



Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF PRIOR YEAR INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administration, the Corporation discloses that its external auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017.

CONSOLIDATED FINANCIAL STATEMENTS
INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands of Canadian dollars)

	As at September 30, 2018	As at December 31, 2017
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 6,257	\$ 10,316
Trade and other receivables	22,281	22,442
Prepaid expenses and deposits	2,953	2,410
Notes receivable	301	342
Inventories	5,150	4,834
<i>Total current assets</i>	36,942	40,344
<i>Non-current assets</i>		
Trade, other receivables and other assets	599	1,056
Investments	557	357
Capital assets (note 4)	32,896	33,254
Intangible assets (note 5)	160,586	163,415
Goodwill (note 6)	116,095	115,939
TOTAL ASSETS	\$ 347,675	\$ 354,365
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Bank indebtedness	\$ -	\$ 766
Accounts payable and accrued liabilities	22,101	21,032
Loans and borrowings (note 7)	19,558	16,370
Deferred revenue	1,672	1,838
Other current liabilities	413	413
Capital lease obligation	478	327
Non-controlling interest liability (note 12)	2,000	2,000
<i>Total current liabilities</i>	46,222	42,746
<i>Non-current liabilities</i>		
Loans and borrowings (note 7)	61,192	61,330
Other long-term liabilities	4,258	2,391
Capital lease obligation	899	631
Deferred tax liabilities (note 13)	39,240	33,519
Non-controlling interest liability (note 12)	11,580	10,500
TOTAL LIABILITIES	163,391	151,117
<i>Equity</i>		
Share capital (note 8)	115,390	115,055
Contributed surplus	14,708	14,569
Accumulated other comprehensive loss	(290)	(683)
Deficit	(43,333)	(27,555)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	86,475	101,386
NON-CONTROLLING INTEREST	97,809	101,862
TOTAL LIABILITIES AND EQUITY	\$ 347,675	\$ 354,365

Commitments and contingencies (note 17).

Subsequent events (note 18).

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

Signed on behalf of the Board of Directors,

(signed)

Stephen Reid, Director

(signed)

Dennis Sykora, Director

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME (unaudited)

(in thousands of Canadian dollars, except per share amount)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
REVENUES (note 11)	\$ 33,117	\$ 21,759	\$ 98,884	\$ 54,953
Direct costs	10,074	3,101	30,510	8,658
GROSS PROFIT	23,043	18,658	68,374	46,295
General and administrative	15,885	10,529	45,394	30,899
Share-based payments (note 9)	31	738	356	2,710
Depreciation and amortization (notes 4 and 5)	4,619	2,854	12,843	7,299
	20,535	14,121	58,593	40,908
INCOME FROM OPERATIONS	2,508	4,537	9,781	5,387
OTHER INCOME (EXPENSES)				
Finance expense	(2,170)	(1,692)	(6,367)	(3,109)
Dividends paid to non-controlling interest shareholders	(500)	-	(1,500)	-
Foreign exchange gain (loss)	917	1,113	(1,729)	1,689
Net gain on sale of capital and intangible assets	2	(38)	(61)	1,684
Change in fair value of non-controlling interest liability	(69)	(666)	(139)	(971)
Loss on contract settlement (note 17)	(96)	-	(1,513)	-
Gain on financial instruments	-	2,487	-	2,546
Non-cash write down/impairment	-	(2,813)	-	(2,813)
Gain on sale of investment	-	1,902	-	1,902
Loss on equity accounted investment	-	(23)	-	(205)
Other income	(22)	120	320	202
	(1,938)	390	(10,989)	925
INCOME (LOSS) BEFORE INCOME TAX	570	4,927	(1,208)	6,312
INCOME TAX (EXPENSE) RECOVERY				
Current tax expense (note 13)	(2,194)	(1,829)	(4,733)	(3,286)
Deferred tax (expense) recovery (note 13)	(8,585)	513	(5,644)	2,016
	(10,779)	(1,316)	(10,377)	(1,270)
NET (LOSS) INCOME	\$ (10,209)	\$ 3,611	\$ (11,585)	\$ 5,042
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	\$ (11,080)	\$ 1,140	\$ (14,347)	\$ 485
Non-controlling interest	\$ 871	\$ 2,471	\$ 2,762	\$ 4,557
NET (LOSS) INCOME PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS (note 14)				
Basic	\$ (0.29)	\$ 0.03	\$ (0.38)	\$ 0.01
Diluted	\$ (0.29)	\$ 0.03	\$ (0.38)	\$ 0.01

The accompanying notes form an integral part of these interim consolidated financial statements. Prior year information has been restated to conform to current year presentation.

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (unaudited)

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	2018	September 30, 2017	2018	September 30, 2017
NET (LOSS) INCOME	\$ (10,209)	\$ 3,611	\$ (11,585)	\$ 5,042
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will be subsequently reclassified to comprehensive income:				
Foreign exchange translation (loss) gain (net of tax)	(329)	(808)	755	(1,348)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(329)	(808)	755	(1,348)
COMPREHENSIVE (LOSS) INCOME	\$ (10,538)	\$ 2,803	\$ (10,830)	\$ 3,694
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	\$ (11,252)	\$ 332	\$ (13,954)	\$ (863)
Non-controlling interest	\$ 714	\$ 2,471	\$ 3,124	\$ 4,557

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

CONSOLIDATED FINANCIAL STATEMENTS
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
(in thousands of Canadian dollars)

	Attributable to Shareholders of Founders Advantage Capital Corp.									
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interest	Total equity			
Balance at January 1, 2017	\$ 111,429	\$ 14,859	\$ -	\$ (19,439)	\$ 106,849	\$ 76,594	\$ 183,443			
Share-based payments (note 9)	-	2,669	-	-	2,669	-	2,669			
Exercise of deferred share units	1,037	(1,862)	-	-	(825)	-	(825)			
Exercise of broker warrants (note 9)	160	(106)	-	-	54	-	54			
Fair value of lender warrants issued	-	1,160	-	-	1,160	-	1,160			
Shares released from escrow	2,429	(2,429)	-	-	-	-	-			
Net income and comprehensive loss	-	-	(1,348)	485	(863)	4,557	3,694			
Distributions to non-controlling interest	-	-	-	-	-	(4,490)	(4,490)			
Dividends declared (note 8)	-	-	-	(1,427)	(1,427)	-	(1,427)			
Balance at September 30, 2017	\$ 115,055	\$ 14,291	\$ (1,348)	\$ (20,381)	\$ 107,617	\$ 76,661	\$ 184,278			
Balance at January 1, 2018	\$ 115,055	\$ 14,569	\$ (683)	\$ (27,555)	\$ 101,386	\$ 101,862	\$ 203,248			
Share-based payments (note 9)	-	361	-	-	361	-	361			
Exercise of broker warrants (note 9)	335	(222)	-	-	113	-	113			
Net (loss) income and comprehensive income	-	-	393	(14,347)	(13,954)	3,124	(10,830)			
Non-controlling interest put option (note 12)	-	-	-	-	-	(941)	(941)			
Distributions to non-controlling interest	-	-	-	-	-	(6,236)	(6,236)			
Dividends declared (note 8)	-	-	-	(1,431)	(1,431)	-	(1,431)			
Balance at September 30, 2018	\$ 115,390	\$ 14,708	\$ (290)	\$ (43,333)	\$ 86,475	\$ 97,809	\$ 184,284			

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

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands of Canadian dollars)

	For the nine months ended September 30,	
	2018	2017
OPERATING ACTIVITIES		
Net (loss) income	\$ (11,585)	\$ 5,042
<i>Items not affecting cash:</i>		
Share-based payments (note 9)	356	2,710
Depreciation and amortization (notes 4 and 5)	12,843	7,299
Change in fair value of non-controlling interest liability (note 12)	139	971
Deferred tax expense (recovery) (note 13)	5,644	(2,016)
Amortization of debt issuance costs	814	418
Dividends paid to non-controlling interest shareholders	1,500	-
Unrealized foreign exchange loss (gain)	1,669	(1,679)
Other non-cash items	2,169	(3,409)
Cash provided by before non-cash working capital	13,549	9,336
Changes in non-cash working capital (note 15)	89	(2,343)
CASH PROVIDED BY OPERATING ACTIVITIES	13,638	6,993
INVESTING ACTIVITIES		
Expenditures on capital assets (note 4)	(4,758)	(1,513)
Investment in intangible assets (note 5)	(4,452)	(2,467)
Proceeds on disposal of capital and intangible assets	86	1,477
Purchase of investments	(200)	-
Proceeds from sale of investment	-	2,500
Contributions to equity accounted investee	-	(194)
Dividends paid to non-controlling interest shareholders	(1,500)	-
Investment in subsidiaries, net of cash received	-	(11,996)
Distributions to non-controlling interests	(6,236)	(5,241)
Changes in other non-cash items	386	-
Changes in non-cash working capital (note 15)	75	(566)
CASH USED IN INVESTING ACTIVITIES	(16,599)	(18,000)
FINANCING ACTIVITIES		
Proceeds from debt financing, net of transaction costs (note 7)	4,435	68,280
Proceeds from capital lease financing	753	-
Repayment of debt (note 7)	(3,879)	(32,641)
Capital lease payments	(334)	-
Dividends paid to common shareholders	(1,431)	(950)
Exercise of broker warrants (note 9)	113	54
Exercise of deferred share units	-	(825)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(343)	33,918
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,304)	22,911
Impact of foreign exchange on cash and cash equivalents	11	(1,487)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,550	7,824
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,257	\$ 29,248
Cash flows include the following amounts:		
Interest paid	\$ 5,226	\$ 2,691
Interest received	\$ 6	\$ 53
Income taxes paid	\$ 3,858	\$ 3,165

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

1. NATURE OF OPERATIONS

Founders Advantage Capital Corp. (“FAC”, “our”, or “the Corporation”) is an investment corporation listed on the TSX Venture Exchange (“Exchange”) under the symbol FCF. The head office of the Corporation is located at Suite 400, 2207 4th Street S.W., Calgary, Alberta, T2S 1X1. The Corporation was incorporated under the *Business Corporations Act* (Alberta) on October 1, 1998.

The Corporation’s current investment approach is to acquire controlling or majority equity interests in middle-market private companies with strong cash flows and proven management teams who are incentivized to grow their underlying business (the “Founders Advantage Investment Approach”). This investment approach allows owners of investee companies to continue managing the day-to-day operations and has no mandated liquidity time frame. As a part of this ongoing investment strategy, FAC has acquired interests in the following subsidiaries:

	Ownership interest	
	September 30, 2018	December 31, 2017
Dominion Lending Centres Limited Partnership (“DLC”)	60%	60%
Club16 Limited Partnership (“Club16”)	60%	60%
Cape Communications International Inc. (operating as Impact Radio Accessories; “Impact”)	52%	52%
Astley Gilbert Limited (“AG”)	50%	50%

2. BASIS OF PREPARATION

Statement of compliance

These unaudited interim condensed consolidated financial statements (“interim financial statements”) of the Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These interim financial statements do not include all information required for annual financial statements, and therefore, should be read in conjunction with the Corporation’s audited consolidated financial statements as at and for the year ended December 31, 2017.

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors on November 21, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements except those noted below.

a. IFRS 9 Financial instruments: Classification and Measurement

IFRS 9 sets out requirements for recognizing and measuring financial instruments. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Corporation has adopted IFRS 9 on January 1, 2018 with transition effects through opening retained earnings. This adoption did not have a material effect on the Corporation’s interim financial statements. The details of the new significant accounting policies are set out below.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets: held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table illustrates the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Corporation’s financial assets as at January 1, 2018. There were no changes to the carrying amounts upon adoption of IFRS 9.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale assets	Fair value through profit or loss

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, allowance for doubtful accounts is determined using an ECL model, under which the lifetime expected credit losses are measured on initial recognition of the receivable. Credit losses are measured at the present value of all expected cash shortfalls over the life of the asset. The adoption of the lifetime ECL model on January 1, 2018, did not have a material impact to these interim financial statements. Total expected credit losses as at September 30, 2018 is \$61 (December 31, 2017—\$56).

Investments include the Corporation’s investments in Vital Alert Communications Inc. ("Vital Alert") and Waldo Technologies (“Waldo”). Under IFRS 9, equity investments can be measured at FVOCI or FVTPL. If the asset is held to obtain contractual cash flows and give rise to cash flows that are solely payments of principal and interest, it is recognized as FVOCI. Given that the expected cash flows are not payments of principal and interest and not at a specified date, Vital Alert and Waldo cannot be measured at FVOCI. As a result, upon adoption of IFRS 9, investment classification has changed to FVTPL.

b. IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single comprehensive model to determine how and when an entity should recognize revenue arising from contracts with customers and requires entities to provide users of financial statements with more informative, relevant disclosures. The Corporation has adopted IFRS 15 using the cumulative effect method on January 1, 2018, the adoption of IFRS 15 did not have a material effect on the Corporation’s interim financial statements.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Revenue comprises fees earned on the franchising of mortgage brokerage services, commissions generated on the brokering of mortgages, revenues from fitness club operations, revenues from sale of radio accessories and revenues from delivery of print and print services. Revenue is recognized when control is transferred to the customer at an amount that reflects the transaction price that the Corporation expects to be entitled.

DLC—Franchising revenue, mortgage brokerage services

Mortgage brokerage franchising revenue includes income from royalties, monthly advertising and service fees, and connectivity fees.

Royalty income is based on a percentage of the mortgage-related revenues earned by the franchises or based on a percentage of the mortgage volume funded by the franchises. It is recognized over time based on the cash commissions received by the franchises on their actual funded volumes. Income from monthly advertising fees is used to fund and manage ongoing advertising expenses. Income from monthly service fees is used to cover certain operating costs such as insurance and brokers’ industry association dues. Monthly advertising and service fees are recognized at a point in time, based on the monthly amounts as per the franchisee agreements. All of these revenues are collected either immediately or are due within 15 days of month end.

Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn income based on the volume of mortgages funded or on broker activity. Connectivity fee revenue is accrued over time based on actual volumes or activity thresholds as they are fulfilled, with transaction prices based on rates outlined in each individual agreement. Collection terms vary from monthly to annually, depending on the individual agreement, though a significant portion is due annually and is collected in the first four months of the following fiscal year.

Commission income relates to income earned on the brokering of mortgages within the corporately-owned mortgage

franchise and is earned at a point in time when the mortgage deal has closed.

Club16—Fitness club revenues

Fitness club membership fees and dues are amounts received from customers for access to fitness clubs. Revenue is recognized over the term of the membership, which is typically on a month-to-month basis. Club enhancement fee is an annual enhancement fee charged to all existing members once per year, and is recognized over the term of the membership. Supplementary services revenue relates to optional services that are provided within the fitness clubs (personal training, bike rentals, and other add-on services) and is recognized at the point in time the service is provided.

The transaction price for membership dues and supplemental services is based on the amount charged to the customer. Payments are typically due immediately and are received in advance of receiving services or access to a club. As payments are typically received upfront, as time elapses or at the point the service is performed, revenue is recognized. The difference between the payment received and the revenue recognized is deferred in the period as deferred revenue (contract liability).

Impact—Radio accessories

Radio accessories revenue relates to revenues earned from the sale of two-way radio products. Revenue is recognized at the point in time the ownership transfers to the customer. The transaction price is based on invoiced amounts and payment is typically due on a net 30 days basis. Warranty is offered on all products sold, however, the warranty is not considered a separate component when determining the transaction price of the sale as they cannot be separately sold or extended. Warranty provision relates to expected warranty claims on products sold to Impact's customers and includes the incremental costs related to handling estimated warranty claims. The provision is estimated based on historical claims and is accrued for as the sale of the product is recognized.

Astley Gilbert—Print and print services

Print and print services revenue relates to amounts earned from digital print services, high-end brochures, data printing, large format graphic displays, online data storage and management solutions, warehousing and logistics, and vehicle wraps. Revenue is recognized at the point in time ownership has transferred to the customer. The transaction price is based on invoiced amounts and payment is typically due on a net 60 days basis or on demand depending on customer terms.

c. Non-controlling interest—liability

a. Non-controlling interest—dividend liability

The Corporation accounts for provisions in shareholder agreements which set the minimum dividends to be declared and paid each quarter as a non-derivative financial liability. Changes in the estimated value of the liability in future periods will be reflected in the fair value of the liability at each reporting date, with the offset recorded in change in fair value of non-controlling interest liability in the consolidated statement of (loss) income. Dividends paid to non-controlling interests' shareholders are recorded as an expense in the consolidated statement of (loss) income.

b. Non-controlling interest—put liability

The Corporation accounts for put options granted to non-controlling interest shareholders as a financial liability. Non-controlling interest continue to be recognized to the extent the non-controlling interest holders have access to the returns associated with their underlying ownership interest. The liability is re-measured each period with gains and losses recorded through profit and loss as change in fair value of non-controlling interest liability.

d. Recent accounting pronouncements

Certain pronouncements have been issued by the IASB that are effective for accounting periods after the balance sheet date and have not been applied to these interim financial statements. Those which are relevant to the Corporation have been set out below.

IFRS 16—Leases

IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize assets and liabilities on its statement of financial position for all leases with a term of more than 12 months. IFRS 16 can be applied through a full or modified retrospective approach for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The Corporation intends to adopt the new standard on the required effective date and is currently assessing the impact the amendment will have on our interim financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

4. **CAPITAL ASSETS**

	Machinery and equipment	Leasehold improvements	Fitness equipment	Other	Total capital assets
Cost					
Balance at December 31, 2017 ⁽¹⁾	\$ 17,324	\$ 9,252	\$ 7,268	\$ 2,437	\$ 36,281
Additions	2,141	1,545	614	458	4,758
Effect of movements in exchange rates	-	-	-	5	5
Disposals	(12)	(60)	(49)	(144)	(265)
Balance at September 30, 2018	\$ 19,453	\$ 10,737	\$ 7,833	\$ 2,756	\$ 40,779
Accumulated amortization					
Balance at December 31, 2017	(537)	(1,127)	(906)	(457)	(3,027)
Depreciation and amortization expense	(2,816)	(1,138)	(743)	(277)	(4,974)
Disposals	2	60	21	35	118
Balance at September 30, 2018	\$ (3,351)	\$ (2,205)	\$ (1,628)	\$ (699)	\$ (7,883)
Carrying value, December 31, 2017	\$ 16,787	\$ 8,125	\$ 6,362	\$ 1,980	\$ 33,254
Carrying value, September 30, 2018	\$ 16,102	\$ 8,532	\$ 6,205	\$ 2,057	\$ 32,896

(1) Prior year information has been restated to conform with current year presentation.

5. **INTANGIBLE ASSETS**

	Franchise rights, relationships and agreements	Brand names	Customer relationships	Other ⁽¹⁾	Total intangible assets
Cost					
Balance at December 31, 2017	\$ 83,980	\$ 50,466	\$ 33,499	\$ 5,946	\$ 173,891
Additions	4,223	-	-	229	4,452
Purchase price allocation (note 6)	-	100	100	(10)	190
Effect of movements in exchange rates	-	8	358	32	398
Balance at September 30, 2018	\$ 88,203	\$ 50,574	\$ 33,957	\$ 6,197	\$ 178,931
Accumulated amortization					
Balance at December 31, 2017	(6,439)	(312)	(2,136)	(1,589)	(10,476)
Depreciation and amortization expense	(3,553)	(614)	(2,546)	(1,156)	(7,869)
Balance at September 30, 2018	\$ (9,992)	\$ (926)	\$ (4,682)	\$ (2,745)	\$ (18,345)
Carrying value, December 31, 2017	\$ 77,541	\$ 50,154	\$ 31,363	\$ 4,357	\$ 163,415
Carrying value, September 30, 2018	\$ 78,211	\$ 49,648	\$ 29,275	\$ 3,452	\$ 160,586

(1) Other intangible assets comprise software acquired on acquisition of DLC and NCS, intellectual property rights purchased by DLC, supplier relationships and non-compete agreements acquired on acquisition of Impact and AG.

6. **GOODWILL**

A summary of the movement in Goodwill for the period is as follows:

Balance at December 31, 2017	\$ 115,939
Effect of movements in exchange rates	187
Measurement period adjustment	(31)
Balance at September 30, 2018	\$ 116,095

Upon finalization of the Impact purchase price allocation, an adjustment has been made between goodwill and the amount due from the vendors of the Impact transaction of \$82 related to Impacts provision for U.S state tax payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

The purchase price allocation related to the October 31, 2107 acquisition of AG is preliminary and may be subject to adjustments, which may be material pending completion of final valuations. For the nine months ended September 30, 2018, a measurement period adjustment for the purchase price allocation of AG has been made between goodwill, intangible assets and deferred income tax liability of \$(113), \$190 and \$(77), respectively.

7. LOANS AND BORROWINGS

	September 30, 2018	December 31, 2017
Corporate		
Term credit facility	\$ 51,785	\$ 49,433
Promissory note	2,500	2,500
Subsidiaries		
DLC term loan facility	5,530	6,980
DLC operating facility	5,360	5,090
Club16 demand credit facility	6,096	4,240
Club16 operating facility	-	282
AG term loan facilities	4,001	5,036
AG operating facility	4,850	3,470
AG vehicle and equipment loans	628	669
Total loans and borrowings	80,750	77,700
Less current portion	(19,558)	(16,370)
	\$ 61,192	\$ 61,330

Corporate credit facilities

Corporate term credit facility

On May 31, 2017, the Corporation entered into a \$42,000 USD term credit facility (“Corporate Credit Facility”) to refinance our prior credit agreement, finance future acquisitions and fund general corporate purposes. The Corporate Credit Facility has a five-year term and bears interest at the three-month LIBOR rate plus 7% per annum with interest payable quarterly. The Corporate Credit Facility is secured by a general security agreement with first charge over the assets of the Corporation, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of not less than or equal to:

- 4.75:1.00 for the fiscal quarters ending September 30, 2017; December 31, 2017; and March 31, 2018;
- 4.50:1.00 for the fiscal quarters ending June 30, 2018, and September 30, 2018;
- 4.00:1.00 for the fiscal quarter ending December 31, 2018; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

As at September 30, 2018, the Corporation was in compliance with all such covenants.

Corporate promissory note

On October 31, 2017, the Corporation issued a promissory note payable totalling \$2,500 to a non-controlling interest shareholder of AG, which bears interest at a rate of 6% per annum. Interest and principal are payable at maturity on October 31, 2019. The promissory note was issued by the Corporation as partial consideration for the AG acquisition.

Subsidiaries credit facilities

DLC term loan facility

On November 20, 2015, DLC established a \$10,300 term loan facility that matures on December 30, 2021. The loan facility was to finance the acquisition of MA Mortgage Architects Inc., a company in the business of franchising of mortgage brokerage services. Borrowings under the facility bear interest at a rate equal to prime rate plus 1.0% per annum. The loan facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at September 30, 2018, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level and has \$5,530 drawn as of September 30, 2018 (December 31, 2017—\$6,980).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

DLC operating facility

On June 12, 2013, DLC established a revolving credit facility (“DLC Operating Facility”) as an operating demand loan to finance working capital requirements and fund acquisitions. On September 28, 2018, the DLC Operating Facility was increased to \$9,500 from \$6,500. Borrowings under the DLC Operating Facility bear an interest rate equal to prime rate plus 1.0% per annum and are secured by a first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at September 30, 2018, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level and has \$5,360 drawn as of September 30, 2018 (December 31, 2017—\$5,090).

Club16 demand credit facility

On March 16, 2018, Club16 amended its existing credit facilities. The amendment increased the credit available on term loans from \$7,000 to \$9,000, of which \$6,096 was drawn at September 30, 2018 (December 31, 2017—\$4,240). The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown; and is secured by a general security agreement with first charge over the assets of Club16. Included in the amendment was a modification in the financial covenant which established a lower requirement for the debt service coverage ratio to be greater than 1.05:1.00 and greater than or equal to 1.50:1.00 excluding distributions. Financial covenants also include the requirement to maintain a maximum debt-to-EBITDA ratio of less than or equal to 2.25:1.00. Borrowings under the facility bear interest at prime rate plus 1.25%. As at September 30, 2018, Club16 was in compliance with all such covenants. This facility is held at the Club16 subsidiary level.

Club16 operating facility

On March 21, 2017, Club16 entered a \$1,500 revolving operating facility to finance its working capital requirements. Borrowings under the revolving facility are due on demand and bear interest at prime rate plus 1.25% per annum and are secured by a general security agreement with first charge over the assets of Club16. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00, a debt service charge ratio greater than or equal to 1.50:1.00 excluding distributions, and a maximum debt-to-EBITDA ratio of less than or equal to 2.25:1.00. As at September 30, 2018, Club16 was in compliance with all such covenants. The facility is held at the Club16 level and has \$nil drawn as at September 30, 2018 (December 31, 2017—\$282).

AG term loan facilities

AG has two term loan facilities (“AG Term Loan 1” and “AG Term Loan 2”). AG Term Loan 1 matures in July 2020, and bear interest at a fixed rate of 3.48% per annum. AG Term Loan 2 matures in October 2022 and bear interest based on prime plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The committed term debts are secured by a general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a maximum-debt-to-adjusted-EBITDA ratio of less than or equal to 2.25:1.00 and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at September 30, 2018, AG was in compliance with all such covenants. The facilities are held at the AG level and have \$4,001 drawn as at September 30, 2018 (December 31, 2017—\$5,036).

AG operating facility

AG has an operating facility available for the lesser of \$6,000 or 75% of accounts receivable, net of over 90 days and related company accounts. The loan bears interest at prime rate plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. AG’s operating facility is secured by a general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a maximum debt-to-adjusted-EBITDA ratio of less than or equal to 2.25:1.00 and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at September 30, 2018, AG was in compliance with all such covenants. The facility is held at the AG level and has \$4,850 drawn as at September 30, 2018 (December 31, 2017—\$3,470).

AG vehicle and equipment loans

AG has four equipment and automobile financing loans bearing interest between 1.99% and 5.99%, repayable in monthly installments and secured by the respective equipment and automobile.

8. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of Class A common shares without par value and an unlimited number of Class B preferred shares.

A summary of changes in Class A common share capital in the period is as follows:

	Number of Class A common shares		Amount
Balance at December 31, 2017	38,128,606	\$	115,055
Broker warrants exercised (note 9)	53,936		335
Balance at September 30, 2018	38,182,542	\$	115,390

On June 12, 2018, the Corporation announced a normal course issuer bid (“NCIB”), which commenced on June 27, 2018. The NCIB will terminate on the earlier of: (i) June 26, 2019; and (ii) the date on which the maximum number of common shares that can be acquired pursuant to the NCIB are purchased. Purchases of common shares under the NCIB will be affected through the facilities of the TSXV or alternative Canadian trading systems at the market price at the time of purchase. The Corporation may purchase up to 2,250,000 common shares under the NCIB. Any common shares purchased pursuant to the NCIB will be cancelled by the Corporation. There were no common shares repurchased during the three and nine months ended September 30, 2018.

Dividends

During the three and nine months ended September 30, 2018, the Corporation declared quarterly dividends of \$0.0125 per share as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Quarterly dividend declared	\$ 477	\$ 477	\$ 1,431	\$ 1,427

9. SHARE-BASED PAYMENTS

Share options

Under the Corporation’s share option plan (“Plan”), the Corporation may grant share options to its directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares at the time of the share option grant. The Corporation’s directors determine the term and vesting period of the share options at the time of the grant with the maximum term under the plan being 10 years from the grant date. The exercise price of each share option is determined on issuance of the share options, which cannot be less than the market price, less a maximum discount of 15%, as defined by the Exchange.

A summary of share option activity in the period is as follows:

	Number of share options	Weighted average exercise price
Outstanding share options, January 1, 2018	3,109,745	\$ 3.80
Forfeited	(16,667)	4.40
Expired	(524,167)	3.68
Outstanding share options, September 30, 2018	2,568,911	\$ 3.82

The following table summarizes the share options outstanding and exercisable under the Plan as at September 30, 2018:

Grant date	Share options outstanding	Years to maturity	Share options exercisable	Weighted average exercise price
July 15, 2015	96,666	6.8	96,666	\$ 2.40
February 23, 2016	743,912	2.4	495,941	3.00
July 7, 2016	1,303,333	2.8	1,303,333	4.40
December 1, 2016	150,000	0.2	150,000	4.00
July 3, 2017	75,000	3.8	75,000	3.00
September 15, 2017	200,000	4.0	200,000	4.00
	2,568,911		2,320,940	\$ 3.91

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

The Corporation recorded total share-based payment expense of \$31 and \$356 for the three and nine months ended September 30, 2018 (September 30, 2017—\$738 and \$2,710). These amounts include share-based payment expense related to the Corporation's share options for the three and nine months ended September 30, 2018, of \$59 and \$361 (September 30, 2017—\$631 and \$1,883), share-based payments related to Impacts share appreciation rights ("SARs") of \$18 and \$55 (September 30, 2017—\$8 and \$41), and recovery of the Corporation's phantom share options of \$46 and \$60 (September 30, 2017—\$nil and \$nil). Share-based payments for the three and nine months ended September 30, 2017 included \$99 and \$786 related to the shares held in escrow.

Warrants

The following table summarizes the warrants outstanding:

	Warrants Outstanding		Exercise price
Outstanding warrants, January 1, 2018	2,566,557	\$	3.43
Broker warrants exercised	(53,936)		2.10
Broker warrants expired	(434,053)		2.10
Outstanding warrants, September 30, 2018	2,078,568	\$	3.74

During the nine months ended September 30, 2018, 53,936 of broker warrants (September 30, 2017—25,675) were exercised for total proceeds of \$113 (2017—\$54).

10. SEGMENTED INFORMATION

The Corporation's operating segments represent the components of the business whose operating results are reviewed regularly by the Corporation's chief operating decision makers, which is made up of the Corporation's senior management. The Corporation currently has the Corporate and Consolidated segment and three operating segments, which consist of business operations conducted through Franchise (DLC), Consumer Products and Services (Club16), and Business Products and Services (Impact and AG). The Franchise segment is engaged in the business of franchising mortgage brokerage services and operates in all 10 Canadian provinces. The Consumer Products and Services segment is engaged in the fitness business in the Metro Vancouver area. The Business Products and Services segment is engaged in the business of designing and retailing communication, print and print products and services and has sales throughout North America.

The Corporate and Consolidated segment used in the following segment tables is not a separate operating segment and reflects revenue earned and expenses incurred at the corporate office level and consolidating accounting entries.

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at September 30, 2018					
Cash and cash equivalents	\$ 1,875	\$ 1,298	\$ 1,130	\$ 1,954	\$ 6,257
Trade, other receivables and other assets	10,220	1,777	10,221	662	22,880
Intangible assets	126,583	6,298	27,705	-	160,586
Goodwill	60,437	22,432	33,226	-	116,095
Capital and other assets	1,481	15,169	24,189	1,018	41,857
Total assets	\$ 200,596	\$ 46,974	\$ 96,471	\$ 3,634	\$ 347,675
Accounts payable and accrued liabilities	\$ 10,867	\$ 1,535	\$ 7,255	\$ 2,444	\$ 22,101
Loans and borrowings	10,890	6,096	9,479	54,285	80,750
Deferred tax	28,388	2,101	10,256	(1,505)	39,240
Other liabilities	2,014	1,819	16,229	1,238	21,300
Total liabilities	\$ 52,159	\$ 11,551	\$ 43,219	\$ 56,462	\$ 163,391

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended September 30, 2018					
Revenue	\$ 11,549	\$ 6,279	\$ 15,289	\$ -	\$ 33,117
Direct costs	1,246	614	8,214	-	10,074
General and administrative	3,535	4,353	4,675	3,322	15,885
Share-based payments	-	-	17	14	31
Finance expense	117	79	115	1,859	2,170
Other expenses	1,614	892	2,885	(1,004)	4,387
Income (loss) before tax	\$ 5,037	\$ 341	\$ (617)	\$ (4,191)	\$ 570

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the nine months ended September 30, 2018					
Revenue	\$ 29,704	\$ 20,422	\$ 48,758	\$ -	\$ 98,884
Direct costs	3,944	1,813	24,753	-	30,510
General and administrative	10,792	13,464	15,667	5,471	45,394
Share-based payments	-	-	54	302	356
Finance expense	581	223	326	5,237	6,367
Other expenses	5,876	2,601	7,455	1,533	17,465
Income (loss) before tax	\$ 8,511	\$ 2,321	\$ 503	\$ (12,543)	\$ (1,208)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at December 31, 2017					
Cash and cash equivalents	\$ 6,550	\$ 499	\$ 1,553	\$ 1,714	\$ 10,316
Trade, other receivables and other assets	8,997	1,877	11,306	1,318	23,498
Intangible assets	126,587	7,203	29,625	-	163,415
Goodwill	60,437	22,431	33,071	-	115,939
Capital and other assets	1,113	14,438	25,037	609	41,197
Total assets	\$ 203,684	\$ 46,448	\$ 100,592	\$ 3,641	\$ 354,365
Accounts payable and accrued liabilities	\$ 9,959	\$ 2,854	\$ 7,279	\$ 940	\$ 21,032
Loans and borrowings	12,070	4,522	9,175	51,933	77,700
Deferred tax	29,413	1,831	11,226	(8,951)	33,519
Other liabilities	1,213	817	16,132	704	18,866
Total liabilities	\$ 52,655	\$ 10,024	\$ 43,812	\$ 44,626	\$ 151,117

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended September 30, 2017					
Revenue	\$ 12,895	\$ 5,933	\$ 2,931	\$ -	\$ 21,759
Direct costs	1,222	472	1,407	-	3,101
General and administrative	4,093	3,968	648	1,820	10,529
Share-based payments	-	-	8	730	738
Finance expense	148	41	-	1,503	1,692
Other expenses	(228)	1,201	269	(470)	772
Income (loss) before tax	\$ 7,660	\$ 251	\$ 599	\$ (3,583)	\$ 4,927

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the nine months ended September 30, 2017					
Revenue	\$ 29,035	\$ 19,210	\$ 6,708	\$ -	\$ 54,953
Direct costs	4,027	1,548	3,083	-	8,658
General and administrative	12,886	11,758	1,559	4,696	30,899
Share-based payments	-	-	41	2,669	2,710
Finance expense	493	138	-	2,478	3,109
Other expenses	818	2,581	634	(768)	3,265
Income (loss) before tax	\$ 10,811	\$ 3,185	\$ 1,391	\$ (9,075)	\$ 6,312

11. DISAGGREGATED REVENUES

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Franchising revenue, mortgage brokerage services	\$ 11,230	\$ 12,746	\$ 28,810	\$ 28,678
Brokering of mortgages	175	114	395	277
Memberships and dues revenue	4,937	4,236	16,012	14,518
Radio and radio accessories	2,848	2,894	8,563	6,639
Print and print services	12,284	-	39,682	-
Supplementary services revenue and other revenue	1,643	1,769	5,422	4,841
	\$ 33,117	\$ 21,759	\$ 98,884	\$ 54,953

The quarterly results may vary from quarter to quarter because of seasonal fluctuations in our reporting segments. The Franchise operating segment is subject to seasonal variances that fluctuate in accordance with the normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March. The Consumer Products and Services segment revenues increase significantly in the second quarter of each year, as an annual club enhancement fee is charged to Club16 members in May of each year. The Business Products and Services segment revenues can fluctuate due to customer purchasing patterns and due to the cyclical nature of advertising campaigns, revenues tend to be somewhat higher in the second and fourth quarters. Further, large one-time orders, can and have occurred at various times throughout the year, causing irregular increases in revenues in some quarters.

12. NON-CONTROLLING INTEREST LIABILITY

	September 30, 2018	December 31, 2017
Non-controlling interest—dividend liability	\$ 12,500	\$ 12,500
Non-controlling interest—put liability	1,080	-
Total	13,580	12,500
Less: Current portion	(2,000)	(2,000)
	\$ 11,580	\$ 10,500

AG has entered into an agreement with certain of its non-controlling shareholders of its subsidiary whereby the agreement contains an option which provides the non-controlling interest shareholders with the right to require AG to purchase their retained interest in the AG subsidiary for consideration of \$1,470 at any time after October 27, 2020. AG also negotiated a reciprocal call option, which would require the same non-controlling interest shareholders to sell their retained interest to AG for consideration of \$1,470. The put option resulted in recording a \$1,080 increase in non-controlling interest liability, and a \$139 increase to change in fair value of non-controlling interest liability. The liability recognized in connection with the put option has been recognized at the exercise price discounted to its present value. The present value has been estimated using a discount rate of 16%, a reduction in the discount rate would increase the put liability.

13. INCOME TAXES

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Income (loss) before income tax	\$ 570	\$ 4,927	\$ (1,208)	\$ 6,312
Income (loss) before income tax multiplied by the statutory rate of 26.5% (2017—26.1%)	(151)	(1,286)	320	(1,647)
Effect of:				
Permanent differences	(1,667)	(1,061)	(445)	(919)
Change in tax rates and rate differences	163	34	97	94
Reserve for non-capital loss carry forward	(10,439)	-	(10,439)	-
Other	1,315	997	90	1,202
Total tax (expense) recovery	\$ (10,779)	\$ (1,316)	\$ (10,377)	\$ (1,270)

The Corporation recognized a reserve against previous recognized non-capital loss carry forwards given the uncertainty on the timing and ability to recognize the deferred tax asset in the future. During the three and nine months ended September 30, 2018, the Corporation recognized deferred tax expense of \$10,439 and \$10,439 (September 30, 2017—\$nil and \$nil) related to the non-capital loss carry forward reserve.

Deferred tax liability is as comprised of:

	September 30, 2018	December 31, 2017
Balance, beginning of year	\$ (33,519)	\$ (26,480)
Deferred tax on acquisition of subsidiaries	(77)	(11,824)
Deferred tax recognized in equity	-	(421)
Deferred tax recovery on net loss	(5,644)	4,917
Other	-	289
Net deferred tax liability	\$ (39,240)	\$ (33,519)

14. (LOSS) EARNINGS PER SHARE

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net (loss) earnings attributable to shareholders	\$ (11,080)	\$ 1,140	\$ (14,347)	\$ 485
Basic weighted average number of shares	38,182,542	37,818,047	38,153,931	37,319,314
Effect of dilutive securities				
Share options	-	7,733	-	40,941
Warrants	-	78,078	-	149,779
Diluted weighted average number of shares	38,182,542	37,903,858	38,153,931	37,510,034
Basic loss per share	\$ (0.29)	\$ 0.03	\$ (0.38)	\$ 0.01
Diluted loss per share	\$ (0.29)	\$ 0.03	\$ (0.38)	\$ 0.01

As at September 30, 2018, there were 2,568,911 share options and 2,078,568 warrants outstanding that were considered anti-dilutive (see note 9).

15. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are as follows:

	For the nine months ended September 30,	
	2018	2017
Trade and other receivables	\$ 79	\$ (861)
Prepaid expenses and deposits	(543)	182
Notes receivable	41	16
Inventories	(316)	1,160
Accounts payable and accrued liabilities	1,069	(3,147)
Deferred revenue	(166)	417
Other current liabilities	-	(676)
	\$ 164	\$ (2,909)
Changes in non-cash operating working capital	89	(2,343)
Changes in non-cash investing capital	75	(566)
	\$ 164	\$ (2,909)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise foreign exchange risk and interest rate risk.

Foreign exchange risk

The Corporation's exposure to foreign exchange fluctuations is limited to the balances in its USD bank accounts, USD loans and borrowings, and Impact operations, as a significant portion of its business is conducted in USD. At September 30, 2018, the USD cash balance is USD \$691 (CAD \$894), compared to USD \$1,614 (CAD \$2,024) at December 31, 2017. The USD loans and borrowing balance is USD \$42,000 (CAD \$54,369); at December 31, 2017, it was USD \$42,000 (CAD \$52,689). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a \$106 increase and \$5,154 decrease in net income before tax for the three and nine months ended September 30, 2018 (September 30, 2017—\$28 and \$2,641 decrease).

Interest rate risk

The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in interest rates on loans and borrowings would have a \$201 and \$610 impact on net income for the three and nine months ended September 30, 2018 (September 30, 2017—\$304 and \$504).

Credit risk

As at September 30, 2018, \$1,353 (December 31, 2017—\$960) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at September 30, 2018 is \$61 (December 31, 2017—\$56). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

The Corporation's maximum exposure to credit risk, as related to certain financial instruments identified in the table below, approximates the carrying value of the assets of the Corporation's consolidated statement of financial position.

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 6,257	\$ 10,316
Trade, other receivables and other assets	22,880	23,498
Notes receivable	301	342
	\$ 29,438	\$ 34,156

Liquidity risk

As at September 30, 2018, contractual obligations and their maturities were as follows:

	Contractual cash flow	Within 1 year	Within 5 years	Thereafter
Accounts payable and accrued liabilities	\$ 22,101	\$ 22,101	\$ -	\$ -
Capital lease obligation	1,377	478	899	-
Loans and borrowings	83,334	19,558	63,374	402
Long-term accrued liabilities	2,178	-	2,178	-
Non-controlling interest liability	13,580	2,000	11,580	-
	\$ 122,570	\$ 44,137	\$ 78,031	\$ 402

Capital management

The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at September 30, 2018, and December 31, 2017.

	September 30, 2018	December 31, 2017
Loans and borrowings	\$ 80,750	\$ 77,700
Less: net cash and cash equivalents	(6,257)	(9,550)
Net loans and borrowings	\$ 74,493	\$ 68,150
Shareholders' equity	\$ 86,475	\$ 101,386

The Corporation's objectives when managing capital include maintaining an optimal capital base to support the capital requirements of the Corporation and its subsidiaries, including acquisition opportunities.

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at September 30, 2018.

Determination of fair value

In accordance with IFRS 13, Fair Value Measurement, the Corporation considers the following fair value hierarchy in measuring the fair value of the financial instruments presented in the Corporation's consolidated statement of financial position. The hierarchy reflects the significance of the inputs used in determining the fair values of the Corporation's financial instruments.

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

The following table provides the fair values of the financial assets and liabilities in the Corporation's consolidated statement of financial position, categorized by hierarchical levels and their related classifications.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of Canadian dollars)

	Fair value as at September 30, 2018			
	Carrying value as at September 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Financial assets</i>				
Cash and cash equivalents	\$ 6,257	\$ 6,257	\$ -	\$ -
Trade, other receivables and other assets	22,880	-	-	-
Notes receivable	301	301	-	-
Investments	557	-	-	557
<i>Financial liabilities</i>				
Bank indebtedness	-	-	-	-
Accounts payable and accrued liabilities	(22,101)	-	-	-
Loans and borrowings	(80,750)	-	(80,750)	-
Other current liabilities	(413)	(60)	(353)	-
Other long-term liabilities	(4,258)	-	(4,258)	-
Capital lease obligation	(1,377)	-	(1,377)	-
Non-controlling interest liability	(13,580)	-	-	(13,580)
<hr/>				
	Fair value as at December 31, 2017			
	Carrying value as at December 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Financial assets</i>				
Cash and cash equivalents	\$ 10,316	\$ 10,316	\$ -	\$ -
Trade, other receivables and other assets	22,498	-	-	-
Notes receivable	342	342	-	-
Investments	357	-	-	357
<i>Financial liabilities</i>				
Bank indebtedness	766	766	-	-
Accounts payable and accrued liabilities	21,032	-	-	-
Loans and borrowings	77,700	-	77,700	-
Other current liabilities	413	-	413	-
Other long-term liabilities	2,391	-	2,391	-
Capital lease obligation	958	-	958	-
Non-controlling interest liability	12,500	-	-	12,500

As at September 30, 2018, management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of loans and borrowings are subject to floating interest rates, and the Corporation and its subsidiaries' credit risk profiles have not significantly changed since obtaining each of the facilities.

The fair value of non-controlling interest liability is determined by discounting the estimated future obligations as at September 30, 2018. The fair value of investments is comprised of the Corporation's investment in Vital Alert and Waldo and is recognized at the value of Vital Alerts convertible debenture offering in 2017.

17. COMMITMENTS AND CONTINGENCIES

Consulting agreement

In January 2016, DLC entered into a consulting agreement whereby DLC has agreed to incur an annual amount of \$350, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2019.

Service agreement

In March 2017, Impact entered into an inventory management service agreement with a third party to provide for the administration and maintenance of inventory held in its warehouse for an annual amount of \$456 USD. The service agreement expires in August 2021.

In March 2018, DLC entered into an agreement with a software development company to develop and support a customized mortgage application (“app”) for an annual amount of \$660. The agreement is a related party transaction due to common management between DLC and the service provider. The service agreement expires in March 2023.

DLC has contracts with external dealers to recruit franchises. DLC has a commitment to pay these dealers a commission for the franchise royalties earned by such franchises. Commissions are earned based on a percentage of franchise revenue earned and are accrued at the date it is earned. During 2018, a contract with a dealer was terminated, resulting in a loss on contract settlement of \$96 and \$1,513 for the three and nine months ended September 30, 2018 (September 30, 2017—\$nil and \$nil). A gross amount of \$3,067 will be paid to the dealer over two years related to this contract termination.

Leases

The Corporation and its subsidiaries have commitments under operating leases for buildings, office space and vehicles with varying terms that expire between 2018 and 2029. The approximate lease payments remaining are as follows:

Year	Lease payments	
2018 ⁽¹⁾	\$	1,636
2019		6,620
2020		6,731
2021		5,718
2022		4,316
Thereafter		12,956
	\$	37,977

(1) For the remaining period of 2018.

Contingencies

Certain of the Corporations subsidiaries has outstanding legal claims, some of which the Corporation has been indemnified from certain losses. As the outcomes of the claims are not determinable, no provision for settlement has been made in the interim financial statements.

18. SUBSEQUENT EVENTS

Dividend payment

The Corporation declared a dividend of \$0.0125 per common share for all shareholders of record as of September 28, 2018. The dividend was paid on October 12, 2018.

Share purchase agreement

As a result of the strategic alternatives review process announced on August 8, 2018, the Corporation entered into a letter of intent on September 25, 2018 (the “LOI”) to acquire the remaining 39.88% interest (the “Proposed Transaction”) in DLC for \$75,772 (the “Purchase Price”). The Purchase Price will be funded through a combination of: (i) 41,012,571 class “A” common shares of the Corporation (the “Common Shares”), with each Common Share having a deemed price of \$1.75 per share; and (ii) subordinated 6% promissory notes issued to the DLC Principals and the other vendors in the aggregate amount of \$4,000.

On November 16, 2018, the Corporation entered into a definitive agreement for the Proposed Transaction (the “Share Purchase Agreement”) with the DLC Principals and the other vendors. The Share Purchase Agreement contemplates that the Proposed Transaction will be completed on December 31, 2018. The Proposed Transaction, if completed, would be a related-party transaction as both the DLC Principals are directors of the Corporation and are management of DLC. Completion of the Proposed Transaction is subject to a number of conditions, including approval by a majority of the minority shareholders of the Corporation, approval by the Exchange, and approval by the Corporation’s senior lender.

Issuance of share options

On October 1, 2018, the Corporation granted 1,000,000 share options in trust to the DLC Principals. The options are exercisable at a price of \$1.75, have a five-year term and will vest upon closing of the Proposed Transaction.