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Consolidated Financial Statements of FIERA SCEPTRE INC.

September 30, 2011 and 2010

FIERA SCEPTRE

Fiera Sceptre Inc.
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Independent Auditor's Report

To the Shareholders of Fiera Sceptre Inc.

We have audited the accompanying consolidated financial statements of Fiera Sceptre Inc. which comprise the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and 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 Canadian generally accepted accounting principles, 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 Sceptre Inc. as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montreal, December 14, 2011

Samson Bélair / Deloitte & Touche s.e.n.c.r.l.[1]

[1] Chartered accountant auditor permit No. 8130

Fiera Sceptre Inc.

Consolidated statements of earnings

Years ended September 30

	2011	2010
	$	$
Revenue		
Base management fees	**68,165,030**	36,911,597
Performance fees	**3,940,542**	3,067,381
Success fees of the joint venture	**-**	1,378,788
Interest and other revenues	**655,879**	556,136
Discounts granted to a shareholder	**-**	(390,000)
	72,761,451	41,523,902
Selling, general and administration fees	**48,770,659**	32,673,425
External managers	**2,692,924**	1,096,094
Amortization of property and equipment	**829,942**	576,598
Amortization of intangible assets	**3,198,631**	1,372,552
Write-off of property and equipment	**633,148**	-
Reversal of unamortized lease inducement	**(142,896)**	-
Interest on long-term debt	**-**	111,239
Loss on disposal of investments	**7,919**	-
Gain on dilution (Note 4)	**-**	(106,398)
	55,990,327	35,723,510
Earnings before the following items	**16,771,124**	5,800,392
Restructuring costs and other costs (Note 3)	**3,350,146**	778,219
Earnings before income taxes	**13,420,978**	5,022,173
Current income taxes (recovered) (Note 14)	**4,409,623**	(55,177)
Future income taxes (Note 14)	**53,555**	1,584,661
	4,463,178	1,529,484
Net earnings	**8,957,800**	**3,492,689**
Earnings per share (Note 16)		
Basic	**0.25**	0.22
Diluted	**0.24**	0.22

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

Fiera Sceptre Inc.
Consolidated statements of comprehensive income
Years ended September 30

	2011	2010
	$	$
Net earnings	**8,957,800**	3,492,689
Other comprehensive income		
Unrealized gain on available-for-sale financial assets (net of taxes)	**5,286**	14,652
Unrealized gain (loss) on available-for-sale financial assets (net of taxes) of the joint venture	**11,615**	(6,716)
Reclassification adjustment included in net earnings	**(7,919)**	-
	8,982	7,936
Comprehensive income	**8,966,782**	3,500,625

Fiera Sceptre Inc.

Consolidated statements of changes in shareholders' equity

Years ended September 30

	2011	2010
	$	$
Share capital		
Balance, beginning of year	**134,495,560**	30,724,786
Shares transactions prior to the business combination:		
Issuance of shares for cash	**-**	4,848,375
Redemption for shares	**-**	(1,587,757)
Shares transactions on or after the business combination:		
For business combination	**-**	95,184,588
Issuance of shares for cash	**-**	5,000,000
Stock options exercised	**1,091,086**	325,568
Balance, end of year	**135,586,646**	134,495,560
Contributed surplus		
Balance, beginning of year	**1,088,331**	-
For business combination	**-**	957,065
Stock-based compensation expense	**932,873**	236,129
Stock options exercised	**(317,839)**	(104,863)
Balance, end of year	**1,703,365**	1,088,331
Retained earnings		
Balance, beginning of year	**2,304,458**	7,637,779
Net earnings	**8,957,800**	3,492,689
Excess of purchase price over carrying value of redeemed shares	**-**	(3,260,618)
Fiera assets not transferred at time of business combination	**-**	(565,392)
Dividends	**(10,959,658)**	(5,000,000)
Balance, end of year	**302,600**	2,304,458
Accumulated other comprehensive income		
Balance, beginning of year	**7,936**	-
Other comprehensive income	**8,982**	7,936
Balance, end of year	**16,918**	7,936

Fiera Sceptre Inc.

Consolidated balance sheets

as at September 30

	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**1,714,569**	2,118,278
Restricted cash (Note 5)	**218,501**	1,797,719
Investments (Note 6)	**983,339**	4,514,231
Accounts receivable (Note 7)	**16,468,204**	15,896,754
Prepaid expenses	**733,413**	495,070
Future income taxes (Note 14)	**63,741**	55,809
	20,181,767	24,877,861
Long-term investment (Note 8)	**713,545**	369,303
Property and equipment (Note 9)	**2,507,340**	2,706,158
Intangible assets (Note 10)	**46,383,341**	48,795,044
Goodwill	**90,470,456**	89,904,685
Deferred charges	**224,143**	199,237
	160,480,592	166,852,288
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	**11,527,167**	14,506,573
Amount due to related companies	**195,110**	108,119
Client deposits (Note 5)	**218,501**	1,797,719
Deferred income	**17,677**	57,811
Prepaid management fees	**551,061**	307,293
Due to shareholders of the joint venture	**-**	573,199
	12,509,516	17,350,714
Deferred lease obligations	**319,705**	301,620
Lease inducements	**735,676**	978,180
Future income taxes (Note 14)	**8,935,914**	8,874,427
Other long-term liabilities	**370,252**	1,451,062
	22,871,063	28,956,003
Commitments (Note 19)		
Shareholders' equity		
Share capital (Note 15)	**135,586,646**	134,495,560
Contributed surplus	**1,703,365**	1,088,331
Retained earnings	**302,600**	2,304,458
Accumulated other comprehensive income	**16,918**	7,936
	319,518	2,312,394
	137,609,529	137,896,285
	160,480,592	166,852,288

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

Approved by the Board

Jean-Guy Desjardins, Director

Sylvain Brosseau, Director

Fiera Sceptre Inc.
Consolidated statements of cash flows
Years ended September 30

	2011	2010
	$	$
Operating activities		
Net earnings	**8,957,800**	3,492,689
Adjustments for :		
Amortization of property and equipment	**829,942**	576,598
Amortization of intangible assets	**3,198,631**	1,372,552
Amortization of deferred charges	**117,910**	62,004
Amortization of financing charges	**-**	44,970
Write-off of property and equipment	**633,148**	-
Reversal of unamortized lease inducements	**(142,896)**	-
Lease inducements	**(160,206)**	(129,439)
Deferred lease obligations	**18,085**	21,954
Stock-based compensation	**932,873**	236,129
Future income taxes	**53,555**	1,584,661
Gain on dilution (Note 4)	**-**	(106,398)
Loss (gain) on disposal of investments	**7,919**	(2,583)
Prepaid management fees	**(307,293)**	(3,000,000)
	14,139,468	4,153,137
Changes in non-cash operating working capital items (Note 18)	**(4,967,694)**	432,426
	9,171,774	4,585,563
Investing activities		
Business combination adjustment (Less cash acquired of $1,856,334 in 2010)	**(361,983)**	(2,299,517)
Investments	**3,520,340**	(1,625,027)
Loans to related companies	**-**	107,433
Purchase of property and equipment	**(1,364,272)**	(347,537)
Purchase of intangible assets	**(786,928)**	(255,806)
Purchase of long-term investment	**(332,627)**	(376,019)
Deferred charges	**(124,200)**	-
Lease inducements	**60,598**	33,878
Effect on cash and cash equivalents upon dilution of its investment in Fiera Axium Infrastructure Inc. (Note 4)	**-**	115,135
	610,928	(4,647,460)
Financing activities		
Reimbursement of long-term debt	**-**	(4,076,342)
Business Partners' deposit	**-**	253,805
Payment of dividends	**(10,959,658)**	(5,000,000)
Issuance of share capital	**773,247**	10,069,079
Redemption of share capital	**-**	(4,848,375)
	(10,186,411)	(3,601,833)
Net decrease in cash and cash equivalents	**(403,709)**	(3,663,730)
Cash and cash equivalents, beginning of year	**2,118,278**	5,782,008
Cash and cash equivalents, end of year	**1,714,569**	**2,118,278**

Additional information is presented in Note 18.

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

1. Description of business and merger

Fiera Sceptre Inc. ("Fiera Sceptre" or "the Company") is incorporated under the laws of the Province of Ontario. The Company is a full-service, multi-product investment firm, providing investment advisory and related services to institutional investors, private wealth clients and retail investors.

On September 1, 2010, Fiera Capital Inc. announced that it had completed the previously announced statutory plan of arrangement (the "Arrangement") pursuant to which the businesses of Sceptre Investment Counsel Limited ("Sceptre") and Fiera Capital Inc. ("Fiera Capital") were combined to create a leading-edge and publicly traded independent investment manager.

For accounting purposes, Fiera Capital was deemed to be the acquirer in the business combination of Fiera Capital and Sceptre. As a result, current financial reporting is based on Fiera Capital's historical data up to and including September 1, 2010 and the combined results after the closing date. The September 30, 2011 earnings are the results of the combined entity.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of Fiera Sceptre and its wholly owned subsidiaries, Fiera Sceptre Funds Inc., ("FSFI") and Sceptre Fund Management Inc. ("SFMI"). All intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements also include the accounts of Fiera Axium Infrastructure Inc. ("Fiera Axium") held at 35.35% (41.18% until March 2010). Fiera Axium accounts are accounted for under the proportionate consolidation method.

Revenue recognition

Revenue from management fees is recognized as the related services are rendered and the fees are determinable. Discounts are recorded against revenue. Management fees are invoiced monthly or quarterly based on daily average assets under management and others are calculated and invoiced quarterly in arrears based on calendar quarter-end assets values under management or on an average of opening and closing assets under management for the quarter.

Performance fees are recorded only 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 year.

Success fees are recognized upon closing of an infrastructure project of our Fiera Axium joint venture.

2. Accounting policies (continued)

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from these estimates.

The most significant areas requiring the use of management estimates relate to: the restructuring and purchase price allocation, allowance for doubtful accounts, intangible assets, goodwill, accrued liabilities, future income tax assets and liabilities and stock-based compensation.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification	
Cash and restricted cash	Held for trading
Investments	
Short-term notes	Held for trading
Mutual fund and pooled fund investments	Available for sale
Accounts receivable and loans to related companies	Loans and receivables
Long-term investment	Available for sale
Accounts payable and accrued liabilities	Other liabilities
Amount due to related companies	Other liabilities
Client deposits	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheets' dates. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

2. Accounting policies (continued)

Available for sale

The Company's investments have been designated as available-for-sale financial assets and, therefore, are carried on the consolidated balance sheets at fair value, with unrealized gains and losses being recognized in other comprehensive income ("OCI"). OCI and net earnings comprise comprehensive income.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

Financial instrument recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The three levels of fair value hierarchy have the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The required disclosures are included in Note 21.

Cash and cash equivalents

Cash and cash equivalents may comprise cash and Treasury bill with maturities of three months or less from the date of acquisition.

2. Accounting policies (continued)

Investments

Investments in short-term notes are carried on the consolidated balance sheets at fair value using bid prices. Investments in mutual fund and pooled fund units are carried at the net asset value reported by the fund manager.

Long-term investment

The long-term investment in the Limited Partnership is carried at the net asset value reported by the fund manager.

Property and equipment

Property and equipment are accounted for at cost and amortized over their useful lives on a straight-line basis over the following periods and term:

Office furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	Lease term

Intangible assets

Intangible assets with an indefinite life such as the management contracts with mutual funds are accounted for at cost. The Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. Accordingly, the Company does not amortize these intangible assets, but reviews these assets for impairment, annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in earnings for an amount equal to the excess. If the Company determines that the indefinite life criteria are no longer met, the Company will amortize the asset over its remaining useful life.

Other intangible assets are accounted for at cost. The expected useful lives of definite lives customer relationships are analysed 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. The Company tests for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value of the asset is not recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded for an amount necessary to reduce the carrying value of the asset to fair value.

Amortization is based on their estimated useful lives using the straight-line method over the following period and term:

Customer relationships	20 years
Trade name	5 years
Non-compete agreement	3 years
Software	2 years

2. Accounting policies (continued)

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Goodwill

Goodwill, representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses, is tested, using a two-step process, for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its implied fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Company uses the discounted cash flow method to determine the fair value of reporting units.

Deferred charges

Deferred charges consist of insurance and are amortized on a straight-line basis over the term of the contract.

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 over the lease term.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amounts of balance sheet items and their corresponding tax bases, using the enacted and substantially enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

2. Accounting policies (continued)

Employee future benefits

The Company maintains defined contribution pension plans and the annual charge corresponds to the contributions.

As part of the business combination referred in Note 1, the Company assumed the role of sponsor of individual pension plans ("IPP") which had been established by Sceptre for certain key employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies under the IPPs. However, the Company has a legal requirement regarding the funding of ongoing deficit. These IPPs are valued on a triennial reporting cycle. The most recent actuarial valuation was performed as at January1st, 2009 and the next actuarial valuation date is January 1st, 2012.

Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method to evaluate the dilutive effect of stock options. This method assumes that any proceeds obtained on exercise of employee stock options would be used to purchase shares at the average market price during the year.

Stock-based compensation

Stock-based compensation expense is recorded using the fair value method. Under this method, the compensation expense for stock options is measured at fair value at grant date using the Black-Scholes option pricing model and recognized over the vesting period. 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 new deferred share units ("DSUs") is recognized when the deferred shares are issued. Changes in the fair value of previously issued DSUs that arise due to changes in the price of the Company's Class A shares are recognized on an ongoing basis in the consolidated statement of earnings. The number of DSUs granted to directors is determined by dividing the dollar value of the portion of directors' fees to be paid in DSUs by the closing price of the Company's shares on the TSX for the business day immediately preceding the date of the grant. DSUs are granted on the third business day following the publication by the Company of its earnings results for each quarter.

2. Accounting policies (continued)

Future accounting changes

International Financial Reporting Standards - The Accounting Standards Board of the Canadian Institute of Chartered Accounts (CICA) confirmed, in February 2008, that it will require all publicly accountable enterprises to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In the year of adoption, companies will be required to provide comparative information as if IFRS had been used in the preceding fiscal year. The transition from Canadian GAAP to IFRS is applicable to the Company as at October 1, 2010. For the year ending September 30, 2012, the Company will prepare both its fiscal 2012 and fiscal 2011 comparative financial information using IFRS.

3. Business combination

As described in Note 1, on September 1, 2010 Fiera Capital Inc. transferred, assigned and conveyed the near totality of its assets except for certain income tax related assets amounting to $565,392 to Sceptre in consideration of Sceptre assuming Fiera liabilities and issuing 21,357,336 Class B special voting shares of Sceptre.

This type of exchange, accounted in a manner similar to that referred to as a “Reverse takeover,” deems Fiera Capital Inc. to be the acquirer for accounting purposes. Accordingly, Sceptre’s assets and liabilities were recorded at their estimated fair value as more precisely described in Emerging Issues Committee Abstract 10 “Reverse takeover” (“EIC 10”). The fair value of all issued and then outstanding shares of Sceptre was used as the basis for the determination of the cost of purchase.

The shares purchase consideration was based on 14,206,655 Sceptre’s shares times the weighted average price of the shares on the Toronto Stock Exchange for a period starting 2 days before June 16, 2010, the announcement date of the transaction, and ending 2 days after.

During the year ended September 30, 2011, the purchase price allocation related to the business combination has been finalized and has been adjusted to include additional amounts relating to namely employee benefits obligations for $293,057 (refer to Note 13), restructuring for $224,000 and professional fees of $49,362.

3. Business combination (continued)

	$
Current assets	12,188,591
Property and equipment	630,237
Deferred charges	182,637
Value of intangibles	28,285,000
Goodwill (1)	73,468,751
Current liabilities and long-term liabilities	(9,686,758)
Lease inducements	(29,085)
Future income tax liabilities	(4,692,507)
	100,346,866
Purchase consideration	
Shares consideration - deemed issuance	95,184,588
Fair value of Sceptre options - deemed issuance (2)	957,065
Transaction costs	4,205,213
	100,346,866

(1) The goodwill is not deductible for tax purposes.

(2) At closing, Sceptre had 368,466 options outstanding which became vested as a result of the change of control. The fair value of the deemed issuance of Fiera options in exchange for the 368,466 options of Sceptre is $957,065, and this amount has been included as a component of the purchase price.

In connection with the business combination, management has prepared plans to restructure and integrate the two businesses.

During the year ended September 30, 2011, as part of the restructuring and integration plan, the Company recorded restructuring costs for a total of $3,350,146, including special bonuses and termination of certain Fiera Capital employees for an amount of 1,891,972 and integration expenses amounting to $1,458,174.

With respect to the business combination, the Company recorded restructuring provisions related to leases for premises occupied by Sceptre which the Company plans to vacate as well as costs related with termination of certain employees of the acquired business performing functions already available through its existing structure. The change in the restructuring provision during the year is as follows:

3. Business combination (continued)

	Severance	Consolidation of facilities	Total
	$	$	$
Provision included in the preliminary purchase price allocation	2,273,000	1,384,000	3,657,000
Paid during the month of September 2010	(84,000)	-	(84,000)
Balance, September 30, 2010	2,189,000	1,384,000	3,573,000
Additions (reversal) during the year	313,000	(89,000)	224,000
Paid during the year	(1,972,000)	(383,000)	(2,355,000)
Balance, September 30, 2011	530,000	912,000	1,442,000

Of the total balance, $1,305,000 is included in accounts payable and accrued liabilities and $137,000 is included in other long-term liabilities.

An amount of $677,000 is included in accounts payable and accrued liabilities for the termination of the Fiera Capital employees.

During the year, an amount of $1,314,171 was transferred from long term liabilities to accrued liabilities.

4. Joint Venture

On March 31, 2010, new shareholders and employees of the joint venture, Fiera Axium subscribed to shares with voting rights of Fiera Axium resulting in dilution of the investment held in Fiera Axium from 41.18% to 35.35% and a gain on dilution of $106,398 in spite of on additional investment of $500,000 by the Company and a redemption of capital of $875,000 in August 2010.

The consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses and cash flows of the joint venture. The amounts included in the financial statement are the following:

4. Joint venture (continued)

	2011	2010
	$	$
Balance sheets		
Current assets	**1,837,098**	1,018,837
Long-term assets	**812,292**	477,834
Current liabilities	**1,287,136**	1,388,964
Long-term liabilities	**29,684**	33,556
Statement of earnings		
Revenue	**2,754,500**	2,266,580
Expenses	**1,745,680**	2,109,354
Income taxes	**264,390**	77,348
Net earnings	**744,430**	79,878
Cash flows		
Operating activities	**1,155,188**	1,120,018
Investing activities	**(342,350)**	(448,918)
Financing activities	**(5,310)**	134,165
	807,528	805,265

The March 2010, transactions resulted in the elimination of certain assets and liabilities from the previous proportionate consolidation established at 41.18% as follows:

	Debit (credit)
	$
Cash	63,295
Other current assets	84,858
Temporary investments	253,007
Other long-term assets	1,707
Business Partners' deposit	(253,805)
Other current liabilities	(77,030)
	72,032
Effect of the dilution of the investment:	
Cash	(63,295)
Change attributed to non-controlling interest	72,032
Gain on dilution on investment	106,398
	115,135

These intercompany transactions are eliminated upon consolidation:

Accounts receivable	3,023
Accounts payable	(3,023)

5. Restricted cash – Client deposits

The restricted cash consists of client deposits received during the year following the settlement of a class action in favour of certain clients for whom the Company acted as agent. The source and use of funds related to these deposits are not considered as operating activities.

6. Investments

	2011	2010
	$	$
Short-term notes	**-**	3,500,274
Mutual fund and pooled fund investments under management of the Company	**983,339**	1,013,957
	983,339	4,514,231

7. Accounts receivable

	2011	2010
	$	$
Trade accounts	**14,930,767**	14,206,647
Trade accounts – related companies of a shareholder	**1,534,894**	1,496,818
Other	**2,543**	193,289
	16,468,204	15,896,754

8. Long term investment

	2011	2010
	$	$
Investment in the Limited Partnership managed by our Joint Venture (2.857%)	**713,545**	369,303

9. Property and equipment

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office furniture and equipment	**2,276,058**	**1,698,940**	**577,118**	524,590
Computer equipment	**3,065,141**	**2,359,129**	**706,012**	681,545
Leasehold improvements	**1,718,682**	**494,472**	**1,224,210**	1,500,023
	7,059,881	**4,552,541**	**2,507,340**	2,706,158

10. Intangible assets

	2011			2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Indefinite life				
Asset management contracts	**6,170,000**	**-**	**6,170,000**	6,170,000
Finite life				
Customer relationships	**40,424,312**	**3,172,514**	**37,251,798**	39,275,430
Trade name	**2,330,000**	**504,829**	**1,825,171**	2,295,500
Non compete	**805,000**	**290,694**	**514,306**	785,833
Software	**1,892,733**	**1,270,667**	**622,066**	268,281
	51,622,045	**5,238,704**	**46,383,341**	48,795,044

The intangible assets acquired during the year total $786,928 ($255,806 in 2010).

11. Bank loan

The Company has an authorized line of credit of $6,500,000, bearing interest at the prime rate or at the Banker's acceptance rate plus 0.25%, maturing June 2012. This line of credit is unused at year end. It is secured by a movable first mortgage of $6,500,000 on accounts receivable, property and equipment and intangible assets, both present and future.

12. Accounts payable and accrued liabilities

	2011	2010
	$	$
Trade accounts payable and accrued liabilities	**3,836,570**	6,670,515
Wages, vacation and severance payable	**1,685,164**	2,748,490
Bonus and commission payable	**5,428,501**	5,008,913
Taxes	**576,932**	78,655
	11,527,167	14,506,573

13. Employee future benefits

The Company contributes to defined contribution pension plans for its employees. Contributions for the year totalled $795,361 ($557,901 in 2010).

As at January 1st, 2011, an IPP of a former employee of Sceptre had an ongoing funding deficit of $293,057 which requires a yearly contribution of $59,696. The funding requirements, if any, will be officialised with the filing of the January 2012 actuarial report. The Company has recorded a liability as part of the purchase price allocation (Note 3) for the future contributions required under this specific IPP and, as such, has adjusted the purchase price allocation.

14. Income taxes

	2011	2010
	$	$
Current income taxes (recovered)	**4,409,623**	(55,177)
Future income taxes	**53,555**	1,584,661
	4,463,178	1,529,484

The Company's income tax expense differs from the amounts that would have been obtained using the combined federal and provincial statutory tax rate as follows:

	2011	2010
	$	$
Income tax expense based on combined statutory income tax rate	**3,859,873**	1,503,394
Stock based compensation	**268,294**	70,686
Other non-deductible amounts	**176,584**	144,297
Adjustment of future income tax assets and liabilities due to changes to substantively enacted income tax rate	**158,427**	(188,893)
	4,463,178	1,529,484

14. Income taxes (continued)

The main components of future income tax assets and liabilities details as follows:

	2011	2010
	$	$
Future income tax assets		
Property and equipment	**-**	550,358
Lease inducements	**192,173**	249,404
Restructuring provision	**225,697**	816,058
Other	**192,485**	137,125
	610,355	1,752,945
Future income tax liabilities		
Intangible assets	**(9,413,831)**	(10,571,563)
Property and equipment	**(68,697)**	-
	(9,482,528)	(10,571,563)
Net future income taxes liabilities	**(8,872,173)**	(8,818,618)
Allocated as follows		
Future income tax assets - current	**63,741**	55,809
Future income tax liabilities – long-term	**(8,935,914)**	(8,874,427)
	(8,872,173)	(8,818,618)

15. Share capital

Authorized, an unlimited number of:

Class A shares, subordinate voting and participating
Class B shares, special voting, participating

	2011	
	Number	$
Class A subordinate voting shares		
Outstanding, beginning of year	**15,078,721**	**100,510,156**
Transfer from Class B special voting shares	**149,372**	**237,692**
Stock option exercised	**139,573**	**1,091,086**
Outstanding, end of year	**15,367,666**	**101,838,934**
Class B special voting shares		
Outstanding, beginning of year	**21,357,336**	**33,985,404**
Transfer to Class A subordinate voting shares	**(149,372)**	**(237,692)**
Outstanding, end of year	**21,207,964**	**33,747,712**
Total share capital, end of year	**36,575,630**	**135,586,646**

15. Share capital (continued)

	2010	
	Number	$
Class A subordinate voting shares		
Issued in exchange of common shares	14,238,224	95,396,100
Less shares held in trust by the Company[2]	(31,569)	(211,512)
	14,206,655	95,184,588
Issued in exchange for cash	833,333	5,000,000
Stock option exercised	38,733	325,568
Outstanding, end of year	15,078,721	100,510,156
Class B special voting shares		
Issued as part of the business combination and outstanding, end of year	21,357,336	33,985,404
Total share capital at end of year	36,436,057	134,495,560
Fiera share capital transactions prior to the business combination		
Shares capital, beginning of year	45,544,295	30,724,785
Shares issued for cash	2,353,580	4,848,375
Shares redeemed[1]	(2,353,580)	(1,587,756)
Values assigned to class B special voting shares at closing	(45,544,295)	(33,985,404)
Outstanding shares, end of year	-	-
Sceptre share capital transactions prior to the business combination		
Outstanding shares, beginning of year	14,044,590	N/A
Stock options, exercised	193,634	N/A
Exchange for Company Class A subordinate voting shares	(14,238,224)	N/A
Outstanding common shares, end of year	-	-

(1) Shares with a carrying value of $1,587,756 were redeemed for an amount of $4,848,375 and the excess of purchase price over the carrying value of $3,260,619 was charged to retained earnings.

(2) As at September 1 and September 30, 2010, 31,569 Class A subordinated voting shares, which were forfeited prior to vesting under the Sceptre stock purchase incentive plans, were held in trust by the Company. These shares are presented in reduction of the share capital outstanding as at September 1, 2010 and September 30, 2010.

Under the terms of the plans, such forfeited shares were available for allocation to other participants in the plans. However, the stock purchase incentive plans were cancelled at the end of the year.

16. Earnings per share

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

	2011	2010
	$	$
Net earnings	**8,957,800**	3,492,689
Weighted average shares outstanding – basic	**36,531,305**	15,888,902
Effect of dilutive stock options	**441,516**	47,386
Weighted average shares outstanding – diluted	**36,972,821**	15,936,288
Basic earnings per share	**0.25**	0.22
Diluted earnings per share	**0.24**	0.22

For the year ended September 30, 2011, the hypothetical conversions do not include 709,028 options with an anti-dilutive effect (19,400 in 2010).

17. Stock option plan

A summary of the changes that occurred during the year ended September 30, 2011 in the Company's stock option plans is presented below:

Under the 2007 plan, the exercise price of each stock option equals 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 and each stock option's maximum term is ten years. The Board may determine when any option will become exercisable and may determine that the option will be exercisable in instalments or pursuant to a vesting schedule.

	Number of Class A subordinate voting shares	Weighted-average exercise price
Outstanding options,		
Beginning, September 30, 2010	1,135,878	4.25
Granted	709,028	8.39
Exercised	(139,573)	5.54
Expired	(7,200)	6.15
Forfeited	(68,061)	4.10
Ending, September 30, 2011	1,630,072	5.93
Options exercisable, end of year	320,875	4.75

17. Stock option plan (continued)

The following table presents the weighted average assumptions used during the years to determine the stock-based compensation expense using the Black-Scholes option pricing model:

	2011	2010
Stock-based compensation expense ($)	**932,873**	236,129
Dividend yield (%)	**3.76% to 3.85%**	5.00%
Risk-free interest rate (%)	**2.25%**	2.25%
Expected life (years)	**5**	7
Expected volatility for the share price (%)	**50%**	30%
Weighted average fair values ($)	**2.75 to 2.83**	0.29

a) The following table summarizes the stock options outstanding as at September 30, 2011:

Options outstanding				Options exercisable	
Range of exercise price	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
			$		$
$3.67	750,211	8	3.67	150,042	3.67
$5.41 to $6.37	170,833	3	5.73	170,833	5.70
$8.31 to $8.50	709,028	9	8.39	-	-

17. Stock option plan (continued)

b) Deferred share unit plan

During 2007, the board of directors of Sceptre adopted a deferred share unit plan (DSU Plan) for the purposes of strengthening the alignment of interests between the directors and the shareholders of Sceptre, by linking a portion of annual director compensation to the future value of Sceptre's 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 Sceptre of its earnings results for the previous quarter, that number of DSUs 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 DSUs. The number of DSUs 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 Fiera Sceptre 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, Fiera Sceptre would make a cash payment to the director equal to the closing price of the Fiera Sceptre's Class A shares on the date of departure, multiplied by the number of DSUs 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.

As at September 30, 2011, management had provided an amount of approximately $192,000 for the 30,325 units ($237,000 for 29,318 units in 2010) outstanding under the DSU Plan.

18. Additional information relating to the statement of cash flows

	2011	2010
	$	$
Changes in non-cash operating working capital items		
Accounts receivable	(471,450)	(1,221,663)
Prepaid expenses	(256,959)	(2,463)
Accounts payable and accrued liabilities	(4,264,004)	1,162,450
Amount due to related companies	86,991	(470,758)
Deferred income	(40,134)	57,811
Prepaid management fees	551,061	333,850
Due to shareholders of the joint venture	(573,199)	573,199
	(4,967,694)	432,426
Other information		
Interest paid	-	51,661
Income tax paid	5,284,070	-
Income tax received	2,051,661	-

During the year, the Company sold certain of its property and equipment for an amount of $100,000 which is still receivable at year end.

19. Commitments

The Company leases office space and equipment under operating leases expiring at different dates until 2022. Future lease payments will total $22,728,879 and include the following payments in each of the next five years:

	$
2012	2,991,546
2013	2,474,444
2014	2,406,372
2015	2,432,678
2016	2,477,057
2017 and thereafter	9,946,782

20. Related party transactions

The Company has carried out the following transactions with shareholders and their related companies:

	2011	2010
	$	$
Management fees, net of discounts	7,740,972	7,207,109
Other revenues	247,582	116,364
Operating expenses		
Salaries and employee benefits	573,047	389,743
Management fees	51,000	51,000
Other expenses	27,842	52,271

These 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.

21. Financial instruments and risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at September 30, 2011.

The Company's business is the management of investment assets. The key performance driver of the Company's ongoing results is the level of assets under management. The level of assets under management is directly tied to investment returns and the Company's ability to retain existing assets and attract new assets.

The Company's consolidated balance sheets include a portfolio of investments. The value of these investments is subject to a number of risk factors. While a number of these risks also affect the value of client assets under management, the following discussion related only to the Company's own portfolio of investments.

The Company's exposure to potential loss from its financial instrument investments is primarily due to market risk, including interest rate and equity market fluctuation risks, liquidity risk and credit risk.

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.

Equity market fluctuation risk

Fluctuations in the value of equity securities affect the level and timing or recognition of gains and losses on equity and mutual fund securities in the Company's portfolio and causes 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 value of mutual fund available-for-sale financial assets held.

The Company's investment portfolio is managed by the Company with a medium risk mandate. The Company's particular expertise is investment management and, as part of its daily operations, it has resources to assess and manage the risks of a portfolio. The Company's portfolio of equity and equity-related securities as at September 30, 2011, comprises mutual fund and pooled fund investments under the management of the Company with a fair value of $983,339. Mutual fund and pooled fund investments comprise a well-diversified portfolio of Canadian investments and have no specific maturities.

A 10% change in the Company's equity and equity-related holding as at September 30, 2011 has an impact of increasing or decreasing the OCI by $98,334.

21. Financial instruments and risk management (continued)

Credit risk

The credit risk is the risk that one party to a financial instrument fail to discharge an obligation and causes financial loss to another party.

The Company's principal financial assets are cash, restricted cash, temporary investments and accounts receivable which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheets represent the Company's maximum credit exposure at the balance sheets' date.

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated balance sheets are net of allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. No customer represents 10% of the Company's accounts receivable as at September 30, 2011 and 2010.

The credit risk on cash, restricted cash and temporary investments is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

As at September 30, the aging of accounts receivable were as follows:

	2011	2010
	$	$
Trade		
Current	13,379,975	12,108,351
Aged between 61 – 119 days	260,644	435,510
Aged greater than 120 days	129,672	118,217
Total trade	13,770,291	12,662,078
Related company	1,537,437	1,690,106
Others	1,160,476	1,544,570
	16,468,204	15,896,754

21. Financial instruments and risk management (continued)

Interest rate risk

The Company was subject to interest rate risk due to interest rate fluctuations on the balance of the mortgage loan which was repaid during 2010.

Currency risk

The Company realizes less than 1% of its sales principally in US dollar and is thus not significantly exposed to foreign exchange fluctuations. The Company does not actively manage this risk.

The consolidated balance sheets include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2011	2010
	$	$
US dollars		
Cash	**46,202**	92,936
Accounts receivable	**2,384**	2,470

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements. The Company has the following financial liabilities and commitments as at September 30, 2011:

	Carrying value	2012	2013	2014
	$	$	$	$
Accounts payable and accrued liabilities	11,527,167	11,527,167	-	-
Amount due to related company	195,110	195,110	-	-
Other long-term liabilities	370,252	-	196,587	59,696
Commitments	-	2,991,546	2,474,444	2,406,372
	12,092,529	14,713,823	2,671,031	2,466,068

The Company generates enough cash from its operating activities and has sufficient available financing via its bank loan to finance its activities and to respect its obligations as they become due.

21. Financial instruments and risk management (continued)

Fair value

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, amount due to related companies, due to shareholders of the joint venture and client deposits is approximately equal to their carrying values due to their short-term maturities.

The cost of the long-term investment and mutual fund investment is $1,679,966 while the fair value is $1,696,884 and the unrealized gain of $16,918 is reflected in other comprehensive income.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheets, classified using the fair value hierarchy described above:

	Level 1	Level 2	Total financial assets financial at fair value
	$	$	$
Financial assets			
Cash	1,714,569	-	1,714,569
Mutual fund and pooled fund investments under management of the Company	783,329	200,010	983,339
Long-term investment	-	713,545	713,545
Total financial assets	2,497,898	913,555	3,411,453

22. Capital management

The Company's capital comprises share capital and retained earnings, 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.

In order to maintain its capital structure, the Company may issue new shares or proceed to the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility.

In order to be in compliance with Canadian securities administration regulations the Company is required to maintain a minimum working capital of $200,000 as defined in Regulation 31-103 respecting Registration Requirements and Exemptions.

23. Segmented information

Management of the Company has determined that the Company's segment is investment management services in Canada and almost all assets are located in Canada.

24. Subsequent event

On October 6, 2011, the board of directors adopted an Employee Share Purchase Plan (ESPP) for the purposes of attracting and retaining eligible employees, therefore allowing them to participate in the growth and development of the Company. The maximum number of issuable Shares under this plan is 1.5 million shares of Class A subordinate voting shares. The Board may determine the subscription date and the number of shares each eligible employee can subscribe to. The subscription price is determined by the volume-weighted, average trading price (VWAP) of Company shares on the TSX for the five trading days immediately preceding the date of the subscription Date.

25. Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

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