# Interim Consolidated Financial Statements of FIERA CAPITAL CORPORATION (Formerly known as Fiera Sceptre Inc.)

For the three months period and the six months period ended March 31, 2012 and 2011 (unaudited)

The interim consolidated financial statements have not been reviewed by the Company's external auditors.

FIERA CAPITAL

# Fiera Capital Corporation
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# Fiera Capital Corporation
## Interim Consolidated Statements of Income
**(unaudited)**
***(in thousands of Canadian dollars, except per share data)***

| | For the three months ended March 31st | | For the six months ended March 31st | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| **Revenue** | | | | |
| Base management fees | **15,473** | 16,545 | **30,654** | 33,174 |
| Performance fees | **43** | 1,015 | **928** | 2,894 |
| Interest and other revenues | **16** | 376 | **81** | 425 |
| | **15,532** | 17,936 | **31,663** | 36,493 |
| **Expenses** | | | | |
| Selling, general and administrative expenses | **12,005** | 12,741 | **24,556** | 23,497 |
| External managers | **125** | 885 | **291** | 1,785 |
| Depreciation of property, plant and equipment | **217** | 124 | **419** | 324 |
| Amortization of intangible assets | **870** | 871 | **1,754** | 1,653 |
| (Gain) loss on disposal of asset | **(8)** | - | **6** | - |
| | **13,209** | 14,621 | **27,026** | 27,259 |
| Earnings before the following items | **2,323** | 3,315 | **4,637** | 9,234 |
| Share of loss (earnings) of joint ventures | **105** | (598) | **84** | (506) |
| Acquisition cost | **2,600** | - | **3,515** | - |
| Restructuring and other costs (Note 3) | **-** | 1,622 | **-** | 3,013 |
| (Loss) earnings before income taxes | **(382)** | 2,291 | **1,038** | 6,727 |
| Income taxes | **52** | 393 | **643** | 2,014 |
| **Net (loss) earnings for the period** | **(434)** | 1,898 | **395** | 4,713 |
| (Loss) earnings per share (Note 8) | | | | |
| Basic and diluted | **(0.01)** | 0.05 | **0.01** | 0.13 |

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

# Fiera Capital Corporation

## Interim Consolidated Statements of Comprehensive Income (loss)

**(unaudited)**
***(in thousands of Canadian dollars)***

| | For the three months ended March 31st | | For the six months ended March 31st | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| **Net (loss) earnings** | **(434)** | 1,898 | **395** | 4,713 |
| Other comprehensive income: | | | | |
| Items that maybe reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on available-for-sale financial assets (net of taxes) | **24** | 27 | **28** | 58 |
| Share of other comprehensive income from joint ventures | **25** | (24) | **40** | (16) |
| Other comprehensive income for the period | **49** | 3 | **68** | 42 |
| Comprehensive income for the period | **(385)** | 1,901 | **463** | 4,755 |

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

# Fiera Capital Corporation

## Interim Consolidated Balance Sheets

**(unaudited)**

***(in thousands of Canadian dollars)***

| | As at March 31st, 2012 | As at September 30, 2011 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | | |
| Restricted cash | **425** | 218 |
| Investments | **1,026** | 983 |
| Accounts receivable | **15,890** | 16,414 |
| Advance to a joint venture | **467** | - |
| Prepaid expenses | **1,064** | 716 |
| | **18,872** | 18,331 |
| Non-current assets | | |
| Investments in joint ventures (Note 3) | **1,289** | 1,333 |
| Property, plant and equipment | **3,602** | 2,413 |
| Intangible assets (Note 4) | **49,031** | 50,749 |
| Goodwill (Note 4) | **90,470** | 90,470 |
| Deferred charges | **196** | 224 |
| Deferred income taxes | **69** | 50 |
| | **163,529** | 163,570 |
| **Liabilities** | | |
| Current liabilities | | |
| Bank overdraft | **4,692** | 34 |
| Accounts payable and accrued liabilities | **7,570** | 8,867 |
| Dividends payable | **2,929** | - |
| Restructuring provisions (Note 5) | **734** | 1,982 |
| Amount due to related companies | **124** | 149 |
| Client deposits | **425** | 218 |
| Prepaid management fees | **8** | 8 |
| | **16,482** | 11,258 |
| Non-current liabilities | | |
| Deferred lease obligations | **420** | 320 |
| Lease inducements | **1,117** | 706 |
| Deferred income taxes | **9,322** | 10,079 |
| Long term restructuring provisions (Note 5) | **-** | 137 |
| Other long term liabilities | **233** | 233 |
| | **27,574** | 22,733 |
| **Equity** | | |
| Share capital (Note 6) | **135,912** | 135,587 |
| Contributed surplus | **1,888** | 1,703 |
| Retained earnings (deficit) | **(1,930)** | 3,530 |
| Accumulated other comprehensive income | **85** | 17 |
| | **135,955** | 140,837 |
| | **163,529** | 163,570 |

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

Approved by the Board

Jean-Guy Desjardins, Director

Sylvain Brosseau, Director

# Fiera Capital Corporation

## Interim Consolidated Statements of Changes in Equity

**(unaudited)**

***(in thousands of Canadian dollars)***

| | For the six months ended March 31st | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Share capital** | | |
| Balance, beginning of period | **135,587** | 134,496 |
| Stock options exercised | **325** | 733 |
| Balance, end of period | **135,912** | 135,229 |
| **Contributed surplus** | | |
| Balance, beginning of period | **1,703** | 1,088 |
| Stock-based compensation expense | **293** | 442 |
| Stock options exercised | **(108)** | (199) |
| Balance, end of period | **1,888** | 1,331 |
| **Retained earnings (deficit)** | | |
| Balance, beginning of period | **3,530** | 5,719 |
| Net earnings | **395** | 4,713 |
| Dividends | **(5,855)** | (5,110) |
| Balance, end of period | **(1,930)** | 5,322 |
| **Accumulated other comprehensive income** | | |
| Balance, beginning of period | **17** | 8 |
| Other comprehensive income | **68** | 42 |
| Balance, end of period | **85** | 50 |

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

# Fiera Capital Corporation

## Interim Consolidated Statements of Cash Flows

**(unaudited)**
***(in thousands of Canadian dollars)***

| | For the three months ended March 31st | | For the six months ended March 31st | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| **Cash flows generated by (used in)** | | | | |
| **Operating activities** | | | | |
| Net (loss) earnings | **(434)** | 1,898 | **395** | 4,713 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **217** | 124 | **419** | 324 |
| Amortization of intangible assets | **870** | 871 | **1,754** | 1,653 |
| Amortization of deferred charges | **14** | 29 | **28** | 60 |
| Lease inducements | **(33)** | (48) | **(75)** | (92) |
| Deferred lease obligations | **51** | (5) | **100** | 7 |
| Stock-based compensation | **113** | 239 | **293** | 442 |
| Other | **(3)** | - | **(15)** | - |
| Deferred income taxes | **(524)** | (178) | **(776)** | (108) |
| Share of loss (earnings) from joint ventures | **105** | (598) | **84** | (506) |
| Changes in non-cash operating working capital items | **(3,420)** | (1,462) | **(2,531)** | (5,463) |
| **Net cash generated (used) from operation activities** | **(3,044)** | 870 | **(324)** | 1,030 |
| | | | | |
| **Investing activities** | | | | |
| Business combination adjustment | **-** | 15 | **-** | (361) |
| Investments | **-** | 2,481 | **-** | 3,454 |
| Advance to a joint venture | **(467)** | - | **(467)** | - |
| Purchase of property, plant and equipment | **(78)** | (567) | **(1,608)** | (936) |
| Purchase of intangible assets | **(28)** | (448) | **(36)** | (546) |
| Investments in joint ventures (Note 3) | **-** | - | **-** | (875) |
| Lease inducements | **88** | 71 | **486** | 71 |
| Deferred charges | **-** | - | **-** | (104) |
| **Net cash generated (used) in investing activities** | **(485)** | 1,552 | **(1,625)** | 703 |
| | | | | |
| **Financing activities** | | | | |
| Dividends paid | **-** | (2,921) | **(2,926)** | (5,110) |
| Issuance of share capital | **217** | 233 | **217** | 534 |
| **Net cash generated (used) in financing activities** | **217** | (2,688) | **(2,709)** | (4,576) |
| | | | | |
| Net decrease in cash and cash equivalents | **(3,312)** | (266) | **(4,658)** | (2,843) |
| Cash and cash equivalents – beginning of period | **(1,380)** | (1,400) | **(34)** | 1,177 |
| **Cash and cash equivalents – end of period** | **(4,692)** | (1,666) | **(4,692)** | (1,666) |
| | | | | |
| Income taxes recovered | **-** | - | **-** | 1,814 |
| Income taxes paid | **900** | 3,087 | **900** | 3,087 |

Cash and cash equivalents include bank overdraft
The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

## 1. General information

Fiera Capital Corporation ("Fiera Capital Corporation" or the "Company") was incorporated as Fry Investment Management Limited in 1955 and 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 business 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 under the name Fiera Sceptre Inc. ("Fiera Sceptre").

On April 2, 2012, Fiera Sceptre and National Bank of Canada ("National Bank" or the "Bank") announced the closing of the transaction under which Fiera Capital Corporation will acquire substantially all of the assets of Natcan Investment Management Inc. ("Natcan") from the Bank for $309.5 million subject to reduction ("the Acquisition"). (See events after the reporting period in Note 14)

Consequentially, the Company changed its registered company name to Fiera Capital Corporation as approved by the shareholders at Fiera Capital Corporation annual and special meeting held on March 29, 2012.

Fiera Capital Corporation is registered in the categories of exempt market dealer and portfolio manager in all Provinces and Territories of Canada and as an investment adviser with the US Securities and Exchange Commission. Fiera Capital Corporation is also registered in the category of investment fund manager in the provinces of Ontario and Quebec. In addition, as Fiera Capital Corporation manages derivatives portfolios, it is registered as a commodity trading manager pursuant to the *Commodity Futures Act* (Ontario), as an adviser under the *Commodity Futures Act* (Manitoba) and, in Quebec, as derivatives portfolio manager pursuant to the *Derivatives Act* (Québec).

# 1. General information (continued)

## Basis of presentation and adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in Part I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") which require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). Subject to certain transition elections and exceptions disclosed in Note 13, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet as at October 1, 2010, throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended September 30, 2011, prepared under Canadian GAAP.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2012, the date the Board of Directors approve the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended September 30, 2011. Note 13 discloses IFRS information for the year ended September 30, 2011, not provided in the 2011 annual financial statements.

These interim financial statements were prepared by Fiera Capital Corporation management and were not examined by the Company's Auditors.

These interim financial statements are presented in Canadian dollars, which is the Company's financial currency.

## 2. Significant accounting policies, judgments and estimation uncertainty

The significant accounting policies used in the preparation of these interim consolidated financial statements are described below.

### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities measured at fair value as discussed under "Financial instruments".

The significant accounting policies as disclosed in Note 2 of the Company's unaudited interim consolidated financial statement for the first quarter ended December 31, 2011 and have been applied consistently in the current unaudited interim consolidated financials statements.

### Consolidation

The financial statements of the Company consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The consolidated financial statements include the accounts of Fiera Sceptre and its wholly owned subsidiaries, Fiera Sceptre Funds Inc. ("FSFI") which is registered with various provincial securities commissions as a mutual fund dealer and maintains membership in the Mutual Fund Dealer Association and Sceptre Fund Management Inc. ("SFMI")

### Investments in joint ventures

Fiera Axium Infrastructure Inc. ("Fiera Axium") is an entity specialized in infrastructure investment and Fiera Properties Limited ("Fiera properties") is an entity specialized in real estate investments, over which the Company has joint control. The financial results of the Company's investments in its joint ventures are included in the Company's results using the equity method.

### Accounting standards issued but not yet applied

Unless otherwise noted, the following revised standards and amendments, which are relevant but have not yet been adopted by the Company, are effective for annual periods beginning on or after January 1, 2013 except for IFRS 9 which is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

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

*IFRS 7(Revised) – Financial Instruments: Disclosures*

On December 16, 2011 the IASB and Financial Accounting Standards Board ("FASB") issued common disclosure requirements that are intended to help investors and other users to better asses the effects or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The IFRS 7 amendments are effective for annual reporting periods beginning on after January 1, 2013.

*IFRS 9 – Financial Instruments*

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

*IFRS 10 – Consolidated financial statements*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, IFRS 10 requires an entity to consolidate 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 will replace SIC-12, *Consolidation-Special Purpose Entities*, as parts of IAS 27, *Consolidated and Separate Financial Statements.*

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

*IFRS 11 – Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

*IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

*IFRS 13 – Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

*(in thousands of Canadian dollars)*

## 3. Investments in joint ventures

| | March 31, 2012 | September 30, 2011 |
|---|---|---|
| | **$** | $ |
| Opening balance | **1,333** | 56 |
| Dividends | **-** | (354) |
| Subscription of capital | **-** | 875 |
| Share of (loss) earnings during the period | **(84)** | 744 |
| Share of other comprehensive income | **40** | 12 |
| Closing balance | **1,289** | 1,333 |

During the month of February, the Company increased its share of ownership from 35% to 36% resulting from a share buy back from the joint venture.

The Company's share in the results of Fiera Axium and its aggregated assets and liabilities, are as follows:

| | March 31, 2012 | September 30, 2011 |
|---|---|---|
| | $ | $ |
| Balance sheets | | |
| Assets | **2,115** | 2,649 |
| Liabilities | **726** | 1,317 |

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | $ | $ | $ | $ |
| Statements of income | | | | |
| Revenue | **512** | 1,376 | **1,116** | 1,613 |
| Net income | **66** | 598 | **112** | 487 |

*(in thousands of Canadian dollars)*

## 3. Investments in joint ventures (continued)

During the six month period, the Company subscribed to shares with voting rights in a new joint ventures, Fiera Properties, for an amount of 1 dollar representing 50% of the shares with voting rights. (see events after the reporting period in Note 14)

The Company's share of 50% in the results of Fiera Properties and its aggregated assets and liabilities, are as follows:

| | March 31, 2012 | September 30, 2011 |
|---|---|---|
| | $ | $ |
| Balance sheets | | |
| Assets | **598** | - |
| Liabilities | **794** | - |

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | $ | $ | $ | $ |
| Statements of income | | | | |
| Revenue | **-** | - | **-** | - |
| Net income | **(171)** | - | **(196)** | - |

***(in thousands of Canadian dollars)***

## 4. Intangible assets and Goodwill

| | | Indefinite life | Finite life | | | | |
|---|---|---|---|---|---|---|---|
| | Goodwill | Asset management contracts | Customer relationships | Trade name | Non-compete | Software | Total |
| | $ | $ | $ | $ | $ | $ | $ |
| **At October 1, 2010** | | | | | | | |
| Cost | 89,905 | 6,170 | 45,280 | 2,330 | 805 | 1,195 | 55,780 |
| Accumulated amortization | - | - | (1,392) | (34) | (19) | (927) | (2,372) |
| Net book value | 89,905 | 6,170 | 43,888 | 2,296 | 786 | 268 | 53,408 |
| **Year ended September 30, 2011 [1]** | | | | | | | |
| Opening net book value | 89,905 | 6,170 | 43,888 | 2,296 | 786 | 268 | 53,408 |
| Additions | 565 | - | - | - | - | 781 | 781 |
| Amortization for the year | - | - | (2,266) | (470) | (272) | (432) | (3,440) |
| Closing net book value | 90,470 | 6,170 | 41,622 | 1,826 | 514 | 617 | 50,749 |
| **At September 30, 2011** | | | | | | | |
| Cost | 90,470 | 6,170 | 45,280 | 2,330 | 805 | 1,886 | 56,471 |
| Accumulated amortization | - | - | (3,658) | (504) | (291) | (1,269) | (5,722) |
| Net book value | 90,470 | 6,170 | 41,622 | 1,826 | 514 | 617 | 50,749 |
| **Period ended March 31, 2012** | | | | | | | |
| Opening net book value | **90,470** | **6,170** | **41,622** | **1,826** | **514** | **617** | **50,749** |
| Additions | **-** | **-** | **-** | **-** | **-** | **36** | **36** |
| Amortization for the period | **-** | **-** | **(1,132)** | **(233)** | **(134)** | **(255)** | **(1,754)** |
| Closing net book value | **90,470** | **6,170** | **40,490** | **1,593** | **380** | **398** | **49,031** |
| **At March 31, 2012** | | | | | | | |
| Cost | **90,470** | **6,170** | **45,280** | **2,330** | **805** | **1,922** | **56,507** |
| Accumulated amortization | **-** | **-** | **(4,790)** | **(737)** | **(425)** | **(1,524)** | **(7,476)** |
| Net book value | **90,470** | **6,170** | **40,490** | **1,593** | **380** | **398** | **49,031** |

[1] During the year ended September 2011; the Company disposed of software which had an accounting cost of $90 and accumulated amortization of $90.

*(in thousands of Canadian dollars)*

## 5. Restructuring provisions

With respect to the business combination that occurred in September 2010, the Company recorded restructuring provisions related to leases for premises occupied by Sceptre which the Company vacated as well as costs related with termination of certain employees of the acquired business which were performing functions already available through its existing structure. The change in the restructuring provision during the periods is as follows:

| | Severance | Consolidation of facilities | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, October 1st, 2010 | 2,189 | 1,384 | 3,573 |
| Addition (reversal) during the period | 313 | (89) | 224 |
| Paid during the period | (1,972) | (383) | (2,355) |
| Balance, September 30, 2011 | **530** | **912** | **1,442** |
| Paid during the period | **(476)** | **(391)** | **(867)** |
| Balance, March 31, 2012 | **54** | **521** | **575** |

All amounts are included in accounts payable and accrued liabilities.

An amount of $159 is included in accounts payable and accrued liabilities for the termination of the Fiera Capital employees.

During the six month period, an amount of $137 was transferred from long term liabilities to accrued liabilities.

***(in thousands of Canadian dollars)***

## 6. Share capital

Authorized, an unlimited number of:
Class A shares, subordinate voting and participating
Class B shares, special voting, participating

| | Class A Subordinate voting shares | | Class B Special voting shares | | Total | |
|---|---|---|---|---|---|---|
| | Number | $ | Number | $ | Number | $ |
| At October 1, 2010 | 15,078,721 | 100,510 | 21,357,336 | 33,986 | 36,436,057 | 134,496 |
| Transfer from Class B special voting shares to Class A Subordinate voting shares | 149,372 | 238 | (149,372) | (238) | - | - |
| Stock options exercised | 139,573 | 1,091 | - | - | 139,573 | 1,091 |
| **As at September 30, 2011** | **15,367,666** | **101,839** | **21,207,964** | **33,748** | **36,575,630** | **135,587** |
| Stock options exercised | 38,500 | 325 | - | - | 38,500 | 325 |
| **As at March 31, 2012** | **15,406,166** | **102,164** | **21,207,964** | **33,748** | **36,614,130** | **135,912** |

## 7. 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:

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| Net (loss) earnings for the period | **(434)** | 1,898 | **395** | 4,713 |
| Weighted average shares outstanding – basic | **36,601,015** | 36,522,722 | **36,588,253** | 36,498,428 |
| Effect of dilutive stock options | **444,132** | 88,124 | **409,440** | 250,806 |
| Weighted average shares outstanding – diluted | **37,045,147** | 36,610,846 | **36,997,693** | 36,749,234 |
| Basic and diluted (loss) earnings per share | **(0.01)** | 0.05 | **0.01** | 0.13 |

For the three months and the six months ended March 31, 2012 and 2011, the calculation of hypothetical conversions does not include 1,445,145 options (709,028 in 2011) with an anti-dilutive effect.

*(in thousands of Canadian dollars)*

## 8. Share-based payment

A summary of the changes that occurred during the six months period ended March 31, 2012 in the Company's stock option plans is presented below:

| | Number of Class A subordinate voting shares | Weighted-average exercise price |
|---|---|---|
| **For the period ended March 31, 2012** | | |
| Outstanding options | | |
| Beginning of the period | 1,630,072 | 5.93 |
| Granted | 742,117 | 8.44 |
| Exercised | (38,500) | 5.65 |
| Forfeited | (16,000) | 5.66 |
| Outstanding, end of period | 2,317,689 | 6.74 |
| Option exercisable, end of period | 558,221 | 5.30 |

The following table presents the weighted average assumptions used during the six months ended March 31, 2012 to determine the stock-based compensation expense using the Black-Scholes option pricing model:

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Stock-based compensation expense ($) | **113** | 239 | **293** | 442 |
| Dividend yield (%) | **3.79** | 3.85 | **3.79** | 3.85 |
| Risk-free interest rate (%) | **1.91** | 2.25 | **1.91** | 2.25 |
| Expected life (years) | **7.5** | 5 | **7.5** | 5 |
| Expected volatility for the share price (%) | **47** | 50 | **47** | 50 |
| Weighted average fair values ($) | **2.82** | 2.75 | **2.82** | 2.75 |

## 9. Financial risk management

The Company, through its financial assets and financial liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at March 31, 2012.

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 interim consolidated balance sheet includes 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 due primarily to market risk, including interest rate and equity market fluctuation risks, credit risk and liquidity 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.

## 9. Financial risk management (continued)

*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 and pooled 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 the equity, mutual fund, pooled fund and fixed income available-for-sale financial assets held.

The Company manages its investment portfolio with a medium risk mandate. Its 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 March 31, 2012, comprises mutual fund and pooled fund investments under its management with a fair value of $1,026. Mutual fund and pooled investments comprise a well-diversified portfolio of Canadian investments. Mutual fund and pooled fund units have no specific maturities.

A 10% change in the Company's equity and equity-related holdings in other comprehensive income as at March 31, 2012 has an impact of increasing or decreasing other comprehensive income by $103.

*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.

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.

*Interest rate risk*

The Company was subject to interest rate risk due to interest rate fluctuations on the balance of the bank loan.

*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 generates enough cash from its operating activities and has sufficient available financing via its authorized line of credit to finance its activities and respect its obligations as they become due.

*(in thousands of Canadian dollars)*

## 10. Capital management

The Company's capital comprises share capital, retained earnings and long-term debt, including the current portion, 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.

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.

## 11. Related party transactions

The following table details transactions carried out with shareholders and their related companies:

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | **$** | $ | **$** | $ |
| Management fees | **1,837** | 1,921 | **3,597** | 3,836 |

## 12. Segment reporting

The Company operates in one operating segment (management services in Canada); therefore, no additional segmental information is presented.

The chief operating decision-maker of the Company has determined that the Company's reportable segment is investment management services in Canada and almost all assets are located in Canada.

*(in thousands of Canadian dollars)*

## 13. Transition to IFRS

The effect of the Company's transition to IFRS, described in *Note 2*, is summarized in this note as a reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS, adjustments to the consolidated statement of cash flows and additional IFRS information for year ended September 30, 2011.

The significant optional exemption and mandatory exceptions we applied upon adopting IFRS are summarized in note 13 to our unaudited interim consolidated financial statements for the three months period ended December 31, 2011.

*Reconciliation of IFRS and Canadian GAAP*

The following reconciliations provide a quantification of the effect of the transition to IFRS and provide details of the impact of the transition on equity and comprehensive income:

a) Reconciliation of equity as previously reported under Canadian GAAP to IFRS.

| | Note | March 31, 2011 |
|---|---|---|
| | | $ |
| As reported under Canadian GAAP | | 138,607 |
| Total reversal of impairment losses on intangibles | (c) | 3,325 |
| As reported under IFRS | | 141,932 |

(in thousands of Canadian dollars)

## 13. Transition to IFRS (continued)

| | | March 31, 2011 | | | |
|---|---|---|---|---|---|
| | Note | Canadian GAAP | Joint venture adjustments | IFRS adjustments and reclassification | IFRS |
| | | $ | $ | $ | $ |
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | (a) | 2 | (1,668) | 1,666 | - |
| Restricted cash | | 1,834 | - | - | 1,834 |
| Investments | | 1,111 | - | - | 1,111 |
| Accounts receivable | (a) | 17,788 | (167) | - | 17,621 |
| Prepaid expenses | (a) | 749 | (1) | - | 748 |
| Deferred income taxes | (a) (e) | 80 | (14) | (66) | - |
| | | 21,564 | (1,850) | 1,600 | 21,314 |
| Non-current assets | | | | | |
| Long-term investment | (a) | 693 | (693) | - | - |
| Investments in joint ventures | (a) | - | 1,427 | - | 1,427 |
| Property, plant and equipment | (a) | 3,312 | (102) | - | 3,210 |
| Intangible assets | (c) | 47,814 | (5) | 4,492 | 52,301 |
| Goodwill | | 90,470 | - | - | 90,470 |
| Deferred charges | | 253 | - | - | 253 |
| Deferred income taxes | (e) | - | - | 66 | 66 |
| | | 164,106 | (1,223) | 6,158 | 169,041 |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Bank overdraft | (a) | - | - | 1,666 | 1,666 |
| Accounts payable and accrued liabilities | (a) (d) | 11,873 | (580) | (3,939) | 7,354 |
| Restructuring Provisions | (d) | - | - | 3,939 | 3,939 |
| Client deposits | | 1,834 | - | - | 1,834 |
| Deferred income | (a) | 73 | (73) | - | - |
| Prepaid management fees | (a) | 538 | (538) | - | - |
| | | 14,318 | (1,191) | 1,666 | 14,793 |
| Non-current liabilities | | | | | |
| Deferred lease obligation | | 309 | - | - | 309 |
| Lease inducements | (a) | 956 | (32) | - | 924 |
| Deferred income taxes | (c) | 8,811 | - | 1,167 | 9,978 |
| Long term restructuring provision | (d) | - | - | 872 | 872 |
| Other long term liabilities | (d) | 1,105 | - | (872) | 233 |
| | | 25,499 | (1,223) | 2,833 | 27,109 |
| **Equity** | | | | | |
| Share capital | | 135,229 | - | - | 135,229 |
| Contributed surplus | | 1,331 | - | - | 1,331 |
| Retained earnings | (c) | 1,997 | - | 3,325 | 5,322 |
| Accumulated other comprehensive income | | 50 | - | - | 50 |
| | | 138,607 | - | 3,325 | 141,932 |
| | | 164,106 | (1,223) | 6,158 | 169,041 |

***(in thousands of Canadian dollars)***

## 13. Transition to IFRS (continued)

b) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS:

| | Note | For the three months ended March 31 2011 | For the six months ended March 31 2012 |
|---|---|---|---|
| | | $ | $ |
| Comprehensive income as reported under Canadian GAAP | | 1,945 | 4,844 |
| Change in net earnings | (c) | (44) | (89) |
| Comprehensive income as reported under IFRS | | 1,901 | 4,755 |

| | For the three months ended March 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Note | Canadian GAAP | Joint venture adjustments | IFRS adjustments and reclassification | IFRS |
| | $ | $ | $ | $ | $ |
| **Revenue** | | | | | |
| Base management fees | (a) | 17,916 | (1,371) | - | 16,545 |
| Performance fees | | 1,015 | - | - | 1,015 |
| Interest and other revenues | (a) | 381 | (5) | - | 376 |
| | | 19,312 | (1,376) | - | 17,936 |
| **Expenses** | | | | | |
| Selling, general and administrative expenses | (a) | 13,281 | (540) | - | 12,741 |
| External manager | | 885 | - | - | 885 |
| Depreciation of property, plant and equipment | (a) | 128 | (4) | - | 124 |
| Amortization of intangible assets | (a) (c) | 811 | - | 60 | 871 |
| Other operating expenses | | 1,622 | - | - | 1,622 |
| Share of earnings of joint ventures | (a) | - | (598) | - | (598) |
| Earnings before income taxes | | 2,585 | (234) | (60) | 2,291 |
| Income taxes | (a) (c) | 643 | (234) | (16) | 393 |
| **Net earnings for the period** | | 1,942 | - | (44) | 1,898 |

*(in thousands of Canadian dollars)*

## 13. Transition to IFRS (continued)

| | For the six months ended March 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Note | Canadian GAAP | Joint venture adjustments | IFRS adjustments and reclassification | IFRS |
| | $ | $ | $ | $ | $ |
| **Revenue** | | | | | |
| Base management fees | (a) | 34,782 | (1,608) | - | 33,174 |
| Performance fees | | 2,894 | - | - | 2,894 |
| Interest and other revenues | (a) | 430 | (5) | - | 425 |
| | | 38,106 | (1,613) | - | 36,493 |
| **Expenses** | | | | | |
| Selling, general and administrative expenses | (a) | 24,409 | (912) | - | 23,497 |
| External manager | | 1,785 | - | - | 1,785 |
| Depreciation of property, plant and equipment | (a) | 332 | (8) | - | 324 |
| Amortization of intangible assets | (a) (c) | 1,533 | (1) | 121 | 1,653 |
| Other operating expenses | | 3,013 | - | - | 3,013 |
| Share of earnings of joint ventures | (a) | - | (506) | - | (506) |
| Earnings before income taxes | | 7,034 | (186) | (121) | 6,727 |
| Income taxes | (a) (c) | 2,232 | (186) | (32) | 2,014 |
| **Net earnings for the period** | | 4,802 | - | (89) | 4,713 |

Explanatory notes of differences and adjustments

(a) Consolidation of joint venture –

Under Canadian GAAP, investments in joint ventures were accounted for using the proportionate consolidation method. IFRS currently permits the proportionate consolidation method and the equity method. However, IFRS 11 *Joint arrangements* which will supersede IAS 31 *Interests in Joint Venture* from January 1, 2013, will allow only the equity method to account interests in joint ventures. In this regard, the Company has elected to use the equity method to account for its interests in the joint venture, Fiera Axium Infrastructure Inc. and Fiera Properties Limited.

The deconsolidation of the CGAAP balance sheets, results and cash flows is presented in the reconciliations included in Note 13 as joint venture adjustments.

The Company's share of assets and liabilities, and share of earnings of our equity accounted in joint ventures are summarized in Note 3.

## 13. Transition to IFRS (continued)

(b) In accordance with IFRS transitional provisions, the Company elected to classify cash and cash equivalents as loans and receivables under IAS 39, Financial Instruments – Recognition and Measurement. Under Canadian GAAP, cash and cash equivalents were classified as held for trading.

(c) In accordance with IFRS transitional provisions, the Company applied IAS 36 Impairment of Assets for its intangible assets retrospectively. In 2006 and 2008 respectively, the Company recorded an impairment losses of $3,300 ($2,395 net of income tax of $905) and $1,556 ($1,130 net of income tax of $426). During this time, the Company used an asset group with only the customers acquired with the business combination of YMG. Under Canadian GAAP, reversal of impairment losses on intangibles was not permitted. At the transition date, the Company applied IAS 36 and evaluated is impairment on this specific assets group. The Company recorded a recoverable amount of $4,613 for the Customer relationship (net of $243 of amortization) as at October 1, 2010. Consequently the Company recorded deferred income tax liabilities $1,199 for a net change increase in the retained earning of $3,414 as at October 1, 2010.

Consequently to the reversal, the Company recorded a charge of amortization of $243 for the year ended September 30, 2011 ($121 for the six months period ended March 31, 2011 and $60 for the three months period ended March 31, 2011) with a reversal of deferred income tax charge of $56 for the year ended September 30, 2011($32 for the six months period ended March 31, 2011 and $16 for the three months period ended March 31 2011). The net change in retained earnings for the year ended September 30, 2011 is a decrease of the net earnings of $187 ($89 for the six months period ended March 31, 2011 and $44 for the three months period ended March 31, 2011).

(d) Provisions –

Under IAS 1 *Presentation of financial statements,* provisions shall be presented separately on the balance sheet.

(e) Deferred taxes –

Under IAS 12, *Income taxes*, deferred tax balances shall not be classified as current, irrespective of the classification of assets or liabilities to which deferred income taxes are related or expected timing of the reversal of temporary differences. Under Canadian CAAP, deferred taxes related to current assets or current liabilities were classified as current. Therefore, current deferred taxes recognized under Canadian GAAP were reclassified as non-current under IFRS.

## 13. Transition to IFRS (continued)

*Adjustments to consolidated statement of cash flows*

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest and dividends are classified as investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

## 14. Events after the reporting period

The details of the transaction between Fiera Capital Corporation and National Bank described in Note 1 is summarized in the note.

On April 2, 2012 Fiera Capital Corporation and National Bank of Canada announced the closing of the transaction under which Fiera Capital Corporation acquired substantially all of the assets of Natcan Investment Management Inc. from the Bank for $309.5 million subject to reduction including $235 million at the closing and an amount of $74.5 million paid over the time after the closing unless certain minimum assets under management thresholds are not satisfied by National Bank or its affiliates.

In return, the Bank, through Natcan, received 19,732,299 Class A subordinate voting shares of the share capital of Fiera Capital Corporation with an assigned value of $149,446,781 (the “Class A shares”) as well as a cash payment of $85,553,219.

The Natcan operations will immediately be fully integrated into Fiera Capital Corporation's existing business. As of today, the number of directors on the board of Fiera Capital Corporation will increase from nine to twelve, including two reserved seats for National Bank.

The transaction has been approved by regulatory authorities and has satisfied other customary conditions.

The Company has also decided to change its year-end from September 30 to December 31. The Company will report its next year-end as of December 31, 2012, a 15 month period.

## 14. Events after the reporting period (continued)

Transaction Details

The 19,732,299 Class A Shares (the “Consideration Shares”) over which the Bank exercises control and direction represent approximately 56.11% of the issued and outstanding Class A Shares and 35% of the total number of Class A Shares and Class B special voting shares in the capital of Fiera Capital Corporation issued and outstanding. The Bank also received an option to acquire additional Class A Shares of Fiera Capital Corporation at a market price determined on the day of exercise, equal to 2.5% of total shares outstanding at the end of September in each of 2013 and 2014. If the options are fully exercised, the Bank will own 40% of the outstanding shares of Fiera. The Bank will also be entitled to protect its ownership in Fiera pursuant to anti-dilution rights.

The Consideration Shares were received pursuant to the Acquisition and are being held for investment purposes. Depending on market and other conditions, the Bank may from time to time in the future increase or decrease its ownership, control or direction over the Class A Shares or other securities of Fiera Capital Corporation, through market acquisitions, private agreements or otherwise.

The valuation of the assets and liabilities acquired is preliminary and will be adjusted, if needed in the next quarters upon completion of the purchase price allocation.

***(in thousands of Canadian dollars)***

## 14. Events after the reporting period (continued)

As at the acquisition date, the estimated fair value of the identifiable assets acquired and liabilities is as follows:

| | $ |
|---|---|
| Accounts receivable | 1,664 |
| Prepaid expenses | 504 |
| Plant and equipment | 227 |
| Deferred charges | 355 |
| Intangible assets | 132,300 |
| Goodwill | 165,258 |
| Accounts payable and accrued liabilities | (2,168) |
| Deferred income taxes | (10,500) |
| | 287,640 |

| Purchase consideration | $ |
|---|---|
| Cash consideration | 85,553 |
| Fair value of annual payments | |
| Classified as debt | 37,034 |
| Classified as equity | 15,606 |
| Share capital issued | 149,447 |
| | 287,640 |

Goodwill is attributable to the significant synergies expected as result of the acquisition of Natcan. Goodwill was not allocated to any cash-generating unit. A small portion of the goodwill will be tax deductible.

Management of Fiera Sceptre has identified certain intangible assets acquired from Natcan, which have been accounted for separately from goodwill. These intangibles include asset management contract with National Bank of Canada and its affiliates (which have seven-year life and three-year renewal period) valued at $84,800,000 and customer relationship valued at $47,500,000.

On April 4, 2012 our joint venture, Fiera Properties acquired Roycom Inc, a company specialized in real estate investments. The commitment of Fiera Capital for this acquisition is $5 millions in the form of a share subscription of Fiera Properties. After the transaction, the ownership of Fiera Capital will represent 46% of the shares with voting rights.

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FIERA CAPITAL