Gluskin Sheff

Unaudited Interim Condensed Consolidated Financial Statements

FIRST QUARTER ENDED SEPTEMBER 30, 2018

| 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT SEP 30, 2018	AS AT JUN 30, 2018
ASSETS		
Current assets		
Cash	$ 10,652	$ 5,432
Short-term investments (note 4)	18,756	35,883
Accounts receivable (note 6)	12,057	13,566
Income taxes receivable (note 12)	2,139	–
Prepaid expenses and other assets	1,978	1,966
	45,582	**56,847**
Non-current assets		
Restricted cash (note 4, 7 and 10)	3,717	3,592
Prepaid equity forwards (note 4 and 10)	2,834	3,119
Property and equipment	15,265	15,250
Intangible assets (note 2)	17,965	19,767
Goodwill (note 3)	39,188	39,188
Deferred income taxes, net (note 12)	–	1,295
	78,969	**82,211**
Total assets	**$ 124,551**	**$ 139,058**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5, 6 and 10)	$ 10,864	$ 7,566
Dividends Payable	7,616	–
Post-retirement obligations (note 7)	500	500
Accrued bonuses (note 13)	3,995	24,695
Income taxes payable (note 12)	–	906
	22,975	**33,667**
Non-current liabilities		
Long-term liabilities (note 10)	3,755	3,868
Accrued bonuses (note 13)	–	1,111
Post-retirement obligations (note 7)	4,259	4,345
Deferred income taxes, net (note 12)	490	–
	8,504	**9,324**
	$ 31,479	**$ 42,991**
SHAREHOLDERS' EQUITY		
Share capital (note 8)	$ 66,356	$ 66,356
Treasury stock (note 9)	(13,006)	(18,537)
Contributed surplus	19,985	28,513
Retained earnings	23,250	23,248
Accumulated other comprehensive loss	(3,513)	(3,513)
	93,072	**96,067**
Total liabilities and shareholders' equity	**$ 124,551**	**$ 139,058**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

($ in thousands of Canadian dollars, except per share amounts)

	3 MONTHS ENDED SEP 30, 2018	3 MONTHS ENDED SEP 30, 2017
REVENUE		
Base management fees (note 6)	$ 28,125	$ 26,671
Performance fees (note 6)	588	1,262
Other income (note 5)	634	642
Reimbursements from pooled funds (note 6)	945	874
	30,292	**29,449**
EXPENSES		
Compensation (note 7, 10 and 13)	10,990	12,961
Client wealth management (note 14)	658	654
General and administrative (note 6, 10 and 15)	4,762	4,194
Occupancy (note 16)	899	890
Amortization of property and equipment	354	363
Amortization and derecognition of intangible assets (note 2)	1,802	1,329
	19,465	**20,391**
Income before provision for income taxes	**$ 10,827**	**$ 9,058**
Provision for income taxes (note 12)		
Current income taxes	1,641	160
Deferred income taxes	1,352	3,097
	2,993	**3,257**
Net income attributable to shareholders	**$ 7,834**	**$ 5,801**
Net income attributable to shareholders per Common Share:		
Basic earnings per share (note 11)	**$ 0.26**	**$ 0.19**
Diluted earnings per share (note 11)	**$ 0.25**	**$ 0.19**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	3 MONTHS ENDED SEP 30, 2018					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	**$ 66,356**	**$ (18,537)**	**$ 28,513**	**$ 23,248**	**$ (3,513)**	**$ 96,067**
Net income attributable to shareholders	–	–	–	7,834	–	7,834
Amortization of restricted share units (note 10)	–	–	1,585	–	–	1,585
Purchase of treasury stock (note 9 and 10)	–	(4,367)	–	–	–	(4,367)
Vesting of restricted share units (note 9 and 10)	–	9,898	(9,898)	–	–	–
Deferred income tax for dividends-in-kind (note 12)	–	–	(432)	–	–	(432)
Quarterly dividend (note 17)	–	–	217	(7,832)	–	(7,615)
End of period	**$ 66,356**	**$ (13,006)**	**$ 19,985**	**$ 23,250**	**$ (3,513)**	**$ 93,072**

	3 MONTHS ENDED SEP 30, 2017					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	**$ 66,356**	**$ (24,511)**	**$ 33,985**	**$ 62,237**	**$ (3,546)**	**$ 134,521**
Net income attributable to shareholders	–	–	–	5,801	–	5,801
Amortization of restricted share units (note 10)	–	–	2,523	–	–	2,523
Forfeiture of restricted share units (note 10)	–	–	(362)	–	–	(362)
Amortization of stock options (note 10)	–	–	375	–	–	375
Purchase of treasury stock (note 9 and 10)	–	(6,883)	–	–	–	(6,883)
Vesting of restricted share units (note 9 and 10)	–	16,455	(16,455)	–	–	–
Deferred income tax for dividends-in-kind (note 12)	–	–	(54)	–	–	(54)
Special dividend (note 17)	–	–	766	(26,646)	–	(25,880)
Quarterly dividend (note 17)	–	–	191	(7,803)	–	(7,612)
End of period	**$ 66,356**	**$ (14,939)**	**$ 20,969**	**$ 33,589**	**$ (3,546)**	**$ 102,429**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED SEP 30, 2018	3 MONTHS ENDED SEP 30, 2017
OPERATING ACTIVITIES		
Net income attributable to shareholders for the period	$ 7,834	$ 5,801
Changes in restricted cash	(125)	(2)
Adjustments for non-cash items		
Amortization of property and equipment	354	363
Amortization and derecognition of intangible assets (note 2)	1,802	1,329
Change in unrealized foreign exchange gains/losses on cash balances	18	2
Post-retirement obligations (note 7)	39	36
Deferred income taxes (note 12)	1,352	3,097
Deferred share units expense (note 10)	(122)	570
Amortization of restricted share units (note 10)	1,585	2,161
Stock option expense (note 10)	–	375
Change in unrealized (gain)/loss on prepaid equity forward (note 10)	285	(337)
Cash provided by operating activities before changes in working capital items	**13,023**	**13,395**
Net change in working capital items (note 18)	(20,176)	(27,414)
Cash provided by (used in) operating activities	**(7,153)**	**(14,019)**
INVESTING ACTIVITIES		
Purchases of property and equipment	(369)	(110)
Sale of property and equipment	–	–
Purchases of short-term investments	(81,325)	(50,415)
Sales of short-term investments	98,452	89,288
Cash provided by (used in) investing activities	**16,758**	**38,763**
FINANCING ACTIVITIES		
Acquisition of treasury stock (note 9 and 10)	(4,367)	(6,883)
Cash provided by (used in) financing activities	**(4,367)**	**(6,883)**
Change in unrealized foreign exchange gains/losses on cash balances	(18)	(2)
Increase in cash during the period	**5,220**	**17,859**
Cash – beginning of period	**5,432**	**21,685**
Cash – end of period	**$ 10,652**	**$ 39,544**

Supplemental Information		
Income taxes paid	$ 4,686	$ 4,049

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

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended September 30, 2018 and 2017
($ in thousands in Canadian dollars, except per share amounts and options exercise prices)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. and its subsidiaries (collectively, the "Company") provides discretionary investment management services to high net worth private clients and institutional investors in Canada and abroad. The Company is an Ontario incorporated corporation that is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "GS". Its registered office is at Bay Adelaide Centre, 333 Bay Street, Suite 5100, Toronto, Ontario, M5H 2R2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim condensed consolidated financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's audited annual consolidated financial statements for the year ended June 30, 2018 except as stated under "Changes in Accounting Policies". Accordingly, certain financial information and disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these unaudited interim condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Company for the three months ended September 30, 2018, were authorized for issue by a resolution of the Board of Directors on November 14, 2018.

Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and historical cost basis, except for certain financial instruments and Deferred Share Units ("DSU"), which have been measured at fair value.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. In these notes to the unaudited interim condensed consolidated financial statements, all dollar amounts are stated in thousands, unless otherwise noted. Per share amounts and option exercise prices are stated in dollars and cents.

Principles of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of Gluskin Sheff + Associates Inc., any subsidiaries, other controlled entities, and trusts established for the participants of the Company's Restricted Share Unit ("RSU") Plan. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Since the end of the last reporting period on June 30, 2018, the Company deconsolidated FY2014 RSU Trust and consolidated FY2018 RSU Trust in these unaudited interim condensed consolidated financial statements. The shares owned by FY2018 RSU Trust are accounted for as treasury stock.

Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amounts of income and expenses during the reporting periods. Actual results could differ from those estimates and the difference could be material. Management believes that the potential significant areas where judgment is necessarily applied are those which relate to:

(i)Bonus Expense

A portion of the bonus pool is paid in the form of RSUs and a portion is paid in cash. The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year. Therefore, the calculation of bonus expensed in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash versus RSUs. At the end of the fiscal year, the cash bonus expense is adjusted to reflect the actual ratio of bonuses to be paid in cash versus RSUs. RSUs granted in relation to bonus awards for a specified year are granted early in the fiscal year following the year to which the bonus relates. The cost of the RSUs are reflected in salaries and benefits using a graded vesting methodology over approximately four years, commencing at the beginning of the fiscal year to which the award relates.

(ii) Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. In addition, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

A deferred income tax liability has been recorded in respect of intangible assets acquired as a result of the acquisition of Blair Franklin.

(iii) Goodwill Impairment Test

The determination of cash generating units (CGU) for goodwill impairment purposes requires judgment. As described in Note 3, the Company has identified CGUs as individual client accounts, which were grouped together for goodwill impairment assessment and testing purposes.

Changes in Accounting Policies

There were no changes in accounting policies in fiscal 2018.

The Company adopted IFRS 9 *Financial Instruments* ["IFRS 9"] replacing IAS 39 Financial Instruments ["IAS 39"] in its consolidated financial statements, effective July 1, 2018. IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held. The impairment model will be an expected credit loss model which will apply to all financial instruments and require more timely recognition of expected losses.

Under IFRS 9, financial assets are classified as either fair value through profit or loss ["FVPL"], fair value through other comprehensive income ["FVOCI"] or amortized cost and financial liabilities are categorized as either FVPL or amortized cost. For financial liabilities designated as FVPL, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in other comprehensive income instead of net income.

The company classifies its financial assets as fair value through profit and loss ("FVPL"), fair value through other comprehensive income ("FVOCI") and amortized cost according to the company's business objectives for managing the financial assets and based on the contractual cash characteristics of the financial assets. The company classifies its financial liabilities as amortized cost or FVPL.

- Financial instruments classified as FVPL are initially recognized at their fair value and are subsequently measured at fair value at each reporting date. Gains and losses recorded on each revaluation date are recognized in the profit or loss.
- Financial instruments classified as FVOCI are initially recognized at their fair value plus transactions costs and are subsequently measured at fair value at each reporting date.

- Financial instruments classified as amortized cost are initially recognized at their fair value and are subsequently measured at amortized cost using the effective interest method.

The following table presents the types of financial instruments held by the Company within each financial instrument classification under IAS 39 and IFRS 9.

Financial Instrument Type	Classification	
	IAS 39	IFRS 9
Cash and restricted cash	Loans and receivable	Amortized cost
Short-term investments	Available-for Sale	FVOCI
Accounts receivable	Loans and receivable	Amortized cost
Prepaid equity forwards	FVPL	FVPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Accrued bonuses	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost

Effective July 1, 2018, the Company retrospectively adopted IFRS 15 *Revenue Recognition* ["IFRS 15"]. IFRS 15 replaces prior guidance, including IAS 18 *Revenue*. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Prior to the adoption of IFRS 15, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company were netted against the expenses in the Company's interim condensed consolidated statements of income and comprehensive income. The retrospective application of IFRS 15 resulted in the recognition of these reimbursed expenses as revenue in the Company's interim condensed consolidated statements of income and comprehensive income. The Company has assessed and determined that there are no other significant impacts resulting from the application of IFRS 15.

Future Accounting Changes

The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees are required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and will adopt the new standard in fiscal 2020.

In June 2016 IASB issued an amendment to IFRS 2, *Share-Based Payments*, addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

2. INTANGIBLE ASSETS

Impairment assessment of Client Relationships, Non-Compete Agreements, Technology and Customized Systems & Software

During the three months ended September 30, 2018, amortization of client relationships intangible assets arising from its acquisition of Blair Franklin in fiscal 2014 was $751 (September 30, 2017 - $802). The Company derecognized $884 (September 30, 2017 - $343) of the intangible asset relating to client relationships for client relationships that had terminated during the period and were no longer providing benefit to the Company.

During the three months ended September 30, 2018 amortization of the non-compete agreements and technology arising from its acquisition of Blair Franklin in fiscal 2014 was $64 (September 30, 2017 - $64).

During the three months ended September 30, 2018 amortization of customized systems and software was $103 (September 30, 2017 - $120).

The Company determined that there were no indicators of impairment and that none of these intangible assets were impaired during the three months ended September 30, 2018.

Impairment assessment of Customized Systems & Software Under Construction

As at September 30, 2018, there were no expenditures included in intangible assets for expenditures that have been capitalized in respect of development of systems or software not yet available for use by the Company (June 30, 2018 - none).

3. GOODWILL

During the three months ended September 30, 2018 and 2017, goodwill was assessed for indicators of impairment. There were no indicators of impairment during these periods.

Goodwill is tested for impairment at least annually, which for the Company is during the fourth fiscal quarter of each year.

4. FINANCIAL INSTRUMENTS

Fair Value Measurement

The following tables present the level within the fair value hierarchy for the Company's fair value measurements:

	AS AT SEP 30, 2018		
	LEVEL 1	LEVEL 2	TOTAL
Financial assets			
Cash and restricted cash	$ 14,369	$ –	$ 14,369
Short-term investments	–	18,756	18,756
Prepaid equity forwards	–	2,834	2,834
Total financial assets	**$ 14,369**	**$ 21,590**	**$ 35,959**

	AS AT JUN 30, 2018		
	LEVEL 1	LEVEL 2	TOTAL
Financial assets			
Cash and restricted cash	$ 9,024	$ –	$ 9,024
Short-term investments	–	35,883	35,883
Prepaid equity forwards	–	3,119	3,119
Total financial assets	**$ 9,024**	**$ 39,002**	**$ 48,026**

During the three months ended September 30, 2018 and 2017, there were no transfers between any of the fair value hierarchy levels and the Company did not hold any level 3 financial instruments.

Financial Instruments not carried at Fair Value

The fair values of accounts receivable, accounts payable and accrued liabilities, accrued bonuses and dividends payable approximate their carrying values due to their short-term nature.

5. OTHER INCOME

Details of other income are as follows:

	3 MONTHS ENDED	
	SEP 30, 2018	SEP 30, 2017
Economic research subscriptions	$ 544	$ 502
Interest income	64	124
Foreign exchange income (loss), net	(18)	(2)
Sublease income	20	20
Other income (expense)	24	(2)
	$ 634	**$ 642**

Related unearned income from the economic research subscriptions of $1,019 (September 30, 2017 - $873) is included in accounts payable and accrued liabilities.

6. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has agreements to manage the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, the Company or an affiliate of the Company is the General Partner. Included in the Company's interim condensed consolidated statements of income and comprehensive income for the three months ended September 30, 2018, are Performance Fees of $475 (September 30, 2017 – $1,262) and Base Management Fees of $25,490 (September 30, 2017 – $23,212) earned from the management of the Company's pooled fund vehicles.

Included in the Company's interim condensed consolidated statements of income and comprehensive income for the three months ended September 30, 2018, are performance allocations of $85 (September 30, 2017 - $nil) allocated to the Company as a General Partner on the funds structured as limited partnerships in the U.S.

The Company also recovers expenses incurred on behalf of the pooled fund vehicles relating to the operation of these pooled fund vehicles. For the three months ended September 30, 2018, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $945 (September 30, 2017 – $874). Expenses related to the operation of the pooled fund vehicles are included in: compensation, general and administrative, occupancy, amortization of property and equipment, and amortization of intangible assets.

Included in Gluskin Sheff Research publication expenses in general and administrative expenses for the three months ended September 30, 2018, is $266 (September 30, 2017 – $251) due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities.

Included in the Company's accounts receivable as at September 30, 2018, is $10,039 (June 30, 2018 – $4,604) due from the Company's pooled fund vehicles for Base Management Fees, Performance Fees, Performance Allocations and reimbursement for certain operating expenses. If not collectible, this balance would represent the Company's maximum loss exposure from its interests in these vehicles.

On October 17, 2018, the Company entered into an amended employment agreement with the Company's CEO to include a death benefit of $3.0 million payable to him in the event of death while in the service of the Company. This potential obligation is currently self-insured.

7. POST-RETIREMENT OBLIGATIONS

The following table outlines the continuity for the post-retirement obligation for the three months ended September 30, 2018 and 2017:

	3 MONTHS ENDED SEP 30, 2018	3 MONTHS ENDED SEP 30, 2017
Post-retirement obligations – Beginning of period	**$ 4,845**	**$ 5,246**
Interest expense	39	36
Payments	(125)	(125)
Post-retirement obligations – end of period	**$ 4,759**	**$ 5,157**

The following table details the classification of the post-retirement obligations in the interim condensed consolidated balance sheet as at September 30, 2018 and June 30, 2018:

	AS AT	
Post-Retirement Obligations	SEP 30, 2018	JUN 30, 2018
Current	$ 500	$ 500
Non-current	4,259	4,345
Total post-retirement obligations	**$ 4,759**	**$ 4,845**

8. SHARE CAPITAL

As at September 30, 2018 and June 30, 2018 there were 31,234 common shares outstanding with a stated value of $66,356. Common Shares are non-redeemable and have no par value.

9. TREASURY STOCK

The following table outlines the continuity for the treasury stock for the three months ended September 30, 2018 and 2017:

	3 MONTHS ENDED			
	SEP 30, 2018		SEP 30, 2017	
Treasury Stock	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
Balance – Beginning of period	1,019	$ 18,537	1,098	$ 24,511
Treasury stock purchased	278	4,367	375	6,883
Treasury stock released	(527)	(9,898)	(685)	(16,455)
Balance – End of period	**770**	**$ 13,006**	**788**	**$ 14,939**

10. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: the Stock Option, DSU, RSU, Employee Common Share Ownership and the Executive Loan Program.

Stock Option Plan

There was no expense related to stock options outstanding included in compensation expense during the three months ended September 30, 2018 (September 30, 2017 – $375).

STOCK OPTIONS	3 MONTHS ENDED SEP 30, 2018 OPTIONS (000'S)	SEP 30, 2018 WEIGHTED AVERAGE EXERCISE PRICE	SEP 30, 2017 OPTIONS (000'S)	SEP 30, 2017 WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	250	$ 17.04	150	$ 16.62
Options issued	–	–	100	17.67
Options expired	–	–	–	–
Balance – End of period	**250**	**$ 17.04**	**250**	**$ 17.04**

Deferred Share Unit Plan

As at September 30, 2018, the fair value of the prepaid equity forwards were $2,834 (June 30, 2018 - $3,119) with 189,972 notional shares (June 30, 2018 – 189,972), and were included in non-current assets. The changes in the value of the prepaid equity forwards have been recorded to partially offset the DSU mark-to-market amounts and were included in general and administrative expenses in the interim condensed consolidated statements of income and comprehensive income. During the three months ended September 30, 2018, the Company recorded a $285 loss (September 30, 2017 - $337 gain) on the prepaid equity forwards.

During the three months ended September 30, 2018, the Company recorded a negative DSU expense of $122 (September 30, 2017 – $570 expense), including a mark-to-market gain of $363 (September 30, 2017 – loss of $403). As at September 30, 2018, a DSU liability of $100 (June 30, 2018 - $110) was included in current liabilities and $3,755 (June 30, 2018 - $3,868) was included in long-term liabilities in the Company's interim condensed consolidated balance sheet.

DEFERRED SHARE UNITS (000'S)	3 MONTHS ENDED SEP 30, 2018	SEP 30, 2017
Balance – Beginning of period	242	196
Issued during period	16	9
Balance – End of period	**258**	**205**

Restricted Share Units

During the three months ended September 30, 2018, the Company awarded $5,044 (September 30, 2017 – $8,487) in RSUs to employees, plus $217 (September 30, 2017 – $994) of RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been Common Shares. The RSU dividends-in-kind awarded were net of a $nil reversal (September 30, 2017 - $37) for prior period RSU dividends-in-kind grants forfeited due to an employee departure during the period.

The amortization related to RSUs that has been included in compensation expense during the three months ended September 30, 2018, was $1,585 (September 30, 2017 – $2,161). The RSU amortization recognized in the three months ended September 30, 2018, was net of a $nil reversal of RSU amortization (September 30, 2017 - $362) recognized in prior periods for RSUs forfeited and includes $7 of accelerated RSU amortization (September 30, 2017 - $430) due to employee departures during the period.

During the three months ended September 30, 2018, $9,898 (September 30, 2017 – $16,455) of RSUs vested and were settled with treasury stock held by the Trusts in the period.

RESTRICTED SHARE UNITS (000'S)	3 MONTHS ENDED SEP 30, 2018	SEP 30, 2017
Balance – Beginning of period	1,080	1,135
Issued during the period	331	536
Vested and settled during the period	(527)	(685)
Forfeited during the period	–	(24)
Balance – End of period	**884**	**962**

Employee Common Share Ownership Plan
Under the Company's Employee Common Share Ownership Plan, employees who meet the eligibility criteria can contribute up to a certain percentage of their annual gross salary by way of payroll deductions. The Company matches a certain percentage of the employee contribution amount, to a defined maximum amount. The Company's contribution of $47 for the three months ended September 30, 2018 (September 30, 2017 – $41), is included in compensation expense.

Executive Loan Program
As part of an agreement with the third party institution providing full recourse loans to eligible employees as part of this program, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance fluctuates directly with changes in the outstanding executive loan balances and will become available upon reduction of the outstanding loan balances. As at September 30, 2018, $717 of restricted cash is held in a segregated account in connection with this loan guarantee (June 30, 2018 - $592).

11. EARNINGS PER SHARE

The following table presents the Company's basic and diluted earnings per share for the three months ended September 30:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED SEP 30, 2018	3 MONTHS ENDED SEP 30, 2017
Numerator:		
Net income attributable to shareholders	$ 7,834	$ 5,801
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	30,236	30,134
Weighted average number of stock options outstanding	3	7
Weighted average number of outstanding RSUs	845	904
Weighted average number of outstanding DSUs	242	196
Weighted average number of shares outstanding – diluted	31,326	31,241
Earnings per share		
Basic	$ 0.26	$ 0.19
Diluted[1]	$ 0.25	$ 0.19

Notes:

1. *For the three months ended September 30, 2018, the computation of diluted earnings per share excluded 200,000 weighted-average options outstanding as their option price exceeded the average market price of the Company's shares (September 30, 2017 – none excluded). The computation of diluted earnings per share also included all weighted-average DSUs outstanding and excluded 37,737 weighted-average RSUs outstanding (September 30, 2017 – all weighted-average DSUs outstanding were included and 478,459 weighted-average RSUs outstanding were excluded).*

12. INCOME TAXES

The Company's income tax expense differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate to its net income as a result of the following:

	3 MONTHS ENDED SEP 30, 2018	3 MONTHS ENDED SEP 30, 2017
Income tax provision based on statutory income tax rate, 26.6% (2017 – 26.7%)	$ 2,875	$ 2,420
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	50	140
RSUs – differences between tax deductions and accounting estimates	17	467
Dividends received from the Trusts	51	230
Income tax provision as reported, 27.6% (2017 – 35.9%)	**$ 2,993**	**$ 3,257**

The Company's effective tax rate for the three months ended September 30, 2018, decreased to 27.6% from 35.9% in the same period last year due to lower dividends received by the Company on the treasury stock held by the RSU Trusts, which are taxable but not reflected in income for accounting purposes. Also contributing to the decrease in the effective tax rate was a higher cash cost of treasury shares used to settle RSUs vested in the period relative to the grant price on these RSUs, versus a cash cost lower than grant price in the year ago quarter.

The following table details the components of the Company's deferred income tax assets and liabilities as at September 30, 2018, and June 30, 2018:

	AS AT JUN 30, 2018	Recognized in Income	Recognized in Equity	AS AT SEP 30, 2018
Deferred income tax assets				
Accrued and long term liabilities	$ 1,397	$ (61)	$ –	$ 1,336
Restricted share units	4,006	(1,796)	–	2,209
Restricted share units dividends-in-kind	777	–	(432)	345
Post retirement obligations	1,284	(23)	–	1,261
Actuarial revaluation	18	–	–	18
Total deferred income tax assets	**$ 7,482**	**$ (1,880)**	**$ (432)**	**$ 5,169**
Deferred income tax liabilities				
Acquired intangible assets	(5,118)	451	–	(4,667)
Property and equipment	(881)	(1)	–	(882)
Prepaid equity forward	(117)	75	–	(42)
Prepaid expense	(71)	3	–	(68)
Total deferred income tax liabilities	**$ (6,187)**	**$ 528**	**$ –**	**$ (5,659)**
Net deferred income tax assets (liabilities)	**$ 1,295**	**$ (1,352)**	**$ (432)**	**$ (490)**

As at September 30, 2018, the Company had $1,707 (June 30, 2018 – $1,707) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these financial statements. These capital losses do not have any expiry date.

13. COMPENSATION

Included in compensation expense for the three months ended September 30, 2018, are accrued cash bonuses of $3,995 (September 30, 2017 - $3,108), RSU amortization relating to awards of prior fiscal years of $1,374 (September 30, 2017 - $1,900) and RSU amortization relating to awards of the current fiscal year of $211 (September 30, 2017 - $261).

14. CLIENT WEALTH MANAGEMENT

The following table presents the breakdown of client wealth management expenses by nature:

	3 MONTHS ENDED	
	SEP 30, 2018	SEP 30, 2017
Donations	$ 332	$ 425
Media and Marketing	76	68
Travel	93	43
Promotion	157	118
	$ 658	**$ 654**

15. GENERAL AND ADMINISTRATIVE

The following table presents the breakdown of general and administrative expense by nature:

	3 MONTHS ENDED	
	SEP 30, 2018	SEP 30, 2017
Insurance	$ 125	$ 105
Systems development, infrastructure and licenses	1,923	1,198
Research data	820	698
Office services and telecommunications	338	327
Professional fees	68	222
Other consulting	416	460
Regulatory and public company fees	509	618
Sub-advisory fees and other fees	72	70
Gluskin Sheff Research publication expenses	288	269
Other	203	227
	$ 4,762	**$ 4,194**

16. OCCUPANCY

The following table presents the breakdown of occupancy expense by nature:

	3 MONTHS ENDED	
	SEP 30, 2018	SEP 30, 2017
Lease for premises	$ 850	$ 858
Premises maintenance	49	32
	$ 899	**$ 890**

Effective July 1, 2016, the Company entered in to a lease agreement for a portion of the 49th floor in the Bay-Adelaide Centre in Toronto, Canada. The Company's head office currently occupies the 50th and 51st floors of this building. The space on the 49th floor is being sub-leased to a tenant for an amount equal to the Company's lease cost, including common and operating expenses, for this space. The income from the sub-lease is included in Other Income.

17. DIVIDENDS

Dividends Declared

The following dividends were declared by the Company during the three months ended September 30, 2018:

DIVIDENDS DECLARED AND PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000'S)
June 30, 2018 – regular dividend Q4, 2018	OCTOBER 2, 2018	OCTOBER 12, 2018	$ 0.25	$ 7,615
Total Dividends Declared			**$ 0.25**	**$ 7,615**

On November 14, 2018, the Company declared a regular dividend of $0.25 per equity share for the quarter ended September 30, 2018. This dividend will be paid on December 5, 2018, to shareholders of record at the close of business on November 26, 2018.

The following dividends were declared by the Company during the three months ended September 30, 2017:

DIVIDENDS DECLARED	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000'S)
June 30, 2017 – regular dividend Q4, 2017	OCTOBER 3, 2017	OCTOBER 13, 2017	$ 0.25	$ 7,612
June 30, 2017 – special dividend Q4, 2017	OCTOBER 3, 2017	OCTOBER 13, 2017	0.85	25,880
Total Dividends Declared			**$ 1.10**	**$ 33,492**

18. CHANGES IN WORKING CAPITAL ITEMS

The following table presents the breakdown of the net change in working capital:

	3 MONTHS ENDED	
	SEP 30, 2018	SEP 30, 2017
Accounts receivable	$ 1,509	$ (510)
Prepaid expenses and other assets	(12)	88
Income taxes receivable and payable	(3,045)	(3,889)
Accounts payable and accrued liabilities	3,308	(614)
Accrued bonuses	(21,811)	(22,364)
Post-retirement obligation	(125)	(125)
	$ (20,176)	**$ (27,414)**