017.

Apex Capital Management Inc. ("Apex")

On June 1, 2016, the Company completed the acquisition of all of the outstanding shares of Apex, a growth equity investment manager based in Dayton, Ohio. The acquisition was in line with the Company's global asset management growth strategy, and provided a complementary presence in the institutional and sub-advisory retail markets, small and cap, and other growth strategies.

Under the terms of the agreement, the purchase consideration for Apex included US$88,000 (CA$115,201) paid in cash to the sellers, financed through a US$125,000 term loan as provided under the Company's credit facility and US$57,000 (CA$74,619) worth of Fiera Capital Class A Shares, representing 5,775,075 Class A Shares, that were issued upon closing of the transaction, which was accounted for at a fair value of US$57,349 (CA$75,076) at the acquisition date. The Class A Shares are held in escrow and one seventh will be released each year over a seven year period commencing on the first anniversary of the closing date (Note 17). The Class A Shares do not have voting rights until their release from escrow but are entitled to dividends. In addition, the purchase price included an amount of US$1,171 (CA$1,568) which represented the working capital and post-closing price adjustments, which was paid on March 7, 2017.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

The transaction was accounted for as a business combination using the acquisition method and the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date as follows:

	$
Cash	678
Other current assets	5,025
Property and equipment	65
Intangible assets	115,548
Goodwill ($72,002 deductible for tax purposes)	72,460
Accounts payable and accrued liabilities	(820)
Deferred revenues	(1,147)
	191,809

Purchase consideration	$
Cash consideration	115,201
Share capital	75,076
Purchase price adjustment	1,532
	191,809

Goodwill was attributable to synergies expected as a result of the consolidation of the Company's U.S. operations. Management of Fiera Capital identified intangible assets acquired from Apex which had been accounted for separately from goodwill. These intangible assets included non-compete agreement valued at $3,927, customer relationships valued at $104,728 and tradename valued at $6,893. Subsequent to the closing date, the Company revised certain valuation assumptions, including the discount rate used in the determination of the acquisition date fair value of customer relationships. This resulted in a decrease in the fair value of customer relationships of $40,778 with a corresponding increase in goodwill.

The Company incurred acquisition-related costs of $1,796 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings. The Company financed the cash portion of the acquisition price with the credit facility (Note 15).

Pro forma Impact

The impact of the acquisition for the year ended December 31, 2016 on the Company's consolidated base management fees and net earnings was as follows:

	$
Base management fees	22,044
Net earnings	10,247

If the business combination would have occurred on January 1, 2016, the Company's consolidated base management fees, performance fees and net earnings for the year ended December 31, 2016 would have been as follows:

	$
Base management fees	314,002
Performance fees	34,281
Net earnings	27,721

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings includes selling, general and administrative expense, amortization of tangible and intangible assets, and the elimination of the acquisition costs, as well as related tax effects.

Fiera Properties Limited ("Fiera Properties")

On April 4, 2016, the Company reorganized the capital of Fiera Properties, a joint venture created in 2011 by the Company and Axia Investments Inc. ("Axia"), to offer national real estate fund vehicles and segregated account management services to investors. The Company and Axia were the controlling shareholders. As a result of the reorganization and related amendment to the shareholders' agreement, the Company obtained effective control of Fiera Properties.

The Company's economic ownership in Fiera Properties was 38.46% of class B shares and 50% of class A shares. The amended shareholders' agreement included as consideration transferred, an option to acquire an additional 10 class A shares of Fiera Properties. Exercising the call option to acquire additional class A shares would result in the Company holding a majority of class A shares. This change in control of the previously held equity interest was an economic event that triggered the remeasurement of the investment to fair value. The transaction was accounted for as a business combination achieved in stages using the acquisition method of accounting.

The purchase price was allocated to assets and liabilities based on their estimated fair value at the acquisition date as follows:

	$
Cash	2,170
Other current assets	3,302
Property and equipment	123
Intangible assets	18,950
Goodwill (nil deductible for tax purposes)	12,805
Deferred income taxes liability	(5,385)
Accounts payable and accrued liabilities	(935)
Puttable financial instrument liabilities	(5,500)
Long-term debt	(1,675)
	23,855

Purchase consideration	$
Call option	1,419
Non-controlling interest	10,186
Fair value of Fiera Capital's previously held equity interest	12,250
	23,855

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

Prior to the amended shareholders' agreement, the Company accounted for the investment in the joint venture using the equity method of accounting. At the acquisition date, the carrying amount of the investment in the joint venture was $6,423. The fair value of the previously held equity interest amounted to $12,250. The remeasurement of Fiera Capital's investment to fair value resulted in a gain of $5,827. The gain is recorded in in gain on acquisition of control of investment in joint venture on the consolidated statements of earnings for the year ended December 31, 2016.

Goodwill was attributable to the benefits from combining the assets and activities of Fiera Properties with those of the Company. Management of the Company had identified intangible assets acquired from Fiera Properties which had been accounted for separately from goodwill. These intangible assets were customer relationships valued at $18,950.

Pro forma Impact

The impact of the acquisition for the year ended December 31, 2016 on the Company's consolidated base management fees and net earnings was as follows:

	$
Base management fees	6,442
Net earnings	1,054

If the business combination would have occurred on January 1, 2016, the Company's consolidated base management fees, performance fees and net earnings for the year ended December 31, 2016 would have been as follows:

	$
Base management fees	299,632
Performance fees	34,281
Net earnings	18,118

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings includes selling, general and administrative expense, amortization of tangible and intangible assets, and the elimination of the acquisition costs, as well as related tax effects.

Under the terms of the amended shareholders' agreement, if certain management shareholders of Fiera Properties ceased to be employed by Fiera Properties, it will be required to purchase all of the shares owned by the departing management shareholder within 30 days of the termination date. As a result of this put option, Fiera Properties' contingent obligation to purchase these shares was recorded by the Company as puttable financial instrument liabilities at the opening balance sheet date at their fair value of $5,500 with a corresponding increase in goodwill.

4. Business combinations (continued)

On March 7, 2017, the Company purchased 1,500,000 Fiera Properties' class B shares held by a departing minority management shareholder which increased the Company's ownership interest in Fiera Properties to 50.93%. Concurrently with the transaction, the Company granted Axia Investment Inc. ("Axia"), another shareholder of Fiera Properties, a call right which gave Axia the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation. On September 19, 2017, Axia exercised the call option and acquired 750,000 class B shares.

On May 5, 2017, the Company purchased 1,500,000 Fiera Properties' class B shares held by the sole remaining minority management shareholder at that time, which increased the Company's ownership interest in Fiera Properties from 50.93% to 62.24%. Concurrently with the transaction, the Company granted Axia a call right which gave it the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation. On September 19, 2017, Axia exercised the call option and acquired 137,500 class B shares.

The exercise of call options on September 19, 2017, required the Company to sell 7.24% of its class B shares of Fiera Properties. The Company's ownership interest in Fiera Properties decreased from 62.24% to 55.00%. The transaction was accounted for as an equity transaction and therefore had no impact on profit or loss in the consolidated statement of earnings.

On December 27, 2017, the Company completed the purchase of the remaining 45.00% non-controlling interest in Fiera Properties for $32,000, $31,500 paid in cash and $500 worth of Fiera Capital Class A Shares representing 38,880 Class A Shares that were issued upon closing of the transaction. The transaction was accounted for as an equity transaction and therefore had no impact on profit or loss in the consolidated statement of earnings.

Natcan Investment Management Inc.

In connection with the 2012 acquisition of Natcan Investment Management Inc., the Company had recorded a purchase price obligation. During the year ended December 31, 2016, the Company reviewed its estimate of the minimum assets under management threshold required to be obligated to make the contingent payment of $7,500. The Company concluded that the minimum threshold would not be met and the purchase price obligation was revalued with the recovery recorded in the consolidated statements of earnings in accretion and change in fair value purchase price obligations. The contingent payment had a carrying value of $6,408 before the revaluation to nil.

Fiera Private Lending Inc. (formerly Centria Commerce Inc.)

On November 10, 2016, the Company's completed the acquisition of all the issued and outstanding shares of Centria Commerce Inc. (now Fiera Private Lending Inc. ("Fiera Private Lending")) and six general partnerships (Note 7) from DJM Capital Inc. ("DJM"). Fiera Private Lending is a Quebec-based private investment manager that establishes and manages funds providing construction financing, real estate investment and short-term business financing. The acquisition allowed the Company to integrate Fiera Private Lending as its own private lending platform, bringing a major alternative investment portfolio in-house and allowed the Company to offer its own diversified investment solutions directly to clients.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

Under the terms of the share purchase agreement, the total purchase consideration paid at closing for Fiera Private Lending and six general partnerships was $10,000 in cash and the balance was by the issuance of 1,944,211 Class A Shares. The Class A Shares issued at the closing date were accounted for at a fair value of $23,428 representing the closing share price on the closing date. Of the 1,944,211 Class A Shares issued, 338,124 were held in escrow for general representations and warranties and were released fifteen months following the closing date. The escrow shares are voting and entitled to dividends. Additional purchase consideration up to $12,000, which was accounted for at initial fair value of $5,306, may be paid in Class A Shares at over a period of three calendar years following the closing date, if certain assets under management, revenue and earnings before interest, taxes, depreciation and amortization (as defined in the share purchase agreement) are met. The purchase consideration included a net amount of $222 which represented the Company's best estimate of the net working capital and other adjustments. The net working capital adjustment was finalized during the year ended December 31, 2017 and as a result, the Company increased the purchase price consideration by $44.

The transaction constituted a related party transaction as DJM is indirectly owned by Fiera Capital's Chairman and CEO and another member of Fiera Capital's Board. DJM also indirectly owns or has influence through related companies, over the issued and outstanding units of Class B Shares of Fiera Capital where holders of Class B Shares are entitled, voting separately as a class, to elect two-thirds of the members of the Board.

The transaction was accounted for as a business combination using the acquisition method and the purchase price was allocated to the assets and liabilities based on their estimated fair value at the acquisition date. The revised purchase price allocation is as follows:

	$
Cash	2,282
Other current assets	704
Deferred charges	31
Property and equipment	262
Intangible assets	1,652
Goodwill (nil deductible for tax purposes)	38,772
Deferred income taxes liability	(104)
Accounts payable and accrued liabilities	(4,510)
Deferred lease obligations	(79)
Deferred revenues	(10)
	39,000

Purchase consideration	$
Cash consideration	10,266
Share capital	23,428
Fair value of purchase price obligation	5,306
	39,000

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

Goodwill was attributable to an experienced team knowledgeable in construction, financing, real estate investment and short-term business financing. Management of Fiera Capital had identified intangible assets acquired from Fiera Private Lending which had been accounted for separately from goodwill. These intangible assets included customer relationships valued at $1,600 and software valued at $52. The Company incurred acquisition-related costs of $991 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings.

Pro forma Impact

The impact of the acquisition for the twelve-month period ended December 31, 2016 on the Company's consolidated base management fees, performance fees and net earnings was as follows:

	$
Base management fees	1,139
Performance fees	170
Net earnings	531

If the business combination would have occurred on January 1, 2016, the Company's consolidated base management fees, performance fees and net earnings for the twelve-month period ended December 31, 2016 would have been as follows:

	$
Base management fees	304,493
Performance fees	35,274
Net earnings	20,394

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings includes selling, general and administrative expense, amortization of tangible and intangible assets, and the elimination of the acquisition costs, as well as related tax effects.

Fiera Capital (Europe) (formerly Charlemagne Capital Limited)

On December 14, 2016, the Company acquired all of the issued and outstanding shares of Fiera Capital (Europe). Fiera Capital (Europe) is a London-based emerging markets equity investment manager whose principal activity is providing emerging markets asset management products and services. The acquisition provided the Company with an entry into the emerging and frontier markets asset class and creates a European platform to enhance the growth and distribution of its existing investment strategies. The acquisition was also an important step in advancing the Company's growing global presence.

Under the terms of the acquisition agreement, Fiera Capital (Europe) shareholders received 14 pence in cash in aggregate for each Fiera Capital (Europe) share. The 14 pence was composed of 11 pence of cash for Fiera Capital (Europe) share and a special dividend of 3 pence paid by Fiera Capital (Europe). The total consideration was 11 pence per share paid by Fiera Capital together with the special dividend of 3 pence per share paid by Fiera Capital (Europe).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

The total purchase consideration for Fiera Capital (Europe) included an amount paid in cash of Great Britain pounds ("GBP") 32,000 (CA$52,983) and a realized loss of $1,072 on GBP forward contracts entered into to hedge the CAD to GBP exchange rate fluctuations during the period from the announcement of the transaction to the closing date (Note 12).

During the year ended December 31, 2017, the Company revised certain valuation assumptions, and adjusted the purchase price allocation by increasing the accounts payable and accrued liabilities by US$275 (CA$361) with a corresponding increase to goodwill. In addition, the Company reduced intangible assets by US$13,200 (CA$17,322) and reduced deferred income tax liability by US$3,117 (CA$4,090), with a corresponding net increase to goodwill of US$10,083 (CA$13,232).

The transaction was accounted for as a business combination using the acquisition method and the purchase price was allocated to the assets and liabilities based on their estimated fair value at the acquisition date. The revised purchase price allocation is as follows:

	$
Cash	11,605
Short-term investments	6,880
Other current assets	7,423
Property and equipment	94
Goodwill (nil deductible for tax purposes) [(1)]	22,116
Intangible assets	28,214
Accounts payable and accrued liabilities	(15,018)
Deferred income tax liability	(3,547)
Non-controlling interest	(3,712)
	54,055

(1) During the year ended December 31, 2017, the Company adjusted the purchase price allocation by decreasing the non-controlling interest by CA$17,813 and recorded a corresponding decrease to goodwill.

Purchase consideration	$
Cash consideration	52,983
Forward foreign exchange contracts	1,072
	54,055

Goodwill was attributable to a well-established network and the complementary expertise and knowledge of emerging markets. The Company's management has identified intangible assets acquired from Fiera Capital (Europe) which have been accounted for separately from goodwill. These intangible assets included asset management contracts valued at $20,865. The Company incurred acquisition-related costs of $3,172 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings.

The net assets acquired included an intangible asset of $7,349 representing the fair value of the performance fee revenue (net of related commissions and income taxes) estimated to be collectible on December 31, 2016. This other asset was fully amortized over the period from the acquisition date to December 31, 2016 (Note 10).

The total consideration of $54,055 was paid in cash, financed in part by the credit facility (Note 15).

The entities consolidated by Fiera Capital (Europe) are disclosed in Note 7.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

4. Business combinations (continued)

Pro forma Impact

The impact of the acquisition for the twelve-month period ended December 31, 2016 on the Company's consolidated base management fees, performance fees and net earnings was as follows:

	$
Base management fees	1,290
Performance fees	17,406[1]
Net earnings	539

[1] Performance fees were recognized at the performance measurement date of December 31, 2016.

If the business combination would have occurred on January 1, 2016, the Company's consolidated base management fees, performance fees and net earnings for the twelve-month period ended December 31, 2016 would have been as follows:

	$
Base management fees	323,738
Performance fees	35,432
Net earnings	19,841

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined business over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

Other acquisitions

Aquila Infrastructure Management ("Aquila")

On July 22, 2016, the Company entered into a transaction with Toronto-based Aquila, a manager of infrastructure investments therefore creating Fiera Infrastructure Inc. The Company owns 75% of the issued and outstanding shares of this entity.

On July 22, 2016, Fiera Infrastructure Inc. acquired all of the issued and outstanding shares of 9562834 Canada Inc., a company that indirectly held investments in infrastructure assets for cash consideration of $128.

This transaction was accounted for as business combination using the acquisition method. The purchase price was allocated to intangible assets of customer relationships and indefinite life asset management contracts.

5. Restructuring, integration and other costs

During the years ended December 31, 2017 and 2016 the Company recorded the following:

	2017	2016
	$	$
Restructuring provisions related to severance	**6,893**	3,099
Other restructuring costs	**444**	3,257
Integration and other costs	**7,813**	1,600
	15,150	7,956

Restructuring charges are mainly composed of severance costs due to corporate reorganizations following business combinations or as a result of the normal evolution of the business.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Restructuring, integration and other costs (continued)

The change in the restructuring provisions for severance-related expenses during the years ended December 31, 2017 and 2016 is as follows:

	Severance
	$
Balance, December 31, 2015	1,011
Additions during the year	3,099
Paid during the year	(1,516)
Balance, December 31, 2016	**2,594**
Additions during the year	**6,893**
Paid during the year	**(3,499)**
Balance, December 31, 2017	**5,988**

Provision for severance	As at December 31, 2017	As at December 31, 2016
	$	$
Current portion	**5,273**	1,879
Non-current portion	**715**	715
Total	**5,988**	2,594

Integration

Integration costs are mainly composed of professional fees, relocation and lease related costs and other expenses incurred as a result of the integration of businesses recently acquired.

Other costs

During the year ended December 31, 2017, one of the Company's subsidiaries recorded an expense of $3,464 resulting from a trading error.

6. Disposal of subsidiaries

On July 18, 2016, the Company completed the sale of its ownership interest in the following companies: Fiera Quantum GP Inc., 9276-5072 Quebec Inc. and Fiera Quantum Limited Partnership ("Fiera Quantum L.P."). During the first quarter of 2016, the Company revalued the non-current assets to the lower of their carrying amount and their fair value less costs to sell, and a revaluation of $7,921 was recognized and recorded in Revaluation of assets held-for sale. The intangible assets and property and equipment were no longer amortized or depreciated from the date that the assets were classified as held-for-sale. On July 18, 2016, the date of disposal, the Company de-recognized the non-controlling interest in Fiera Quantum L.P. and an additional charge of $8,315 was recorded in the statements of earnings in loss on disposal of subsidiaries.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

7. Investments

The consolidated financial statements include the accounts of the Company and all of its subsidiaries as at December 31, 2017 and 2016. The operating subsidiaries and their principal activities are set out in the table below. Unless otherwise stated, they have share capital solely in ordinary shares that are held directly or indirectly by the Company.

	Percentage of equity interest attributable to the Company [(1)]				
	Direct		Indirect		
Name	2017	2016	2017	2016	Principal activities
Fiera Capital Funds Inc.	**100%**	100%	-	-	Asset management
The Fiera Capital QSSP II Investment Fund Inc. [(2)]	-	100%	-	-	Investment fund
Gestion Fiera Capital S.a.r.l.	-	-	**100%**	100%	Other
Fiera US Holding Inc.	**100%**	100%	-	-	Holding company
Bel Air Investment Advisors LLC	-	-	**100%**	100%	Asset management
Bel Air Management LLC	-	-	**100%**	100%	Asset management
Bel Air Securities LLC	-	-	**100%**	100%	Asset management
Fiera Capital Inc.	-	-	**100%**	100%	Asset management
Apex Capital Management Inc. [(3)]	-	-	-	100%	Asset management
Fiera Capital Management Company LLC [(4)]	-	-	-	100%	Asset management
City National Rochdale Asia Limited	**100%**	-	-	-	Other
Fiera Comox Partners Inc.	**65%**	65%	-	-	Asset management
Fiera Private Lending Inc. (formerly Centria Commerce Inc.)	**100%**	100%	-	-	Asset management
General Partner Centria Capital Start-Up Fund Inc. [(5)]	-	100%	**100%**	-	Asset management
General Partner Fiera FP Real Estate Investment Fund I Inc. (formerly General Partner Centria Capital Real Estate Investment Fund I Inc.) [(5)]	-	100%	**100%**	-	Asset management
General Partner Fiera FP Real Estate Investment Fund II Inc. [(5)]	-	100%	**100%**	-	Asset management
General Partner Fiera FP Mezzanine Financing Fund Inc. (formerly General Partner Centria Capital Mezzanine Financing Fund Inc.)[(5)]	-	100%	**100%**	-	Asset management
General Partner Fiera FP Business Financing Fund Inc. (formerly General Partner Centria Capital Business Evolution Fund Inc.) [(5)]	-	100%	**100%**	-	Asset management
General Partner Fiera FP Real Estate Financing Fund Inc. (formerly General Partner Centria Capital Construction Financing Fund Inc.) [(5)]	-	100%	**100%**	-	Asset management
General Partner Centria Capital Fund Inc. [(5)]	-	100%	**100%**	-	Asset management

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

7. Investments (continued)

	Percentage of equity interest attributable to the Company [1]				
	Direct		Indirect		
Name	2017	2016	2017	2016	Principal activities
Fiera Capital (Europe) Limited (formerly Charlemagne Capital Limited)	**100%**	100%	-	-	
Charlemagne Capital (OCCO EE) Limited [6]	-	-	-	50.1%	Asset management
Fiera Capital (UK) Limited (formerly Charlemagne Capital (UK) Limited)	-	-	**100%**	100%	Asset management
Fiera Capital (IOM) Limited (formerly Charlemagne Capital (IOM) Limited)	-	-	**100%**	100%	Asset management
Charlemagne Capital (Services) Limited	-	-	**100%**	100%	Other
Charlemagne Capital (Investments) Limited	-	-	**100%**	100%	Asset management
OCCO Global Financials GP, LLC[7]	-	-	-	100%	Other
Fiera Infrastructure Inc.	**75%**	75%	-	-	Asset management
Fiera Infra GP Inc.	-	-	**100%**	100%	Asset management
Aquila GP Inc.	-	-	**100%**	100%	Asset management
Fiera Properties Limited	**100%**	38.46%	-	-	Asset management
Fiera Properties Debt Strategies Limited	-	-	**100%**	-	Asset management
Roycom Inc.	-	-	**100%**	100%	Asset management

1) Business combinations in 2017 and 2016 are described in Note 4.
2) In August 2017, the Company's wholly-owned subsidiary, The Fiera Capital QSSP II investment Fund Inc. was dissolved.
3) In April 2017, the Company's wholly-owned subsidiary, Apex Capital Management Inc. was dissolved.
4) In April 2017, the Company's wholly-owned subsidiary, Fiera Capital Management Company LLC was dissolved.
5) As of December 2017, the Company indirectly-owns Fiera Private Lending's general partners.
6) In January 2017, the Company's indirectly-owned subsidiary, Charlemagne Capital (OCCO EE) Limited was dissolved.
7) In April 2017, the Company indirectly-owned subsidiary, OCCO Global Financials GP, LLC was dissolved.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Structured entities

The Company manages several investment funds which are unconsolidated structured entities. These investment funds are open-ended and closed-ended investment companies, mutual funds, limited partnerships or other pooled funds which invest in a range of assets. Segregated mandates managed on behalf of clients and investment trusts are not considered structured entities. The structured entities are generally financed by the issue of units or shares to investors, although certain funds, mainly property, infrastructure and private equity funds, are also permitted to raise financing through loans from third parties. The Company does not provide a guarantee for the repayment of any borrowings held by these entities and did not provide financial support to unconsolidated structured entities during the years ended December 31, 2017 and 2016.

The Company generates revenues from management and other fees from providing investment management and related services to these investments funds. The fees from these investment funds are calculated based on assets under management. Investment funds are susceptible to market price risk arising from uncertainties about future value of the assets they hold. Market risks are discussed in Note 12 – Financial instruments.

The following table summarizes the carrying value of the Company's interests in unconsolidated structured entities recognized in the consolidated statement of financial position and the assets under management of unconsolidated structured entities as at December 31, 2017 and 2016. The Company's maximum exposure to loss is the carrying amount of the investment funds held and the loss of future fees.

	December 31, 2017	December 31, 2016
	$	$
Company's interest in investment funds	**5,101**	8,574
Assets under management of unconsolidated structured entities	**30.0 billion**	23.0 billion

The Company did not hold any interests in consolidated structured entities as at December 31, 2017 and 2016.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

9. Accounts receivable

	December 31, 2017	December 31, 2016
	$	$
Trade accounts	107,839	94,463
Trade accounts – related companies of shareholders	12,720	14,300
Trade accounts – related parties	2,909	2,342
Other	4,930	5,296
	128,398	116,401

The aging of accounts receivable was as follows:

	December 31, 2017	December 31, 2016
	$	$
Trade		
Current	104,322	87,052
Aged between 61 – 119 days	2,192	6,228
Aged greater than 120 days	1,325	1,183
Total trade	107,839	94,463
Related companies of shareholders and related parties		
Current	14,144	15,672
Aged between 61 – 119 days	4	-
Aged greater than 120 days	1,481	970
Total related companies of shareholders and related parties	15,629	16,642
Other	4,930	5,296
	128,398	116,401

As at December 31, 2017, there was a provision for doubtful accounts of $19 (2016 - $32).

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

10. Goodwill and intangible assets

		Indefinite life	Finite-life			
	Goodwill	Asset management contracts	Asset management contracts	Customer relationships	Other	Total
	$	$	$	$	$	$
For the year ended December 31, 2016						
Opening carrying amount	391,347	8,800	53,000	250,755	10,420	322,975
Additions	-	-	-	-	670	670
Additions – internally developed	-	-	-	-	210	210
Business combinations	150,338	-	45,537	125,747	10,872	182,156
Acquisitions	-	394	-	3,003	-	3,397
Revaluation	-	-	-	(7,031)	-	(7,031)
Write-off	-	-	-	-	(779)	(779)
Amortization for the year	-	-	(15,945)	(22,680)	(4,098)	(42,723)
Foreign exchange difference	(655)	(69)	1,001	(1,117)	70	(115)
Closing carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
Balance, December 31, 2016						
Cost	518,842	8,548	122,988	392,146	25,304	548,986
Accumulated amortization and impairment	(1,918)	-	(40,280)	(66,391)	(9,166)	(115,837)
Foreign exchange difference	24,106	577	885	22,922	1,227	25,611
Closing carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
For the year ended December 31, 2017						
Opening carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
Additions	-	-	-	2,211	2,203	4,414
Additions – internally developed	-	-	-	-	1	1
Business combinations	(3,995)	77,184	(17,322)	-	-	59,862
Disposals	-	-	-	-	(1,371)	(1,371)
Amortization for the year	-	-	(10,659)	(25,498)	(4,953)	(41,110)
Foreign exchange difference	(13,150)	(2,240)	(1,703)	(13,558)	(774)	(18,275)
Closing carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
Balance, December 31, 2017						
Cost	514,847	85,732	105,666	394,357	25,611	611,366
Accumulated amortization and impairment	(1,918)	-	(50,939)	(91,889)	(13,593)	(156,421)
Foreign exchange difference	10,956	(1,663)	(818)	9,364	453	7,336
Closing carrying amount	523,885	84,069	53,909	311,832	12,471	462,281

Derecognition

During the year ended December 31, 2017, the Company derecognized an other intangible asset with a cost of $1,897 and accumulated amortization of $526 for proceeds of $1,000. The Company recognized a loss on disposal of intangible assets of $371 in the consolidated statements of earnings presented in loss on disposal of intangible assets.

10. Goodwill and intangible assets (continued)

Acquisitions

Larch Lane Advisors LLC

On September 1, 2016, the Company completed the purchase agreement with Larch Lane Advisors LLC ("Larch Lane") and announced that the Larch Lane team joined its U.S. division, Fiera Capital Inc. The total purchase price for the net assets acquired was US$1,750 (CA$2,297) of which US$1,146 (CA$1,504) was paid at closing and the remaining amount was paid on January 15, 2017. The intangible assets resulting from this acquisition were recorded as asset management contracts of US$300 (CA$394) and customer relationships of US$1,450 (CA$1,903). The addition of the team enabled Fiera Capital's U.S. division to offer clients a range of alternative investment solutions, including alternative mutual funds, hedge funds and hedge fund seeding.

HRS Capital ("HRS")

On November 1, 2016, the Company completed the purchase agreement with HRS, for a maximum purchase price of $1,100 of which $300 was paid at closing. The remaining amount of up to $800 was payable over a three year period ending December 31, 2019, if certain minimum thresholds based on revenues were satisfied. Intangible assets resulting from this acquisition were recorded as customer relationships of $1,100. During the year ended December 31, 2017, the Company reviewed its estimate of the minimum threshold required to be obligated to make the contingent payment of $800. The Company concluded that the minimum threshold would not be met and the purchase price obligation was revalued with the recovery recorded in the consolidated statements of earnings in accretion and change in fair value purchase price obligations. The contingent payment had a carrying value of $800 before the revaluation to nil.

Other revaluations and transfers

During the year ended December 31, 2016, customer relationships with a cost of $18,570 and accumulated amortization of $11,539 and other intangibles assets with a cost of $65 and accumulated amortization of $65 were revalued at their fair value of nil and reclassified as held-for-sale. The Company derecognized asset management contracts with a cost of $7,349 and accumulated amortization of $7,465 as well as foreign exchange difference of $116. In addition, the Company wrote-off software development costs in the amount of $779.

There were no transfers of intangible assets in 2017 and 2016.

Goodwill impairment test

During the fourth quarters of 2017 and 2016, in the context of its annual impairment testing, the Company completed its impairment analysis and assessed the recoverability of its assets. In 2017 and 2016, for goodwill impairment testing purposes, the operating segment represents the lowest level within the Company at which management monitors goodwill.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

10. Goodwill and intangible assets (continued)

Goodwill is monitored by management based on the Company's operating segment: asset management. In assessing goodwill for impairment as at December 31, 2017 and 2016, the Company compared the aggregate recoverable amount of the operating segment to the carrying amount. The recoverable amount has been determined based on the value-in-use using five-year cash flow budgets and forecasts approved by management and the Board. These make use of observable market inputs when available. Cash flows beyond the five-year budget are determined using the expected long-term growth rate. Key assumptions included the following:

	2017	2016
	%	%
Weighted average growth rate	11.0	11.0
Discount rate	11.0	11.0

Reasonable changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

Impairment tests of indefinite-life intangible assets

In assessing indefinite-life intangible assets for impairment as at December 31, 2017 and 2016, the Company compared the aggregate recoverable amount of the assets to their respective carrying amounts. Key assumptions included the following:

	2017	2016
	%	%
Weighted average growth rate	2.5	2.5
Discount rate	11.0	11.0

The recoverable amount has been determined based on value-in-use using indefinite-life five-year cash flow budgets and forecasts approved by management and the Board. These make use of observable market inputs when available. Cash flows beyond the five-year budget are determined using the expected long-term growth rate of 2.5%. The discount rate is applied to the pre-tax cash flow projections and is derived from the weighted average cost of capital.

Reasonable changes in key assumptions would not cause the recoverable amount of indefinite life intangible assets to fall below the carrying value.

As a result of the impairment analysis, the Company determined that the recoverable amounts exceeded the carrying amounts and therefore, there was no impairment.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

11. Property and equipment

	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	$	$	$	$
For the year ended December 31, 2016				
Opening carrying amount	3,890	1,316	13,750	18,956
Additions	715	1,213	871	2,799
Business combinations	259	148	148	555
Reclassification	5	(5)	-	-
Disposal of assets held for sale	(2)	(6)	-	(8)
Foreign exchange difference	(106)	(22)	(375)	(503)
Depreciation	(902)	(634)	(1,865)	(3,401)
Closing carrying amount	3,859	2,010	12,529	18,398
Balance, December 31, 2016				
Cost	7,183	4,077	17,308	28,568
Accumulated depreciation	(3,396)	(2,158)	(4,818)	(10,372)
Foreign exchange difference	72	91	39	202
Closing carrying amount	3,859	2,010	12,529	18,398
For the year ended December 31, 2017				
Opening carrying amount	**3,859**	**2,010**	**12,529**	**18,398**
Additions	**731**	**1,565**	**1,198**	**3,494**
Disposal of assets	**(295)**	**(25)**	**(269)**	**(589)**
Foreign exchange difference	**(198)**	**(55)**	**(661)**	**(914)**
Depreciation	**(914)**	**(966)**	**(1,937)**	**(3,817)**
Closing carrying amount	**3,183**	**2,529**	**10,860**	**16,572**
Balance, December 31, 2017				
Cost	**7,479**	**5,580**	**17,994**	**31,053**
Accumulated depreciation	**(4,170)**	**(3,087)**	**(6,512)**	**(13,769)**
Foreign exchange difference	**(126)**	**36**	**(622)**	**(712)**
Closing carrying amount	**3,183**	**2,529**	**10,860**	**16,572**

During the year ended December 31, 2017, the Company derecognized office furniture and equipment with a cost of $435 (2016 – $5) and accumulated amortization of $140 (2016 – $3), computer equipment with a cost of $62 (2016 – $42) and accumulated amortization of $37 (2016 – $36) and leasehold improvements with a cost of $512 (2016 – nil) and accumulated amortization of $243 (2016 – nil), for total proceeds of $67 of which $15 was recorded in accounts receivable. During the year ended December 31, 2017, the Company recognized a loss on disposal of property and equipment of $522 in the statements of consolidated earnings (2016 – $8 recognized in revaluation of assets held for sale).

12. Financial instruments

The Company, through its financial assets and liabilities, has exposure to the following risks from its financial instruments: market risk, credit risk, interest rate risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at December 31, 2017 and 2016.

The Company's business is the management of investment assets. The key performance driver of the Company's ongoing results is the level of AUM. The level of AUM is directly linked to investment returns and the Company's ability to attract and retain clients.

The Company's consolidated statements of financial position include a portfolio of investments. The value of these investments is subject to a number of risk factors.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how these exposures are currently managed.

Appreciation or depreciation in the fair value of equity securities affect the amount and timing of recognition of gains and losses on equity securities and mutual fund and pooled fund investments in the Company's portfolio resulting in changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the fair value of the equity, mutual fund and fixed income financial assets held.

The Company's portfolio managers monitor the risks of the portfolio as part of its daily operations. The Company's portfolio of equity and equity-related securities as at December 31, 2017 and 2016 is comprised of mutual fund and pooled fund investments and other securities with a fair value of $5,408 as at December 31, 2017 and $8,972 as at December 31, 2016. Mutual fund and pooled fund investments are comprised of a well-diversified portfolio of investments in equities and bonds.

A 10% change in the fair value of the Company's equity and equity-related holdings as at December 31, 2017 and 2016 would have an impact of increasing or decreasing comprehensive income by $541 and $897 respectively.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party.

12. Financial instruments (continued)

The Company's principal financial assets which are subject to credit risk are cash and cash equivalents, restricted cash, investments and accounts receivable. The carrying amounts of financial assets on the consolidated statements of financial position, other than derivative financial instruments represent the Company's maximum exposure to credit risk at the consolidated statements of financial position dates.

The credit risk on cash and cash equivalents and restricted cash is limited because the counterparties are commercial banks or financial institutions with high credit ratings assigned by independent credit-rating agencies.

The Company's credit risk is attributable primarily to its trade receivables. The amounts disclosed in the consolidated statements of financial position are net of allowance for doubtful accounts, estimated by the Company's management based on previous experience and its assessment of the current economic environment and financial condition of the counterparties. In order to reduce its risk, management has adopted credit policies that include regular review of client balances. No customer represents more than 10% of the Company's accounts receivable as at December 31, 2017. National Bank of Canada and related companies represented 11% of accounts receivable as at December 31, 2016.

Interest rate risk

The Company is exposed to interest rate risk through its cash and cash equivalents and long-term debt. The interest rates on the long-term debt are variable and expose the Company to cash flow interest rate risk.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting debt from floating rates to fixed rates. The Company obtained its long-term debt at a floating rate and swapped a portion of it into fixed rates that were lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swap, the Company agrees with the counterparty to exchange, at specified intervals, the difference between the fixed contract rate and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to cash and cash equivalents, accounts receivable, derivative financial instruments, accounts payable and accrued liabilities, purchase price obligations and long-term debt denominated in US dollars and the operations of its US businesses and Fiera Capital (Europe) which are predominantly in US dollars. The Company manages a portion of its exposure to foreign currency by matching asset and liability positions. More specifically, the Company matches the long-term debt in foreign currency with long-term assets in the same currency.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

The consolidated statements of financial position as at December 31, 2017 and 2016 include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in US dollars:

	2017	2016
	$	$
Cash and cash equivalents	17,721	28,255
Restricted cash	793	523
Investments	4,116	7,306
Accounts receivable	66,184	51,900
Derivative financial instruments	2,911	(1,258)
Accounts payable and accrued liabilities	(64,800)	(44,882)
Purchase price obligations	(63,848)	(4,869)
Long-term debt	(219,538)	(256,161)

Based on the balances outstanding (excluding long-term debt) as at December 31, 2017, a 5% increase/decrease of the US dollar against the Canadian dollar would result in an increase/decrease in total comprehensive income of $1,846 (2016 - $1,849). The above calculation does not include the US dollar long-term debt, which is partially hedged by a long-term asset in the same currency. This long-term asset is not included in the consolidated statements of financial position given that it is an intercompany balance and is eliminated on consolidation.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when they become due. The Company monitors its cash and cash equivalents balance and cash flows generated from operations to meet its requirements.

The Company generates enough cash from its operating activities and has sufficient available financing through its long-term debt to finance its activities and to respect its obligations as they become due.

The Company has the following financial liabilities as at December 31, 2017:

		Contractual cash flow commitments				
	Carrying amount	2018	2019	2020	Other	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	114,008	114,008	-	-	-	114,008
Amount due to related parties	1,241	1,241	-	-	-	1,241
Long-term debt [(1)]	295,123	1,354	157,044	136,725	-	295,123
Convertible debentures	77,461	-	-	-	86,250	86,250
Purchase price obligations	89,136	35,147	38,091	28,968	163,919	266,125
	576,969	151,750	195,135	165,693	250,169	762,747

[1)] Excluding deferred financing charges of $1,352 (Note 15).

12. Financial instruments (continued)

Fair value

Investments

The cost of investments recorded as available-for-sale is $2,296 as at December 31, 2017 ($1,027 as at December 31, 2016) and the fair value is $2,475 as at December 31, 2017 ($1,060 as at December 31, 2016).

The unrealized gain on investments of $161 (net of income taxes of $18) as at December 31, 2017 ($29 (net of income taxes of $4) as at December 31, 2016), is reflected in accumulated other comprehensive income (loss).

The cost of investments recorded at fair value through profit or loss is $2,848 as at December 31, 2017 ($7,946 as at December 31, 2016) and the fair value is $2,933 as at December 31, 2017 ($7,912 as at December 31, 2016). The unrealized gain of $1,237 was recognized in other revenues during the year ended December 31, 2017 (loss of $34 for the year ended December 31, 2016).

Puttable financial instrument liabilities

The puttable financial liabilities are recorded at their estimated fair value of $5,500 as at December 31, 2016. These were classified as current on the December 31, 2016 consolidated statements of financial position since they gave the holder the right to put the shares that they hold in one of the Company's subsidiaries, to that subsidiary, upon ceasing employment. On March 7, 2017, an amount of $2,753 was paid to a management shareholder of one of the Company's subsidiaries and an amount of $2,747 was extinguished with an offset to contributed surplus.

Convertible debentures

The convertible debentures are recorded at an amortized cost of $77,461 as at December 31, 2017. The fair value as at December 31,2017 is $88,018 based on market quotes .

Long-term debt

The fair value of long-term debt approximates its carrying amount, given that it is subject to terms and conditions, including variable interest rates, similar to those available to the Company for instruments with comparable terms.

Derivative financial instruments

The Company’s derivative financial instruments consist of cross currency swap, interest rate swap and foreign exchange forward contracts which are presented at fair value on the statements of financial position.

The fair value of derivatives that are not traded on an active market is determined using valuation techniques which maximize the use of observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. To the extent practicable, valuation techniques incorporate all factors that market participants would consider in setting a price and they are consistent with accepted economic methods for valuing financial instruments.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

The Company determines the fair value of its foreign exchange forward contracts by calculating the difference between the forward exchange rates at the measurement date and the contractual forward price for the residual maturity of the contract. The Company determines the fair value of its interest rate swap and cross currency swap contracts by applying valuation techniques.

Net gains (losses), fair value and the notional amount of derivatives by term to maturity are as follows:

	For the year ended December 31, 2017	As at December 31, 2017				
		Fair value		Notional amount: term to maturity		
	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	$	$	$	$	$	$
Foreign exchange contracts						
a)Forward foreign exchange contracts – held for trading	2,408	497	-	51,875	-	-
b)Cross currency swaps – held for trading	(7,950)	-	-	-	-	-
Interest rate contracts						
c)Swap contracts – held for trading	3,463	1,070	-	-	30,000	-
d)Swap contracts – cash flow hedges	-	2,414	-	-	212,011	-

	For the year ended December 31, 2016	As at December 31, 2016				
		Fair value		Notional amount: term to maturity		
	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	$	$	$	$	$	$
Foreign exchange contracts						
a)Forward foreign exchange contracts						
– held for trading	1,439	323	(260)	52,509	-	-
– cash flow hedges	-	-	-	-	-	-
b)Cross currency swaps – held for trading	(1,322)	-	(1,322)	100,000	-	-
Interest rate contracts						
c)Swap contracts – held for trading	1,111	-	(279)	95,850	-	-

Financial statement presentation as at December 31:

	2017	2016
	$	$
Current derivative financial instrument assets [1]	497	323
Non-current derivative financial instrument assets	3,484	-
Current derivative financial instrument liabilities	-	(1,861)

[1] Included in prepaid expenses and other assets on the consolidated statements of financial position.

12. Financial instruments (continued)

a) Forward foreign exchange contracts

Forward foreign exchange contracts - held for trading

The Company enters into forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in US dollars. The gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings in accordance with the nature of the hedged item and therefore, as other revenues.

Company

On December 23, 2016, the Company entered into a series of average rate forward foreign exchange contracts to manage the currency fluctuation risk associated with estimated revenues, for the year ending December 31, 2017, denominated in US dollars. In August 2017, the Company converted a series of average rate forward foreign exchange contracts which matured one-by-one on a monthly basis until December 29, 2017, to month-end spot rate forward exchange contracts. The Company also entered into month-end spot rate forward exchange contracts which mature on a monthly basis until August 31, 2018. Forward foreign exchange contracts are recognized at fair value at the date the contracts are entered into and are subsequently remeasured to fair value through profit or loss at the end of each reporting period.

The Company recorded a gain of $2,148 during the year ended December 31, 2017 ($1,427 for the year ended December 31, 2016) and received $1,974 as settlement of contracts that matured during the year. As at December 31, 2017, the fair value of the derivative financial asset related to these contracts is $497 ($323 as at December 31, 2016).

Subsidiaries

One of the Company's subsidiaries enters into foreign exchange contracts to manage its exposure to foreign exchange rates. As at December 31, 2017, these contracts have all matured or been exited by the subsidiary, therefore none were oustanding at year end. The subsidiary recorded a gain of $260 and $12 during the years ended December 31, 2017 and 2016, respectively.

As at December 31, 2016, the fair value of these contracts was a liability of $260.

Forward foreign exchange contracts – cash flow hedges

On September 30, 2016, the Company entered into a foreign exchange forward contract to manage the currency fluctuation risk associated with the consideration for the acquisition of Fiera Capital (Europe) which was denominated in GBP. The foreign exchange forward contract with a total initial notional amount of GBP 15,000 matured on October 27, 2016. In early October 2016, the Company entered into three additional foreign exchange forward contracts with a total initial notional amount of GBP 15,000. At their maturity dates, each of these four contracts was rolled into a new contract, for a total notional amount of GBP 30,000, until they were all closed out on December 14, 2016, the closing date of the acquisition.

These contracts were designated as cash flows hedges and satisfied the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts was recognized in other comprehensive income and accumulated in a hedging reserve until the contracts were closed at which time the net realized loss of $1,072 including the ineffective portion of changes in fair value was included in the purchase consideration and was recorded as goodwill.

12. Financial instruments (continued)

b) Cross currency swaps – held for trading

Under the terms of the Company's revolving facility (Note 15), the Company can borrow either in US dollars based on US base or LIBOR rates plus 2.25% or in Canadian dollars based on CDOR plus 2.25% (the same credit spread). To benefit from interest cost savings, the Company had effectively created, until December 2017, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus a spread on CA$ notional (CA$100,000 as at December 31, 2016) by borrowing against the US dollar revolving facility, the equivalent of the same CA$ notional (denominated in US$) (CA$100,000 (US$73,500) as at December 31, 2016) at LIBOR plus a spread, and swapping it into CDOR plus a spread with a one-month cross currency swap. In December 2017, the Company reimbursed CA$100,000 of the amount drawn on the revolving facility following the issuance of the convertible debentures. The last cross currency swap contract matured on December 29, 2017 and was not renewed.

The objective of this strategy was to provide cost savings without currency risk since the terms of the US LIBOR financing and the cross currency swap are exactly matched (US dollar notional amount, LIBOR rate, trade and maturity dates). Losses (gains) on cross currency swaps are offset by equivalent gains (losses) on the translation of the US denominated economically hedged portion of the revolving facility since the financing terms are exactly matched.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings in accordance with the nature of the economically hedged item, the revolving facility, and therefore is presented in interest on long-term debt and other financial charges. The Company recorded a loss of $7,950 during the year ended December 31, 2017, with no net impact on earnings as described above (loss of $1,322 during the year ended December 31, 2016). A total of $9,272 was paid during the year ended December 31, 2017 as settlement of these contracts.

The fair value of the cross currency swap contracts was a liability of $1,322 as at December 31, 2016. This fair value was offset by the equivalent changes in fair value in Canadian dollars on the amount drawn on the US dollar revolving facility specifically for this transaction of US$73,500 as at December 31, 2016.

c) Interest rate swap contract – held for trading

On May 1, 2012, the Company entered into an interest rate swap contract to manage the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The contract consisted of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.835%. Interest was settled on a monthly basis. The interest swap matured on April 3, 2017 and an amount of $74 was paid as settlement of this contract.

On May 31, 2017, the Company entered into an interest rate swap contract to manage the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.335%. Interest is settled on a monthly basis. The interest rate swap contract had an original amortizing notional amount of CA$100,000 at inception and matures on May 31, 2022. As at December 31, 2017, the notional amount was CA$30,000. The Company received an amount of $2,188 as a crystallized gain, in December 2017, when the notional amount of the contract decreased from CA$100,000 to CA$30,000.

12. Financial instruments (continued)

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings with interest on long-term debt and other financial charges. The Company recorded a gain of $3,463 during the year ended December 31, 2017 (gain of $1,111 during the year ended December 31, 2016).

The fair value of the interest rate swap contract is an asset of $1,070 as at December 31, 2017 (liability of $279 as at December 31, 2016).

d) Interest rate swap contracts – Cash flow hedges

On May 31, 2017, the Company entered into two US dollar interest rate swap contracts to manage the interest rate fluctuations on the Company's term and revolving facilities (Note 15) denominated in US dollars. The interest rate swap contracts have an original notional amount of US$125,000 and US$44,000 respectively at inception and mature on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 1.84%. Interest is settled on a monthly basis.

These contracts are designated as cash flows hedges and satisfy the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts are recognized in other comprehensive income and accumulated in a hedging reserve. The Company recorded a gain of $2,094 (net of income taxes of $320) in other comprehensive income during the year ended December 31, 2017.

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the consolidated statement of earnings. There is no ineffective portion on these contracts for the year ended December 31, 2017.

The fair value of the interest rate swap contracts designated as cash flow hedges is an asset of $2,414 as at December 31, 2017.

The Company remains exposed to fluctuations in the US base or LIBOR rates on the difference between the US dollar revolving facility and the notional amount of the US dollar interest rate swap contract. The drawings in US dollars on the term and revolving facilities are US$125,000 and US$50,000 respectively as at December 31, 2017 (US$125,000 and US$65,781 respectively as at December 31, 2016).

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

Financial instruments by category:

				December 31, 2017	
	Loans and receivables	Available-for-sale	FVTPL[1]	Financial liabilities at amortized cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	41,079	-	-	-	41,079
Restricted cash	930	-	-	-	930
Investments					
Investment funds under the Company's management	-	2,475	2,933	-	5,408
Accounts receivable	128,398	-	-	-	128,398
Long-term receivable[2]	69	-	-	-	69
Derivative financial instruments [3]	-	-	3,981	-	3,981
Total	170,476	2,475	6,914	-	179,865
Liabilities					
Accounts payable and accrued liabilities	-	-	-	114,008	114,008
Purchase price obligations	-	-	89,136	-	89,136
Amounts due to related parties	-	-	-	1,241	1,241
Client deposits [4]	-	-	-	155	155
Long-term debt	-	-	-	293,771	293,771
Convertible debentures	-	-	-	77,461	77,461
Total	-	-	89,136	486,636	575,772

(1) Fair value through profit or loss ("FVTPL").
(2) Presented in deferred charges and other on the consolidated statements of financial position.
(3) Includes $497 presented in prepaid expenses and other assets on the consolidated statements of financial position.
(4) Presented in client deposits and other revenues on the consolidated statements of financial position.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

	Loans and receivables	Available-for-sale	FVTPL	Financial liabilities at amortized cost	Total (December 31, 2016)
	$	$	$	$	$
Assets					
Cash and cash equivalents	40,110	-	-	-	40,110
Restricted cash	660	-	-	-	660
Investments					
Investment funds under the Company's management	-	1,060	7,912	-	8,972
Accounts receivable	116,401	-	-	-	116,401
Long-term receivable [(1)]	27	-	-	-	27
Derivative financial instruments[(2)]	-	-	323	-	323
Total	157,198	1,060	8,235	-	166,493
Liabilities					
Accounts payable and accrued liabilities	-	-	-	89,160	89,160
Purchase price obligations	-	-	34,968	-	34,968
Puttable financial instrument liabilities	-	-	5,500	-	5,500
Derivative financial instruments	-	-	1,861	-	1,861
Amounts due to related parties	-	-	-	1,058	1,058
Client deposits [(3)]	-	-	-	155	155
Long-term debt	-	-	-	430,423	430,423
Total	-	-	42,329	520,796	563,125

(1) Presented in deferred charges and other on the consolidated statements of financial position.
(2) Included in prepaid expenses and other assets on the consolidated statements of financial position.
(3) Presented in client deposits and other revenues on the consolidated statements of financial position.

Fair value hierarchy

The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value are classified using a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

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

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy:

				As at December 31, 2017
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Investments				
Investment funds under the Company's management	-	5,397	11	5,408
Derivative financial instruments	-	3,981	-	3,981
Total financial assets	-	9,378	11	9,389
Financial liabilities				
Purchase price obligations	-	-	89,136	89,136
Derivative financial instruments	-	-	-	-
Total financial liabilities	-	-	89,136	89,136

				As at December 31, 2016
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Investments				
Investment funds under the Company's management	-	8,963	9	8,972
Derivative financial instruments	-	323	-	323
Total financial assets	-	9,286	9	9,295
Financial liabilities				
Purchase price obligations	-	-	34,968	34,968
Derivative financial instruments	-	1,861	-	1,861
Puttable financial instrument liabilities	-	5,500	-	5,500
Total financial liabilities	-	7,361	34,968	42,329

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

Level 3

The fair value of purchase price obligations is determined using a discounted cash flow analysis which makes use of unobservable inputs such as expected cash flows and risk adjusted discount rates. Expected cash flows are estimated based on the terms of the contractual arrangements and the Company's knowledge of the business and how the current economic environment is likely to impact it.

Purchase price obligations are Level 3 financial liabilities. The Company has used valuation techniques to record the fair value of the liabilities at the reporting date.

A reasonable change in unobservable inputs would not result in a significant change in the fair value of purchase price obligations other than for CNR .

Purchase price obligation - CNR :

Financial liabilities	Fair value December 31, 2017 $	Fair value December 31, 2016 $	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Purchase price obligations - CNR	CA$60,574 (US$47,000)	Nil	Discounted cash flow method was used to measure the present value of the expected future cash flows to be paid to CNR as contingent consideration.	• Discount rate • Market rate of return • AUM short-term growth rate (next 1-2 years) and long-term growth rate (up to 10 years)	While holding all other variables constant: A 2.5% increase (decrease) in the market rate of return would result in an increase (decrease) of US$2,500 in the fair value of the contingent consideration. A 3% increase (decrease) in AUM would result in an increase (decrease) of US$3,050 in the fair value of the contingent consideration.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

12. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	Investment funds under the Company's management	Purchase price obligations	Total
	$	$	$
Fair value as at December 31, 2015	-	(42,235)	(42,235)
Addition from business combinations	9	-	9
Additional purchase price obligation	-	(6,106)	(6,106)
Settlement of purchase price obligations	-	9,821	9,821
Adjustment to purchase price obligations recorded in goodwill	-	35	35
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	-	6,408	6,408
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(3,071)	(3,071)
Total realized and unrealized gains included in other comprehensive income	-	180	180
Fair value as at December 31, 2016	9	(34,968)	(34,959)

	Investment funds under the Company's management	Purchase price obligations	Total
	$	$	$
Fair value as at December 31, 2016	9	(34,968)	(34,959)
Additional purchase price obligation	-	(60,574)	(60,574)
Settlement of purchase price obligations	-	10,363	10,363
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	-	800	800
Total realized and unrealized gains included in other revenues	2	-	2
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(6,617)	(6,617)
Total realized and unrealized gains included in other comprehensive income	-	1,860	1,860
Fair value as at December 31, 2017	11	(89,136)	(89,125)

There were no transfers between levels during the years ended December 31, 2017 and 2016.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

13. Accounts payable and accrued liabilities

	December 31, 2017	December 31, 2016
	$	$
Trade accounts payable and accrued liabilities	**29,555**	22,302
Wages and vacation payable	**4,583**	651
Bonuses and commissions payable	**76,275**	63,081
Cash settled share-based liabilities	**5,528**	2,594
Income taxes payable (recoverable)	**(2,746)**	(678)
Sales taxes payable	**813**	1,210
	114,008	89,160

14. Income taxes

Income tax expense for the years ended December 31, is as follows:

	2017	2016
	$	$
Current income taxes	**11,356**	14,625
Deferred income taxes (recovery)	**(7,200)**	(10,501)
	4,156	4,124

The Company's income tax expense differs from the amounts that would have been obtained using the combined Canadian federal and provincial statutory tax rates for the years ended December 31, as follows:

	2017	2016
	$	$
Earnings before income taxes	**14,868**	22,205
Combined federal and provincial statutory tax rates	**26.5%**	26.7%
Income tax expense based on combined statutory income tax rate	**3,940**	5,929
Share-based compensation	**1,751**	1,064
Non-deductible acquisition costs	**355**	1,973
Income tax allocated to non-controlling interest	**-**	865
Impact of US tax reform	**6,017**	-
Difference between Canadian and foreign statutory rates	**(8,799)**	(6,024)
Prior years' tax adjustments	**(198)**	1,282
Other (non-taxable) non-deductible amounts	**1,090**	(965)
	4,156	4,124

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

14. Income taxes (continued)

The movement in deferred income tax assets and liabilities during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Lease inducements & Deferred lease obligations	Restructuring provisions	Carry forward losses	Intangible assets	Property and equipment	Other	Total
	$	$	$	$	$	$	$
Balance, December 31, 2015	305	250	4,373	(23,841)	548	6,878	(11,487)
Charged to earnings	2,642	438	5,831	1,924	(2,349)	2,015	10,501
Write-off	-	-	(727)	(138)	(15)	-	(880)
Business combinations	22	-	14	(13,559)	54	342	(13,127)
Charged to other comprehensive income	-	-	-	-	-	116	116
Foreign exchange difference	11	-	216	(472)	38	252	45
Balance, December 31, 2016	2,980	688	9,707	(36,086)	(1,724)	9,603	(14,832)
Charged to earnings	(827)	166	5,971	5,881	460	(4,451)	7,200
Convertible debentures (Note 16)	-	-	-	-	-	(1,225)	(1,225)
Charge to equity (Note 17)	-	-	-	-	-	1,092	1,092
Business combinations	-	-	-	4,090	-	-	4,090
Charged to other comprehensive income	-	-	-	-	-	(334)	(334)
Foreign exchange difference	(141)	-	(816)	923	106	(412)	(340)
Balance, December 31, 2017	2,012	854	14,862	(25,192)	(1,158)	4,273	(4,349)

Financial statement presentation as at December 31:

	2017	2016 [1]
	$	$
Non-current deferred income tax assets	11,665	8,094
Non-current deferred income tax liabilities	(16,014)	(22,926)
Total	(4,349)	(14,832)

[1] As at December 31, 2016, $7,532 was reclassified from non-current deferred income tax liabilities to non-current deferred income tax assets. The amounts reported in 2016 were: non-current deferred income tax assets of $562 and non-current deferred tax liabilities of $(15,394), for a total of $(14,832).

15. Long-term debt

	December 31, 2017	December 31, 2016
	$	$
Credit facility		
Term facility	156,813	167,838
Revolving facility	136,725	262,323
Other facilities	1,585	2,039
Deferred financing charges	(1,352)	(1,777)
	293,771	430,423
Less current portion	1,354	(1,283)
Non-current portion	292,417	429,140

15. Long-term debt (continued)

Credit Facility

On May 31, 2016, the Company entered into the Fourth Amended and Restated Credit Agreement ("Credit Agreement") which includes a term facility and a revolving facility (together, the "Credit Facility"). On December 5, 2017, the Credit Agreement was amended to modify the definitions of Funded Debt and EBITDA and unsecured debt.

Term facility

The Credit Agreement includes a US$125,000 term (non-revolving) facility for which there are no minimum repayments until May 31, 2019, the date at which the full amount drawn on the term facility is repayable.

The total amount drawn on the term facility as at December 31, 2017 is US$125,000 (CA$156,813) (US$125,000 (CA$167,838) as at December 31, 2016).

Revolving facility

During the year ended December 31, 2017, an increase in the revolving facility of CA$50,000 to CA$350,000 was approved by the board of directors of the Company, Fiera Capital Inc. and Fiera US Holding Inc. and the syndicate of lenders. The increase will be used to finance the general corporate purposes of the Company. The Credit Facility includes a CA$350,000 senior unsecured revolving facility that can be drawn on in Canadian or US dollars at the discretion of the Company. Under the terms of the Credit Agreement, there are no minimum repayments on the revolving facility, until March 25, 2020, the date at which the full amount drawn on the revolving facility is repayable in full.

As at December 31, 2017, the total amount drawn on the revolving facility was comprised of CA$74,000 and US$50,000 (CA$62,725) (CA$174,000 and US$65,781 (CA$88,323) at December 31, 2016).

Terms of the Credit Facility

The Credit Facility bears interest based on the currency in which an amount is drawn and includes a credit spread based on the quarterly Funded Debt to EBITDA ratio as defined in the Credit Agreement. On the revolving facility, the interest rate is based on the Canadian prime rate plus a spread which varies from 0.0% to 1.5% or, at the discretion of the Company, based either on the US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%. The interest rate on the term facility is based on the US base rate plus a spread varying from 0.0% to 1.5% or LIBOR rate plus a spread varying from 1.0% to 2.5%. The Company decides whether amounts drawn in US dollars on the term and revolving facilities will be based on US base rate or the LIBOR rate.

Under the terms of the Credit Agreement, the Company must satisfy certain restrictive covenants on the Credit Facility including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum interest coverage ratio. EBITDA, a non IFRS financial measure, is defined in the Credit Agreement as consolidated earnings before interest, income taxes, depreciation, amortization, non-recurring and one-time expenses related to acquisitions and other non-cash items. As at December 31, 2017 and 2016, all restrictive covenants under the Credit Agreement were met. The Credit Agreement includes covenants that limit the ability of the Company and certain of its subsidiaries that are specifically included in the Credit Agreement as borrowing parties and therefore are guarantors to the Credit Facility, to engage in specified types of transactions and thus imposes operating certain restrictions on these entities.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

15. Long-term debt (continued)

Other Facilities

As at December 31, 2017, one of the Company's subsidiaries has an outstanding bank loan in the amount of $756 of which quarterly payments of CA$131 are required (respectively $1,281 and CA$131 as at December 31, 2016). The loan bears interest at prime plus 0.25% to 0.50% which is based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement), and matures on June 30, 2019. All debt covenant requirements were met as at December 31, 2017 and 2016.

In March 2017, this subsidiary amended its credit agreement to include a leasing facility. As at December 31, 2017, an amount of CA$829 was drawn on a lease-back facility with the bank. As at December 31, 2017, the lease-back loan is classified as current as it is due on demand until the finalization of the terms of the loan. The loan agreement was finalized in January 2018.

This subsidiary also has a line of credit with a dollar limit of CA$750. It bears interest at prime plus up to 0.25% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at December 31, 2017, the amount drawn by the subsidiary on the line of credit is nil (nil as at December 31, 2016).

Another subsidiary of the Company has a line of credit with a dollar limit of CA$800. It bears interest at prime plus 1.50% and has no fixed maturity date. As at December 31, 2017, the amount drawn by the subsidiary on the line of credit is nil ($758 as at December 31, 2016).

Reconciliation of long-term debt arising from financing activities for the years ended December 31 :

	2017	2016
	$	$
Balance, beginning of year	430,423	264,226
Cash flows		
(Reimbursement)/proceeds from borrowings	(110,888)	166,520
Capitalized borrowing costs	(210)	(1,133)
Non-cash changes		
Changes arising from business combinations	-	1,820
Amortization of deferred financing charges	635	401
Foreign exchange difference	(26,189)	(1,411)
Balance, end of year	293,771	430,423

16. Convertible debentures

	2017
	$
Face value	86,250
Less:	
Issuance costs	(4,269)
Equity component (net of issuance costs of $237)	(4,555)
Accretion expense on equity component	35
Balance, end of year	77,461

16. Convertible debentures (continued)

On December 21, 2017, the Company issued 86,250 unsecured convertible debentures at 5% maturing on June 23, 2023, with interest payable semi-annually in arrears on June 30 and December 31 of each year starting June 30, 2018, for gross proceeds of CA$86,250. The convertible debentures are convertible at the option of the holder at a conversion price of $18.85 per Class A share. The convertible debentures are not redeemable by the Company before June 30, 2021. The convertible debentures are redeemable by the Company at a price of $1,000 per convertible debenture, plus accrued and unpaid interest, on or after June 30, 2021 and prior to June 30, 2022 (provided that the weighted average trading price of the Class A Shares on the TSX for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given, is not less than 125% of the conversion price of $18.85 per share). On or after June 30, 2022 but prior to the maturity date, the Company may redeem on not more than 60 days and not less than 30 days prior notice, at a price of $1,000 per convertible debenture, plus accrued and unpaid interest.

The liability component was recorded at the fair value on the date of issuance in the amount of $81,458. The Company allocated $4,555 to an equity component (net of issuance costs of $237). A separate deferred income tax liability of $1,225 was recognized.

The Company incurred underwriting fees and issuance costs of $4,269 which are netted against the convertible debenture liability.

In 2017, the proceeds of the convertible debentures were used to finance the cash portion of the repurchase of Fiera Properties' remaining 45.0% non-controlling interest, to reduce indebtedness under the Credit Facility and for general corporate purposes.

17. Share capital and accumulated other comprehensive income

Authorized

The Company is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares. The Class B Shares may only be issued to Fiera Capital L.P.

Except as described below, the Class A Shares and the Class B Shares have the same rights, are equal in all respects and are treated as if they were shares of one class only. The Class A Shares and Class B Shares rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

The holders of outstanding Class A Shares and Class B Shares are entitled to receive dividends out of assets legally available at such times and in such amounts and form as the Board may from time to time determine without preference or distinction between Class A Shares and Class B Shares.

Class A Shares and Class B Shares each carry one vote per share for all matters other than the election of directors. With respect to the election of directors, holders of Class A Shares are entitled to elect, voting separately as a class, one-third of the members of the Board while holders of Class B Shares are entitled to elect, voting separately as a class, two-thirds of the members of the Board of the Company.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

17. Share capital and accumulated other comprehensive income (continued)

The Class A Shares are not convertible into any other class of shares. Class B Shares are convertible into Class A Shares on a one-for-one basis, at the option of the holder as long as Fiera Capital L.P. is controlled by current shareholders or holds at least 20% of the total number of issued and outstanding Class A Shares and Class B Shares.

The shares have no par value.

Preferred Shares

The Company is authorized to issue an unlimited number of Preferred Shares. Preferred Shares are issuable in series and would rank, both in regards to dividends and return on capital, in priority to the holders of the Class A Shares, the holders of the Class B Shares and over any other shares ranking junior to the holders of the Preferred Shares. Other conditions could also be applicable to the holders of the Preferred Shares. The Company has not issued any Preferred Shares.

The following table provides details of the issued and outstanding common shares:

	Class A Shares		Class B Shares		Total	
	Number	$	Number	$	Number	$
As at December 31, 2015	51,536,848	435,551	19,847,577	31,583	71,384,425	467,134
Conversion of hold back shares	277,578	2,718	-	-	277,578	2,718
Issuance of shares	304,133	3,637	-	-	304,133	3,637
Shares issued as part of a business combination (Note 4)	7,719,286	98,504	-	-	7,719,286	98,504
Shares issued as settlement of purchase price obligations	683,142	8,500	-	-	683,142	8,500
Stock options exercised	401,642	2,983	-	-	401,642	2,983
Shares purchased for cancellation	(158,648)	(1,342)	-	-	(158,648)	(1,342)
Transfers from Class B Shares to Class A Shares	36,674	58	(36,674)	(58)	-	-
As at December 31, 2016	60,800,655	550,609	19,810,903	31,525	80,611,558	582,134
Conversion of hold back shares	**353,928**	**3,566**	-	-	**353,928**	**3,566**
Issuance of shares	**7,711,052**	**93,096**	-	-	**7,711,052**	**93,096**
Shares issued as part of a business combination (Note 4)	**38,880**	**500**	-	-	**38,880**	**500**
Shares issued as settlement of purchase price obligations	**581,602**	**8,478**	-	-	**581,602**	**8,478**
Stock options exercised	**397,100**	**3,816**	-	-	**397,100**	**3,816**
Cancellation of shares	**(431)**	**(4)**	-	-	**(431)**	**(4)**
Transfers from Class B shares to Class A shares	**366,413**	**583**	**(366,413)**	**(583)**	-	-
As at December 31, 2017 (1)	**70,249,199**	**660,644**	**19,444,490**	**30,942**	**89,693,689**	**691,586**

(1) Includes 4,950,066 Class A Shares held in escrow in relation with the Apex acquisition (5,775,075 as at December 31, 2016), 338,124 Class A Shares held in escrow in relation with the Fiera Private Lending acquisition (338,124 as at December 31, 2016), and 81,496 restricted shares held in escrow in relation to the restricted share plan (154,111 as at December 31, 2016).

17. Share capital and accumulated other comprehensive income (continued)

2017

Conversion of hold back shares

As part of the acquisition of Samson, the Company committed to issue 353,928 Class A Shares eighteen months following the closing of the acquisition on October 30, 2015. The commitment was considered an equity component and was recorded in Restricted and Hold back shares at a discounted value of CA$3,566. On May 1, 2017, 353,928 Class A Shares were issued and an amount of CA$3,566 was transferred from Restricted and Hold back shares to Share Capital in the statements of changes in equity.

Issuance of shares

On December 21, 2017, the Company completed an equity financing for gross proceeds of $82,511. The Company issued 6,347,000 Class A Shares, including the exercise in full of the over-allotment option of 577,000 Class A Shares at a price of $13.00 per Class A Share pursuant to a bought deal financing with a syndicate of underwriters. In connection with this offering, the Company incurred share issuance costs of $4,119. A separate deferred income tax asset of $1,092 was recognized.

During the year ended December 31, 2017, 1,364,052 Class A Shares were issued from treasury at a cost of $13,612 following the vesting of restricted share units and performance share units.

Shares issued as part of a business combination

On December 27, 2017, as part of the acquisition of the remaining interest of Fiera Properties, the Company issued 38,880 Class A Shares worth $500.

Shares issued as settlement of purchase price obligations

On October 18, 2017, in connection with the asset purchase agreement of Natcan Investment Management Inc., the Company issued 581,602 Class A Shares for $8,500 as settlement of purchase price obligations, less issuance costs of $22.

On February 22, 2018, in connection with the acquisition of Fiera Private Lending, the Company issued 335,838 Class A Shares for $4,083 as settlement of purchase price obligations and released 338,124 Class A Shares from escrow.

Stock option exercised

During the year ended December 31, 2017, 397,100 stock options were exercised and 397,100 Class A Shares were issued for $3,816.

Cancellation of shares

During the year ended December 31, 2017, 431 Class A Shares were cancelled due to the forfeiture of restricted shares.

Transfers

During the year ended December 31, 2017, 366,413 Class B Shares were converted into 366,413 Class A Shares on a one-for-one basis.

17. Share capital and accumulated other comprehensive income (continued)

Dividends

During the year ended December 31, 2017, the Company declared dividends of $57,445 ($0.70 per share) on Class A Shares and Class B Shares and $118 on hold back shares.

2016

Conversion of hold back shares

As part of the acquisition of Bel Air Investment Advisors LLC as well as its affiliate Bel Air Securities LLC (collectively "Bel Air"), the Company committed to issue 832,755 Class A Shares worth US$9,760 at the closing date. These were issued in three tranches over the 32-month period following the closing date. This commitment is considered a component of equity and was recorded at a discounted value of US$8,419 (CA$8,781) in Restricted and Hold back shares.

In 2016, the third tranche amounting to 277,578 of the hold back shares were issued and effectively converted into Class A Shares and an amount of CA$2,718 was transferred from Restricted and Hold back shares to Share Capital.

Issuance of shares

On the same day as the conversion of the third tranche of the hold back shares into share capital, in connection with a related agreement, the Company issued 149,469 Class A Shares to National Bank of Canada ("National Bank") for cash proceeds of $1,830 less issuance costs of $138. These shares were issued upon the exercise by National Bank of its anti-dilution rights, as defined in the Investor Rights Agreement.

In connection with the agreement described above, the Company had issued subscription receipts to National Bank providing for the issuance of 149,469 Class A Shares, at a pre-determined price of $12.24, to be exchanged into shares concurrently with the third conversion of hold back shares into share capital. The proceeds of these subscription receipts have been released from escrow on the issuance of the hold back shares.

The Company issued 154,664 Class A Shares from treasury at a cost of $1,945 for restricted and performance share units that vested during the year ended December 31, 2016.

Shares issued as part of a business combination

As part of the acquisition of Apex, the Company issued 5,775,075 Class A Shares worth US$57,000. The shares issued were recorded at the closing price at the acquisition date of CA$75,076. These shares are held in escrow and one seventh will be released each year over a seven year period commencing on the first anniversary of the closing date.

As part of the acquisition of Fiera Private Lending, the Company issued 1,944,211 Class A Shares worth CA$23,000. The shares were recorded at a closing price at the acquisition date of CA$23,428. Of the 1,944,211 shares issued, 338,124 shares will be held in escrow for general representations and warranties until fifteen months following the closing date of November 10, 2016.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

17. Share capital and accumulated other comprehensive income (continued)

Shares issued as settlement of purchase price obligations

On October 21, 2016, in connection with the asset purchase agreement of Natcan Investment Management Inc., the Company issued 683,142 Class A Shares for $8,500 as settlement of purchase price obligations.

Stock option exercised

During the year ended December 31, 2016, 401,642 stock options were exercised and 401,642 Class A Shares were issued for $2,983.

Shares purchased for cancellation

On October 17, 2016, the Company announced the renewal of its normal course issuer bid for a period of twelve months. Purchases could commence as of October 19, 2016 and will end no later than October 18, 2017. Pursuant to the renewed normal course issuer bid, the Company may purchase for cancellation up to a maximum of 3,421,685 Class A Shares, representing approximately 10% of the public float of Class A Shares as at October 11, 2016.

During the year ended December 31, 2016, the Company paid $1,659 to purchase and cancel 158,648 Class A Shares which reduced share capital by $1,297 and the excess paid of $362 was charged to retained earnings.

Transfers

During the year ended December 31, 2016, 36,674 Class B Shares were converted into 36,674 Class A Shares on a one-for-one basis.

Dividends

During the year ended December 31, 2016, the Company declared dividends of $46,659 ($0.62 per share) on Class A Shares and Class B Shares and $357 on hold back shares.

Accumulated other comprehensive income

The components of accumulated other comprehensive income as at December 31 include:

	December 31, 2017	December 31, 2016
	$	$
Unrealized gain on available-for-sale financial assets	161	29
Cash flow hedges	2,094	-
Unrealized exchange differences on translating financial statements of foreign operations	10,769	28,069
	13,024	28,098

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

18. Earnings per share

Earnings per share and the reconciliation of the number of shares used to calculate basic and diluted earnings per share are as follows:

	For the years ended December 31,	
	2017	2016
	$	$
Net earnings attributable to shareholders	**10,671**	20,777
Weighted average shares outstanding – basic	**82,258,569**	75,969,314
Effect of dilutive share-based awards	**5,684,713**	2,326,073
Weighted average shares outstanding – diluted	**87,943,282**	78,295,387
Basic earnings per share	**0.13**	0.27
Diluted earnings per share	**0.12**	0.27

For the year ended December 31, 2017, the calculation of hypothetical conversions does not include 2,939,631 options (1,368,024 in 2016) and 86,250 convertible debentures with an anti-dilutive effect.

19. Share-based payments

a) Stock option plan

Under the Company's stock option plan, the exercise price of each stock option is equal to the volume weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the date the stock option is granted. The Board may determine the maximum term for which options are granted and will become exercisable and whether the options will be exercisable in instalments or pursuant to a vesting schedule.

A summary of the changes that occurred in the Company's stock option plan during the years ended December 31, 2017, and 2016, is presented below:

		2017		2016
	Number of Class A Share options	**Weighted-average exercise price**	Number of Class A Share options	Weighted-average exercise price
		$		$
Outstanding – beginning of year	**2,799,345**	**10.25**	3,040,225	9.58
Granted	**1,892,000**	**13.41**	254,379	12.33
Exercised	**(397,100)**	**7.34**	(401,642)	5.86
Forfeited	**(110,393)**	**13.64**	(93,617)	13.11
Outstanding – end of year	**4,183,852**	**11.86**	2,799,345	10.25
Options exercisable – end of year	**859,473**	**8.17**	1,049,685	7.82

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

19. Share-based payments (continued)

The following table presents the weighted average assumptions used to determine the share-based compensation expense using the Black-Scholes option-pricing model during the years ended December 31, 2017 and 2016:

	2017	2016
Dividend yield (%)	**4.87 to 5.39**	4.63 to 5.34
Risk-free interest rate (%)	**1.15 to 1.93**	1.08 to 1.27
Expected life (years)	**8.9**	7.5
Expected volatility of the share price (%)	**24.25 to 38.97**	32.65 to 40.87
Weighted-average fair value ($)	**2.21**	2.21
Share-based compensation expense ($)	**1,402**	1,369

The expected volatility is based on the historical volatility of the Company's share price. The risk-free interest rate used is equal to the yield available on government of Canada bonds at the date of grant with a term equal to the expected life of options.

The following table summarizes the stock options outstanding and exercisable as at December 31, 2017:

	Options outstanding			Options exercisable	
Range of exercise price	Number of Class A Share options	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number of Class A Share options	Weighted-average exercise price
			$		$
3.67	68,201	2	3.67	68,201	3.67
5.41 to 8.50	966,020	4	8.06	731,020	8.26
8.51 to 13.83	3,149,631	9	13.20	60,252	12.13

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

19. Share-based payments (continued)

b) Deferred share unit ("DSU") plan

In 2007, the Board adopted a deferred share unit plan (the "DSU Plan") for the purposes of strengthening the alignment of interests between the directors and the shareholders by linking a portion of annual director compensation to the future value of the shares, in lieu of cash compensation. Under the DSU Plan, each director received, on the date in each quarter which is three business days following the publication by the Company of its earnings results for the previous quarter, that number of DSU having a value equal to up to 100% of such director's base retainer for the current quarter, provided that a minimum of 50% of the base retainer must be in the form of DSU. The number of DSU granted to a director was determined by dividing the dollar value of the portion of the director's fees to be paid in DSUs by the closing price of the Class A Shares of the TSX for the business day immediately preceding the date of the grant. At such time as a director ceased to be a director, the Company would make a cash payment to the director equal to the closing price of the Class A Shares on the date of departure, multiplied by the number of DSU held by the director on that date. As at September 1, 2010, the Board cancelled the DSU plan; however, all existing rights and privileges were kept intact. All directors are now compensated in cash.

The Company recorded an expense of $13 and $30 for these grants during the years ended December 31, 2017 and 2016, respectively. As at December 31, 2017, the Company had a liability for an amount of $205 for the 15,767 units outstanding under the DSU Plan ($192 for 14,998 units as at December 31, 2016).

c) Restricted share unit ("RSU") plan

On April 13, 2017, the Board approved an amended and restated RSU Plan. The purposes of this plan is to provide eligible employees with the opportunity to acquire RSU in order to retain key employees and to permit them to participate in the growth and development of the Company and, through the acquisition of shares in the Company under the plan, to better align the interests of participants with the long-term interests of shareholders of the Company.

The following table presents transactions that occurred in the Company's RSU Plan during the years ended December 31, 2017 and 2016.

	2017	2016
Outstanding units – beginning of year	**456,303**	686,244
Granted	**566,686**	-
Reinvestments in lieu of dividends	**19,124**	31,985
Vested [(1)]	**(420,407)**	(259,934)
Forfeited	**(13,071)**	(1,992)
Outstanding units– end of year	**608,635**	456,303

(1) 65,867 restricted share units were settled in cash (2016 – 114,812).

The Company recorded an expense of $5,715 and $3,466 for these grants during the years ended December 31, 2017 and 2016, respectively. As at December 31, 2017, the Company had a liability in the amount of $3,075 for the 608,635 units outstanding under the RSU Plan ($3,081 for 456,303 units as at December 31, 2016).

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

19. Share-based payments (continued)

d) Restricted share unit plan – cash ("RSU cash")

During the year ended December 31, 2016, the Board approved a RSU cash plan. The purpose of this plan is to provide eligible employees with the opportunity to acquire restricted share units in order to retain key employees and to permit them to participate in the growth and development of the Company and to better align the interests of participants with the long-term interests of shareholders of the Company. All RSU granted under this plan will be payable in cash. The following table presents transactions that occurred in the Company's RSU Plan during the years ended December 31, 2017 and 2016.

	2017	2016
Outstanding units – beginning of year	**316,133**	-
Granted	**185,256**	308,768
Reinvestments in lieu of dividends	**21,963**	7,365
Forfeited	**(18,972)**	-
Outstanding units – end of year	**504,380**	316,133

The Company recorded an expense of $1,886 and $549 for these grants during the years ended December 31, 2017 and 2016, respectively. As at December 31, 2017, the Company had a liability totalling $2,435 for the 504,380 units outstanding ($549 for 316,133 units as at December 31, 2016).

e) Restricted share plan

On October 30, 2015, in relation with the acquisition of Samson, the Board adopted a restricted share plan for the purposes of retaining certain employees and providing them with the opportunity to participate in the growth and development of the Company. The maximum number of issuable Class A Shares under the plan is 224,699. The Board may determine the number of restricted shares each eligible employee can receive. The restricted shares vest over a three-year period with one third vesting each year. Accelerated vesting occurs in certain circumstances, including death or disability. The restricted shares are entitled to dividends and have voting rights. The plan administrator will reinvest the proceeds of the dividends received into additional shares of the Company.

On October 30, 2015, the Company issued 224,699 restricted shares. In conjunction with the restricted share issuance, the Company issued 224,699 Class A Shares which are held in escrow. During the year ended December 31, 2017, 79,022 Class A Shares (2016 - 76,326) that vested were released from escrow and 431 restricted shares were forfeited and cancelled. In addition, 6,838 (2016 – 7,540) Class A Shares were purchased with the proceeds of the dividends received and credited to the escrow account.

The share-based payment expense is measured based on the fair value of the restricted shares on the grant date and is recognized over the vesting period on a straight-line basis. An expense of $672 and $1,379 was recorded for the years ended December 31, 2017 and 2016, respectively for this grant.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

19. Share-based payments (continued)

f) Performance share unit ("PSU") plan

PSU plan applicable to business units ("PSU plan applicable to BU")

On April 13, 2017, the Board approved an amended and restated PSU plan applicable to BU. Performance share units are provided to eligible employees at an award value which is determined by the Board as the original value of the award. The number of performance share units awarded to a participant as of the award date is calculated by dividing the award value by the value of the performance share unit applicable to the business unit which is determined by the Board at each award date.

Performance share units are considered granted when the award notice is approved by the Board and is accepted by the employee. The vesting date is the date at which all vesting terms and conditions set forth in the PSU plan applicable to BU and the employee's award notice have been satisfied.

Vested performance share units are settled in accordance with the terms of the plan. The settlement date value is determined by the product of the number of performance share units vested and the value of the performance share unit as calculated by the Board on the applicable vesting date.

The Company recorded the following expense relating to PSU plans applicable to BU during the years ended December 31, 2017 and 2016:

	2017	2016
	$	$
Equity-settled grants	7,493	6,523
Cash-settled grants	886	(15)
Total expense	8,379	6,508

During the year ended December 31, 2017, the total award value granted under the Company's PSU plans applicable to BU was $10,752. Certain PSU applicable to BU representing a total value of $5,211 vested. 206,197 Class A Shares were issued during the year ended December 31, 2017 and 322,386 Class A Shares will be issued subsequent to December 31, 2017 as settlement of PSU applicable to BU vested in 2017.

During the year ended December 31, 2016, the total award value granted to eligible employees under the Company's PSU plans applicable to BU was nil. Certain PSU applicable to BU representing a total value $9,441 vested and 730,285 Class A Shares were issued in the beginning of 2017 as settlement of PSU applicable to BU vested in 2016.

During the year ended December 31, 2016, the Company settled certain vested PSU applicable to BU by paying $4,237 in cash in lieu of issuing Class A Shares. The Company treated the transaction as a repurchase of an equity interest and recorded a deduction in the amount of $4,237 in contributed surplus. The settling of these PSUs in cash was due to unique circumstances. The Company's management has the intention to settle the remaining tranches by issuing shares.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

19. Share-based payments (continued)

PSU plan

On April 13, 2017, the Board approved an amended and restated PSU plan. Performance share units are provided to eligible employees at an award value which is determined by the Board as the original value of the award. The number of performance share units awarded to a participant as of the award date is calculated by dividing the award value by the market value on the award date.

The Company recorded the following expense relating to PSU plans during the years ended December 31, 2017 and 2016:

	2017	2016
	$	$
Equity-settled grants	**140**	365
Cash-settled grants	**1,110**	1,789
Total expense	**1,250**	2,154

The total award value granted to eligible employees under the Company's PSU plans for the years ended December 31, 2017 and 2016 was $1,200 and $1,333 respectively. Certain PSU representing a total value of $191 vested during the year ended December 31, 2017 and 19,819 Class A Shares will be issued subsequent to December 31, 2017.

During the year ended December 31, 2016, certain PSU representing a total value $1,341 vested and were settled in the beginning of 2017. 73,030 Class A Shares were issued in 2017 relating to PSU vested in 2016 and $476 was paid in cash.

g) Stock option plans in the Company's subsidiaries

One of the Company's subsidiaries has a stock option plan which is based on the shares of the respective subsidiary entity. This plan is accounted for as a cash-settled plan. During the year ended December 31, 2017, another subsidiary's stock option plan was discontinued. The Company's subsidiaries stock option expense in the statements of consolidated net earnings for the year ended December 31, 2017 was $855 ($91 for the year ended December 31, 2016). The cash settled share-based liability is $2,039 in the statements of financial position as at December 31, 2017 ($1,297 as at December 31, 2016).

20. Post-employment benefit obligations

The Company contributes to defined contribution plans for its employees. Contributions for the year ended December 31, 2017 amount to $3,258 ($2,851 for the year ended December 31, 2016).

Subsequent to a business combination in September 2010, the Company assumed the role of sponsor of several individual pension plans ("IPPs") which had been established by the Company for former employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies. These IPPs are valued on a triennial reporting cycle. The most recent actuarial valuation was performed as at January 1, 2016 for four plans. The next actuarial valuation date is January 1, 2018 for one plan, June 30, 2018 for one plan and January 1, 2019 for four plans. Each IPP plan will be wound up upon the death of the respective participant or if applicable, their surviving spouse.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

21. Expenses by nature

The details of selling, general and administration expense are as follows:

	For the years ended December 31,	
	2017	2016
	$	$
Salaries, wages and employee benefits	275,918	190,995
Travelling and marketing	10,999	9,636
Reference fees	13,243	5,637
Rent	11,915	9,852
Technical services	19,674	13,359
Professional fees	13,948	8,767
Insurance, permits and taxes	3,592	3,498
Other	9,165	6,725
	358,454	248,469

The details of wages and employee benefits are as follows:

	For the years ended December 31,	
	2017	2016
	$	$
Salaries and wages	233,496	158,966
Pension costs	3,258	2,851
Payroll deductions	17,266	11,720
Share-based compensation	9,820	9,662
Cash settled share-based compensation	8,466	5,361
Other	3,612	2,435
	275,918	190,995

Key management includes the Company's directors and key officers. Compensation awarded to key management is as follows:

	For the years ended December 31,	
	2017	2016
	$	$
Salaries and other short-term benefits	18,173	9,720
Share-based payments	4,119	3,516

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

22. Interest on long-term debt and other financial charges

	For the years ended December 31,	
	2017	2016
	$	$
Interest on long-term debt	15,963	9,552
Interest on convertible debentures	118	-
Interest on derivative financial instruments	(190)	1,406
Amortization of deferred financing charges	635	401
Other interest	598	310
Foreign exchange	(10,132)	1,016
Change in fair value of derivative financial instruments	4,487	211
	11,479	12,897

23. Additional information relating to consolidated statements of cash flows

	For the years ended December 31,	
	2017	2016
	$	$
Changes in non-cash operating working capital items		
Accounts receivable	(15,937)	(36,118)
Prepaid expenses and other assets	(3,929)	552
Accounts payable and accrued liabilities	25,946	20,383
Amounts due to related parties	183	(201)
Client deposits and deferred revenues	53	(1,129)
	6,316	(16,513)

The following are non-cash items: shares issued as settlement for purchase price obligations of $8,500 (2016 – $8,500), conversion of hold back shares of $3,566 (2016 – $2,718), issuance of shares as part of a business combination of $500 (2016 – $98,504), issuance of shares relating to the vesting of RSUs and PSUs of $13,612 (2016 – $1,945), share issuance costs of $783 and issuance costs related to the convertible debentures of $484 included in accounts payable, additions to property and equipment included in accounts payable and accrued liabilities of $256 (2016 – nil), additions to intangible assets included in accounts payable and accrued liabilities and purchase price obligation of $94 and nil, respectively (2016 – $609 and $800, respectively) and $2,747 of puttable financial instrument liabilities were extinguished with an offset to equity.

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between income taxes paid of $13,417 (2016 – $19,306) and income tax expense of $11,356 (2016 – $14,625) for a net impact of $2,061 for the year ended December 31, 2017 (2016 – ($4,681)).

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

24. Commitments and contingent liabilities

Commitments

The Company leases office space and equipment under non-cancellable operating leases expiring at different dates until 2035. Future lease payments total $133,056 and include the following payments for each of the next five years as at December 31, 2017, and thereafter:

	$
2018	17,800
2019	16,662
2020	15,300
2021	15,624
2022	12,798
Thereafter	54,872

Contingent liabilities

In the normal course of business, the Company and its subsidiaries may be party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

25. Capital management

The Company's capital comprises share capital, (deficit) retained earnings, long-term debt and convertible debentures, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lender of the debt. As at December 31, 2017 and 2016, the Company and one of its subsidiaries have complied with their respective calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions* which is calculated on a non-consolidated basis. The Company and its subsidiaries complied with their restrictive debt covenants under the various credit facilities.

In order to maintain or adjust its capital structure, the Company may issue shares, proceed to the issuance or repayment of debt or redeem convertible debentures .

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

26. Related party transactions

In the normal course of business, the Company carries out transactions with related parties which include two related shareholders or with entities under the same common control as these related shareholders.

One of the related shareholders has significant influence over the Company. Under an agreement, this related shareholder is entitled to appoint two of the four directors of the Company that the holders of Class A Shares are entitled to elect, as long as it holds, directly or indirectly, at least 20% of the outstanding Class A Shares and Class B Shares, together, on a non-diluted basis. Following the closing of the Company's bought deal financing comprised of unsecured convertible debentures (Note 16) and of a Class A Share issuance on December 21, 2017, the related party's beneficial ownership is 19.6% of the Company's issued and outstanding shares (21.1 % as at December 31, 2016) and as a result, the related party no longer has the right to designate two appointees to the Company's Board. This related shareholder is the lead arranger to the Company's Credit Facility and is the counterparty to the derivative financial instruments presented as being with a related entity in the table below.

At December 31, 2017, the other related shareholder has significant influence over the Company since it indirectly owns Class B Special Voting Shares representing approximately 8.1% of the Company's issued and outstanding shares (9.0 % as at December 31, 2016) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. In order to maintain the rights described above, the related shareholder is required to maintain a minimum ownership level in the Company and a specified minimum level of assets under management.

The following table presents transactions either directly with the two related shareholders or with entities under the same common control as these related shareholders:

	2017	2016
	$	$
Base management, performance and other revenues	**51,924**	50,180
Selling, general & administrative expenses		
Reference fees	**1,639**	1,574
Other	**785**	2,147
Interest on long-term debt	**15,859**	11,095
Net loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	**4,487**	211
Acquisition costs	**252**	-
Shares issued as settlement of a purchase price obligation	**8,500**	8,500

The transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Fees are at prevailing market prices and are settled on normal trade terms.

(In thousands of Canadian dollars unless noted otherwise – except share and per share information)

27. Segment reporting

The Company has determined that there is one reportable segment, asset management services in Canada, the United States of America and Europe and other.

Geographical information

	Revenues	Non-current assets
	For the year ended December 31, 2017	As at December 31, 2017
	$	$
Canada	223,818	514,222
United States of America	157,818	450,032
Europe and other	77,460	39,546

	Revenues	Non-current assets
	For the year ended December 31, 2016	As at December 31, 2016
	$	$
Canada	197,840	531,459
United States of America	118,610	422,304
Europe and other	27,694	66,113

Revenues are attributed to countries on the basis of the customer's location. As at December 31, 2017, non-current assets exclude deferred income taxes of $11,665 and financial instruments of $3,553 ($8,094 and $27 respectively as at December 31, 2016).

28. Subsequent events

Business combinations

Clearwater Capital Partners LLC

On March 1, 2018, the Company announced that it has reached an agreement to acquire Clearwater Capital Partners LLC, an Asia focused credit and special situations investment firm headquartered in Hong Kong. The transaction is subject to a number of conditions, including shareholder and regulatory approvals. The transaction is expected to be completed once the closing conditions have been satisfied.

The aggregate consideration payable at closing will be US$21,000, subject to various adjustments including US$12,000 in cash and US$9,000 in newly issued Class A subordinate voting shares. Additional contingent payments of up to US$44,000 will be payable over five years if certain performance conditions are achieved.

CGOV Asset Management

On March 22, 2018, the Company's Board approved the transaction to acquire CGOV Asset Management, an Ontario-based investment management firm focused on high net worth and institutional investors. The transaction is subject to a number of conditions, including shareholder and regulatory approvals. The transaction is expected to be completed after the closing conditions have been satisfied.

The aggregate consideration payable at closing will be $114,200 including 42% or $48,200 in cash and 58% or $66,000 in new issued Class A subordinate voting shares. The Class A subordinate shares will be placed in escrow and will vest over a five-year period subject to certain conditions.

Dividends declared

On March 22, 2018, the Board declared a quarterly dividend of $0.19 per share to shareholders of record as at April 4, 2018 which is payable on May 2, 2018.

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