Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(unaudited)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

(in thousands of Canadian dollars)

	As at March 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**$ 5,455**	$ 5,492
Trade and other receivables	**22,927**	27,627
Prepaid expenses and deposits	**2,757**	2,758
Notes receivable	**317**	299
Inventories	**5,706**	5,847
Total current assets	**37,162**	42,023
Non-current assets		
Trade, other receivables and other assets	**704**	599
Investments	**557**	557
Capital assets	**32,181**	33,805
Right-of-use assets (note 4)	**52,666**	-
Intangible assets (note 5)	**156,928**	159,380
Goodwill	**110,127**	110,257
TOTAL ASSETS	**$ 390,325**	$ 346,621
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	**$ 39**	$ 397
Accounts payable and accrued liabilities	**19,886**	22,970
Loans and borrowings (note 6)	**26,063**	25,698
Deferred contract liability	**1,007**	650
Other current liabilities	**634**	788
Lease obligations (note 7)	**3,817**	573
Non-controlling interest liability	**2,000**	2,000
Total current liabilities	**53,446**	53,076
Non-current liabilities		
Loans and borrowings (note 6)	**59,092**	61,007
Deferred contract liability	**2,006**	2,076
Other long-term liabilities	**1,748**	3,293
Lease obligations (note 7)	**49,788**	1,173
Deferred tax liabilities	**38,804**	39,553
Non-controlling interest liability	**11,663**	11,621
TOTAL LIABILITIES	**216,547**	171,799
Equity		
Share capital	**115,390**	115,390
Contributed surplus	**15,284**	14,759
Accumulated other comprehensive loss	**93**	332
Deficit	**(51,152)**	(50,525)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	**79,615**	79,956
NON-CONTROLLING INTEREST	**94,163**	94,866
TOTAL LIABILITIES AND EQUITY	**$ 390,325**	$ 346,621

Commitments and contingencies (note 15).
The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors,

(signed)
James Bell, Director

(signed)
Dennis Sykora, Director

CONSOLIDATED STATEMENTS OF LOSS (unaudited)

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

For the three months ended March 31,		2019		2018
REVENUES (note 10)	$	**32,995**	$	30,141
Direct costs		**12,193**		10,846
GROSS PROFIT		**20,802**		19,295
General and administrative		**13,942**		13,580
Share-based payments (note 8)		**90**		147
Depreciation and amortization		**5,394**		4,126
		19,426		17,853
INCOME FROM OPERATIONS		**1,376**		1,442
OTHER (EXPENSES) INCOME				
Finance expense (note 11)		**(2,688)**		(1,943)
Dividends paid to non-controlling interest shareholders		**-**		(500)
Foreign exchange gain (loss)		**1,155**		(1,460)
Net gain on sale of capital assets		**84**		1
Change in fair value of non-controlling interest liability		**(42)**		(34)
Loss on contract settlement (note 15)		**(118)**		-
Other income		**59**		114
		(1,550)		(3,822)
LOSS BEFORE INCOME TAX		**(174)**		(2,380)
INCOME TAX (EXPENSE) RECOVERY				
Current tax expense		**(1,337)**		(1,165)
Deferred tax recovery		**616**		1,506
		(721)		341
NET LOSS	$	**(895)**	$	(2,039)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.		**(1,472)**		(2,291)
Non-controlling interest		**577**		252
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS (note 12)				
Basic	$	**(0.04)**	$	(0.06)
Diluted	$	**(0.04)**	$	(0.06)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,		**2019**		2018
NET LOSS	**$**	**(895)**	$	(2,039)
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will be subsequently reclassified to comprehensive income:				
Foreign exchange translation (loss) gain (net of tax)		**(461)**		636
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(461)**		636
COMPREHENSIVE LOSS	**$**	**(1,356)**	$	(1,403)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	**$**	**(1,711)**	$	(1,960)
Non-controlling interest	**$**	**355**	$	557

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

CONSOLIDATED STATEMENTS OF 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, 2018	$ 115,055	$ 14,569	$ (683)	$ (27,555)	$ 101,386	$ 101,862	$ 203,248
Share-based payments (note 8)	-	128	-	-	128	-	128
Net loss and comprehensive income	-	-	331	(2,291)	(1,960)	557	(1,403)
Distributions to non-controlling interest	-	-	-	-	-	(1,472)	(1,472)
Dividends declared	-	-	-	(477)	(477)	-	(477)
Balance at March 31, 2018	$ 115,055	$ 14,697	$ (352)	$ (30,323)	$ 99,077	$ 100,947	$ 200,024
Balance at December 31, 2018	**$ 115,390**	**$ 14,759**	**$ 332**	**$ (50,525)**	**$ 79,956**	**$ 94,866**	**$ 174,822**
Adoption of IFRS 16 (note 3)	**-**	**-**	**-**	**845**	**845**	**474**	**1,319**
Balance at January 1, 2019	**115,390**	**14,759**	**332**	**(49,680)**	**80,801**	**95,340**	**176,141**
Share-based payments (note 8)	**-**	**75**	**-**	**-**	**75**	**-**	**75**
Fair value of lender warrants	**-**	**450**	**-**	**-**	**450**	**-**	**450**
Net loss and comprehensive loss	**-**	**-**	**(239)**	**(1,472)**	**(1,711)**	**355**	**(1,356)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(1,532)**	**(1,532)**
Balance at March 31, 2019	**$ 115,390**	**$ 15,284**	**$ 93**	**$ (51,152)**	**$ 79,615**	**$ 94,163**	**$ 173,778**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands of Canadian dollars)

For the three months ended March 31,		**2019**		2018
OPERATING ACTIVITIES				
Net loss	**$**	**(895)**	$	(2,039)
Items not affecting cash:				
Share-based payments (note 8)		**90**		147
Depreciation and amortization		**5,394**		4,126
Net gain on disposal of capital assets		**(84)**		(1)
Change in fair value of non-controlling interest liability		**42**		34
Dividends paid to non-controlling interest shareholders		**-**		500
Unrealized foreign exchange (gain) loss		**(1,185)**		1,462
Deferred tax recovery		**(616)**		(1,506)
Other non-cash items		**954**		1,063
Changes in non-cash working capital (note 13)		**1,943**		(3,174)
CASH PROVIDED BY OPERATING ACTIVITIES		**5,643**		612
INVESTING ACTIVITIES				
Expenditures on capital assets		**(1,847)**		(2,259)
Investment in intangible assets (note 5)		**(485)**		(2,271)
Proceeds on disposal of capital and intangible assets		**275**		32
Purchase of investments		**-**		(200)
Dividends paid to non-controlling interest shareholders		**-**		(500)
Distributions to non-controlling interests		**(1,532)**		(1,472)
CASH USED BY INVESTING ACTIVITIES		**(3,589)**		(6,670)
FINANCING ACTIVITIES				
Proceeds from debt financing, net of transaction costs (note 6)		**3,307**		3,353
Proceeds from capital lease financing		**-**		753
Repayment of debt (note 6)		**(2,845)**		(1,110)
Lease payments		**(1,732)**		(105)
Dividends paid to common shareholders		**(477)**		(477)
CASH (USED) PROVIDED BY FINANCING ACTIVITIES		**(1,747)**		2,414
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**307**		(3,644)
Impact of foreign exchange on cash and cash equivalents		**14**		4
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**5,095**		9,550
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**5,416**	$	5,910
Net cash and cash equivalents is comprised of:				
Cash and cash equivalents		**5,455**		6,026
Bank indebtedness		**(39)**		(116)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD		**5,416**		5,910
Cash flows include the following amounts:				
Interest paid	**$**	**2,285**	$	1,585
Interest received	**$**	**6**	$	4
Income taxes paid	**$**	**1,641**	$	1,359

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

(in thousands of Canadian dollars)

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 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. This investment approach allows owners of our investee companies to continue managing the day-to-day operations and has no mandated liquidity time frame. As a part of our investment strategy, FAC has acquired interests in the following subsidiaries:

	Ownership interest	
	March 31, 2019	December 31, 2018
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 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").

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors on May 27, 2019.

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 in the most recent annual financial statements except those noted below.

a) New standard and interpretations

i. Adoption of IFRS 16 Leases

The Corporation adopted IFRS 16 Leases ("IFRS 16") at the required effective date of January 1, 2019, using the modified retrospective approach with the cumulative effect of adopting IFRS 16 recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

ii. Definition of a lease

At inception of a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation and our subsidiaries have leases for office and buildings, machinery and equipment and vehicles.

iii. Accounting for lease arrangements

IFRS 16 introduces a single accounting model for leases; the standard eliminates lessee's classification of leases as either operating leases or finance leases.

Right-of-use assets are measured at costs, which comprises the initial amount of the lease obligation, adjusted for any lease payments made at or before the commencement date of the lease, any direct costs incurred less any lease incentives received. Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term; right-of-use assets are assessed for impairment losses if any and adjusted for certain remeasurements on the related lease obligation.

Lease obligations are measured at the present value of future lease payments at the lease commencement date discounted using the interest rate implicit in the lease, or if not readily determinable, the Corporation's incremental borrowing rate. Lease obligations are subsequently measured at amortized costs using the effective interest rate method. Lease obligations are remeasured when there is a lease modification, with a corresponding adjustment made to the carrying amount of the right-of-use asset or is recorded in the statements of loss if the carrying amount of the right-of-use asset has been reduced to zero.

(in thousands of Canadian dollars)

Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of right-of-use assets and lease obligations.

iv. Leases in which the Corporation is Lessee

The Corporation previously classified leases as operating or finance based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use asset and lease obligations for all contracts that are or contain a lease as defined above.

The Corporation elected to apply the following practical expedients upon adoption of IFRS 16:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Adjusted the opening right-of-use asset for provisions of onerous leases recognized as of December 31, 2018
- Applied the exemption to not recognize right-of-use asset and lease obligations for leases that are short-term and of low value
- Used hindsight for determining the lease term for leases that contains options to extend or terminate.

v. Impact on the financial statements

On adoption of IFRS 16, the Corporation recognized an addition of $52,399 of right-of-use assets and $53,168 of lease obligations.

The lease obligations payments were discounted using the incremental borrowing rate determined for each portfolio of similar leases as of January 1, 2019. The weighted average incremental borrowing rate is 4.92%. The following table reconciles the Corporations lease commitments outstanding as of December 31, 2018 and the opening lease obligation as at January 1, 2019.

		As at January 1, 2019
Operating lease commitment as at December 31, 2018	$	40,836
Operating lease commitment discounted using the weighted average incremental borrowing rate as at January 1, 2019		**32,703**
Less: Recognition exemption for short term leases		**(76)**
Add: Lease renewal options reasonably certain to be exercised (1)		**20,541**
Lease liabilities recognized as at January 1, 2019	**$**	**53,168**

(1) The impact of renewal options excluded from the calculation of lease obligations is $8,150.

The following table reconciles the opening transition effect on the Corporations statement of financial position.

		As at January 1, 2019
Opening retained earnings adjustment	**$**	**(1,319)**
Comprised of:		
Addition to lease obligation		**53,168**
Addition to right-of-use asset		**(52,399)**
Lease liabilities recorded as of December 31, 2018 (1)		**(1,682)**
Recognition of lease receivable		**(273)**
Deferred income tax recognized on transition		**(133)**
	$	**(1,319)**

(1) Lease liabilities as of December 31, 2018 include provisions for an onerous lease liability and straight-line lease liabilities.

(in thousands of Canadian dollars)

b) Classification changes

Effective January 1, 2019, the Corporation changed our classification of certain costs to be classified as direct costs that were previously recognized as general and administrative costs to better reflect the operations of AG. The change in classification resulted in an increase of direct cost and a decrease of general and administration of $1,184 for the three months ended March 31, 2018.

Effective January 1, 2019, the Corporation changed how we classify depreciation and amortization of certain Franchise non-competition agreements and relationships to be classified as a charge against revenue instead of being recognized as depreciation and amortization expense. The change in treatment is to due to our view that the costs incurred for acquiring and renewing contracts corresponds to securing future revenue stream, therefore amortization of these payments is a reduction in revenue.

4. RIGHT-OF-USE ASSET

		Office and Buildings		Machinery and equipment		Vehicles		Total
Cost								
Balance at December 31, 2018	$	-	$	-	$	-	$	-
Adoption of IFRS 16		**52,273**		**-**		**126**		**52,399**
Transfer from capital assets		**-**		**2,261**		**-**		**2,261**
Balance at March 31, 2019	**$**	**52,273**	**$**	**2,261**	**$**	**126**	**$**	**54,660**
Accumulated amortization								**-**
Balance at December 31, 2018	$	-	$	-	$	-	$	-
Transfer from capital assets		**-**		**(521)**		**-**		**(521)**
Depreciation and amortization expense		**(1,352)**		**(108)**		**(13)**		**(1,473)**
Balance at March 31, 2019	**$**	**(1,352)**	**$**	**(629)**	**$**	**(13)**	**$**	**(1,994)**
Carrying value								
December 31, 2018	$	-	$	-	$	-	$	-
March 31, 2019	**$**	**50,921**	**$**	**1,632**	**$**	**113**	**$**	**52,666**

5. INTANGIBLE ASSETS

		Franchise rights, relationships and agreements		Brand names		Customer relationships		Other [(1)]		Total intangible assets
Cost										
Balance at December 31, 2018	$	89,057	$	50,585	$	34,513	$	6,241	$	180,396
Additions		**483**		**-**		**-**		**2**		**485**
Effect of movements in exchange rates		**-**		**(4)**		**(221)**		**(13)**		**(238)**
Balance at March 31, 2019	**$**	**89,540**		**50,581**		**34,292**		**6,230**		**180,643**
Accumulated amortization										
Balance at December 31, 2018	$	(11,212)	$	(1,125)	$	(5,552)	$	(3,127)	$	(21,016)
Depreciation and amortization recognized against revenue		**(317)**		**-**		**-**		**-**		**(317)**
Depreciation and amortization expense		**(934)**		**(202)**		**(874)**		**(372)**		**(2,382)**
Balance at March 31, 2019	**$**	**(12,463)**		**(1,327)**		**(6,426)**		**(3,499)**		**(23,715)**
Carrying value										
December 31, 2018	$	77,845	$	49,460	$	28,961	$	3,114	$	159,380
March 31, 2019	**$**	**77,077**	**$**	**49,254**	**$**	**27,866**	**$**	**2,731**	**$**	**156,928**

(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.

(in thousands of Canadian dollars)

6. LOANS AND BORROWINGS

		March 31, 2019		December 31, 2018
Corporate				
Term credit facility	**$**	**52,703**	$	54,927
Promissory note		**2,500**		2,500
Subsidiaries				
DLC term loan facility		**4,660**		5,095
DLC operating facility		**8,256**		7,340
Club16 demand credit facility		**6,926**		6,108
Club16 operating facility		**977**		989
AG term loan facilities		**3,351**		3,677
AG operating facility		**3,990**		5,500
AG vehicle and equipment loans		**1,792**		569
Total loans and borrowings		**85,155**		86,705
Less current portion		**(26,063)**		(25,698)
	$	**59,092**	$	61,007

Corporate credit facilities

Corporate term credit facility

On March 12, 2019, the Corporation amended its term credit facility ("Corporate Credit Facility") to require the Corporation to repay debt at par with all excess free cashflow as defined in the agreement and increase the total leverage ratio. In consideration for the amendments, the Corporation agreed to pay a cash fee of 1.5% ($630 USD) of the principal loan balance and reprice the existing 2,078,568 lender warrants to $1.4375 per share (half of which were previously exercisable at $3.508 per share and half were exercisable at $3.965 per share). Financial covenants in the Corporate Credit Facility include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of:

- 4.25:1.00 for the fiscal quarters ending March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019;
- 4.00:1:00 for the fiscal quarters ending March 31, 2020 and June 30, 2020; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

As at March 31, 2019, the Corporation was in compliance with all such covenants.

Subsidiaries credit facilities

AG

On March 22, 2019 AG entered a $1,354 term loan facility to finance equipment purchases. The term loan matures in April 2024 and bears interest at a fixed rate of 4.61% per annum. The committed term debt is secured by the specific financed capital assets.

7. LEASE OBLIGATIONS

Balance at December 31, 2018	$	1,746
Adoption of IFRS 16		**53,168**
Lease payments		**(1,732)**
Interest on lease obligations		**423**
Balance at March 31, 2019		**53,605**
Less current portion		**(3,817)**
	$	**49,788**

8. 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 ten 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.

(in thousands of Canadian dollars)

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

	Number of share options		Weighted average exercise price
Outstanding share options, December 31, 2018	2,418,911	$	3.80
Expired	**(33,333)**		**4.40**
Outstanding share options, March 31, 2019	**2,385,578**	**$**	**3.80**

The following table summarizes the share options outstanding and exercisable under the Plan as at March 31, 2019:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable		Weighted average exercise price
July 15, 2015	96,666	6.3	96,666	$	2.40
February 23, 2016	743,912	1.9	644,281		3.00
July 7, 2016	1,270,000	2.3	1,270,000		4.40
July 3, 2017	75,000	3.3	75,000		3.00
September 15, 2017	200,000	3.5	200,000		4.00
	2,385,578		2,285,947	$	3.84

The Corporation recorded total share-based payment expense of $90 for the three months ended March 31, 2019 (March 31, 2018—$147). These amounts include share-based payment expense related to the Corporation's share options for the three months ended March 31, 2019 of $75 (March 31, 2018—$128), and share-based payments related to Impact's share appreciation rights ("SARs") of $15 (March 31, 2018—$19).

Warrants

The following table summarizes the warrants outstanding:

	Years to Maturity	Warrants Outstanding		Exercise price
Outstanding lender warrants, December 31, 2018	3.45	**2,078,568**	$	3.74
Outstanding lender warrants, March 31, 2019	3.21	**2,078,568**	**$**	**1.44**

The Corporation repriced its outstanding lender warrants to $1.4375 per warrant from the weighted average of $3.7365 as consideration for amending our Corporate Credit Facility (see note 6). Using the Black-Scholes pricing model, the warrants have been valued at $0.24 per warrant, which resulted in an increase in the fair value of the lender warrants of $450. The increase in fair value was recognized as an increase to contributed surplus, with the offset to debt issuance costs, which is netted against loans and borrowings on the Corporations statements of financial position.

9. 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 ten 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.

(in thousands of Canadian dollars)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at March 31, 2019					
Cash and cash equivalents	$ 1,782	$ 748	$ 1,934	$ 991	$ 5,455
Trade, other receivables and other assets	9,126	2,528	11,290	687	23,631
Right-of-use assets	376	41,284	10,788	218	52,666
Intangible assets	124,871	5,634	26,423	-	156,928
Goodwill	60,437	22,432	27,258	-	110,127
Capital and other assets	1,679	16,580	22,499	760	41,518
Total assets	$ 198,271	$ 89,206	$ 100,192	$ 2,656	$ 390,325
Accounts payable and accrued liabilities	$ 8,598	$ 2,083	$ 7,559	$ 1,646	$ 19,886
Capital lease obligation	377	41,477	11,051	700	53,605
Loans and borrowings	12,916	7,903	9,133	55,203	85,155
Deferred tax	27,958	1,694	9,967	(815)	38,804
Other liabilities	2,644	524	15,091	838	19,097
Total liabilities	$ 52,493	$ 53,681	$ 52,801	$ 57,572	$ 216,547

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended March 31, 2019					
Revenue	$ 8,079	$ 6,557	$ 18,359	$ -	$ 32,995
Direct costs	1,012	786	10,395	-	12,193
General and administrative	4,576	3,699	4,196	1,471	13,942
Share-based payments	-	-	15	75	90
Depreciation and amortization	1,296	1,893	2,190	15	5,394
Finance expense	160	430	193	1,905	2,688
Other expenses	92	-	(31)	(1,199)	(1,138)
Income (loss) before tax	$ 943	$ (251)	$ 1,401	$ (2,267)	$ (174)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at December 31, 2018					
Cash and cash equivalents	$ 2,452	$ 613	$ 356	$ 2,071	$ 5,492
Trade, other receivables and other assets	12,636	2,217	12,670	703	28,226
Intangible assets	125,929	5,969	27,482	-	159,380
Goodwill	60,437	22,431	27,389	-	110,257
Capital and other assets	1,689	16,158	24,594	825	43,266
Total assets	$ 203,143	$ 47,388	$ 92,491	$ 3,599	$ 346,621
Accounts payable and accrued liabilities	$ 11,887	$ 2,012	$ 7,592	$ 1,479	$ 22,970
Loans and borrowings	12,435	7,097	9,746	57,427	86,705
Deferred tax	28,338	2,102	10,279	(1,166)	39,553
Other liabilities	2,748	1,534	17,067	1,222	22,571
Total liabilities	$ 55,408	$ 12,745	$ 44,684	$ 58,962	$ 171,799

(in thousands of Canadian dollars)

	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended March 31, 2018					
Revenue	$ 8,120	$ 5,897	$ 16,124	$ -	$ 30,141
Direct costs	1,067	576	9,203	-	10,846
General and administrative	3,467	4,555	4,380	1,178	13,580
Share-based payments	-	-	19	128	147
Depreciation and amortization	1,472	795	1,851	8	4,126
Finance expense	139	64	97	1,643	1,943
Other expenses	52	6	507	1,314	1,879
Income (loss) before tax	$ 1,923	$ (99)	$ 67	$ (4,271)	$ (2,380)

10. REVENUES

For the three months ended March 31,	**2019**	2018
Franchising revenue, mortgage brokerage services	**$ 7,990**	$ 7,847
Brokering of mortgages	**89**	94
Memberships and dues revenue	**5,046**	4,480
Radio and radio accessories	**5,714**	2,511
Print and print services	**12,395**	13,453
Supplementary services revenue and other revenue	**1,761**	1,756
	$ 32,995	$ 30,141

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.

Revenue earned from contract with customers included in the above for the Franchise and Customer Products and Service segment for the three months ended is $7,974 and $6,436 (March 31, 2018—$7,920 and $5,629).

11. FINANCE EXPENSE

For the three months ended March 31,	**2019**	2018
Interest expense on debt obligations	**$ 1,985**	$ 1,623
Interest on lease obligations	**423**	-
Amortization of debt issuance costs	**242**	320
Accretion expense	**38**	-
	$ 2,688	$ 1,943

12. LOSS PER SHARE

For the three months ended March 31,	**2019**	2018
Net loss attributable to shareholders	$ **(1,472)**	$ (2,291)
Basic and diluted weighted average number of shares	**38,182,542**	38,128,606
Basic loss per share	**(0.04)**	(0.06)
Diluted loss per share	**(0.04)**	(0.06)

As at March 31, 2019, there were 2,385,578 share options (March 31, 2018—2,828,911) and 2,078,568 warrants outstanding (March 31, 2018—2,566,557) that were considered anti-dilutive (see note 8).

(in thousands of Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the three months ended March 31,		2019		2018
Trade and other receivables	$	**4,700**	$	(175)
Prepaid expenses and deposits		**1**		285
Notes receivable		**(18)**		4
Inventories		**141**		(217)
Accounts payable and accrued liabilities		**(3,084)**		(4,112)
Deferred contract liability		**357**		748
Other current liabilities		**(154)**		293
	$	**1,943**	**$**	(3,174)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has overall responsibility to establish and oversee the Corporation's risk management framework. The Board of Directors has implemented risk management policies, monitors compliance with them, and reviews them regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation's financial risk management policies have been established to identify and analyze risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Corporation employs risk management strategies to ensure our risks and related exposures are consistent with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

The Corporation is exposed in varying degrees to a variety of risks from its use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. Because of the use of these financial instruments, the Corporation and its subsidiaries are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. This note describes the Corporation's objectives, policies and processes for managing these risks and the methods used to measure them.

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 our balances in USD bank accounts, USD loans and borrowings, and Impact's operations, as a significant portion of its business is conducted in USD. At March 31, 2019, the USD cash balance is USD $1,289 (CAD $1,722), compared to USD $242 (CAD $330) at December 31, 2018. Our USD loans and borrowings balance is USD $42,000 (CAD $56,125); at December 31, 2018 it was USD $42,000 (CAD $57,296). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $5,399 increase of net loss before tax for the three months ended March 31, 2019 (March 31, 2018—$5,264 increase).

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 an $213 increase of net loss for the three months ended March 31, 2019 (March 31, 2018—$202).

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is mainly attributable to its cash and cash equivalents and trade and other receivables.

The Corporation has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal as the Corporation's cash and cash equivalents are held with financial institutions in Canada.

Our primary source of credit risk relates to AG customers and DLC's franchisees and agents not repaying receivables. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. AG manages its credit risk through evaluation and by monitoring overdue trade and other receivables. Another source of credit risk comes from Impact's customers not paying amounts owed to Impact, which is also managed by performing credit risk evaluations and monitoring overdue trade receivables. The management teams of AG, DLC and Impact establish an allowance for doubtful accounts based on the specific credit risk of their customers. As at March 31, 2019, $3,665 (December 31, 2018—$2,100) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at March 31, 2019 is $11 (December 31, 2018—$19). 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.

(in thousands of Canadian dollars)

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 statements of financial position.

		March 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**5,455**	$	5,492
Trade, other receivables and other assets		**23,631**		28,226
Notes receivable		**317**		299
	$	**29,403**	$	34,017

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation utilizes cash and debt management policies and practices to mitigate the likelihood of difficulties in meeting its financial obligations and commitments. These policies and practices include the preparation of budgets and forecasts which are regularly monitored and updated as considered necessary.

As at March 31, 2019, contractual cash flow obligations and their maturities were as follows:

		Contractual cash flow		Within 1 year		Within 5 years		Thereafter
Bank indebtedness	$	39	$	39	$	-	$	-
Accounts payable and accrued liabilities		19,886		19,886		-		-
Lease obligations		35,055		6,998		19,541		8,516
Loans and borrowings		88,577		26,063		62,514		-
Long-term liabilities		910		-		910		-
Non-controlling interest liability		13,663		2,000		11,663		-
	$	158,130	$	54,986	$	94,628	$	8,516

Capital management
The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less net cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at March 31, 2019, and December 31, 2018.

		March 31, 2019		December 31, 2018
Loans and borrowings	**$**	**85,155**	$	86,705
Less: net cash and cash equivalents		**(5,416)**		(5,095)
Net loans and borrowings	**$**	**79,739**	$	81,610
Shareholders' equity	**$**	**79,615**	$	79,956

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 March 31, 2019.

Determination of fair value
The Corporation considers the following fair value hierarchy in measuring the fair value of the financial instruments presented in the Corporation's consolidated statements of financial position. The hierarchy reflects the significance of the inputs used in determining the fair values of the Corporation's financial instruments.

i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(in thousands of Canadian dollars)

ii. 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
iii. 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 statements of financial position, categorized by hierarchical levels and their related classifications.

		Fair value as at March 31, 2019		
	Carrying value as at March 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash and cash equivalents	**$ 5,455**	**$ 5,455**	**$ -**	**$ -**
Trade, other receivables and other assets	**23,631**	**-**	**-**	**-**
Notes receivable	**317**	**317**	**-**	**-**
Investments	**557**	**-**	**-**	**557**
Financial liabilities				
Bank indebtedness	**(39)**	**(39)**	**-**	**-**
Accounts payable and accrued liabilities	**(19,886)**	**-**	**-**	**-**
Loans and borrowings	**(85,155)**	**-**	**(85,155)**	**-**
Other current liabilities	**(634)**	**(338)**	**(296)**	**-**
Other long-term liabilities	**(1,748)**	**-**	**(1,748)**	**-**
Non-controlling interest liability	**(13,663)**	**-**	**-**	**(13,663)**

		Fair value as at December 31, 2018		
	Carrying value as at December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 5,492	$ 5,492	$ -	$ -
Trade, other receivables and other assets	28,226	-	-	-
Notes receivable	299	299	-	-
Investments	557	-	-	557
Financial liabilities				
Bank indebtedness	(397)	(397)	-	-
Accounts payable and accrued liabilities	(22,970)	-	-	-
Loans and borrowings	(86,705)	-	(86,705)	-
Other current liabilities	(788)	(486)	(302)	-
Other long-term liabilities	(3,293)	-	(3,293)	-
Lease obligation	(1,746)	-	(1,746)	-
Non-controlling interest liability	(13,621)	-	-	(13,621)

The fair value of trade, other receivables and other assets, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments. As at March 31, 2019 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.

15. COMMITMENTS AND CONTINGENCIES

Consulting agreement

In January 2019, DLC renewed a consulting agreement whereby DLC has agreed to incur an annual amount of $100, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2020.

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 $118 for the three months ended March 31, 2019 (March 31, 2018—$nil). As of March 31, 2019, $2,300 is outstanding (December 31, 2018—$2,300).

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 consolidated financial statements.