Founders Advantage Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 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 condensed interim consolidated financial statements for the three and six months ended June 30, 2017.

INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)

Founders Advantage Capital Corp. (in thousands of Canadian dollars)		**As at June 31, 2018**		As at December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	$	**7,071**	$	10,316
Trade and other receivables		**21,292**		22,442
Prepaid expenses and deposits		**2,711**		2,410
Notes receivable		**312**		342
Inventories		**4,778**		4,834
Total current assets		**36,164**		40,344
Non-current assets				
Trade and other receivables		**582**		1,056
Investments		**557**		357
Capital assets (note 6)		**33,235**		33,254
Intangible assets (note 4)		**161,927**		163,415
Goodwill (note 5)		**116,199**		115,939
TOTAL ASSETS	$	**348,664**	$	354,365
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness	$	**80**	$	766
Accounts payable and accrued liabilities		**17,258**		21,032
Loans and borrowings (note 7)		**19,796**		16,370
Deferred revenue		**1,958**		1,838
Other current liabilities		**356**		413
Capital lease obligation		**473**		327
Non-controlling interest liability		**2,000**		2,000
Total current liabilities		**41,921**		42,746
Non-current liabilities				
Loans and borrowings (note 7)		**62,739**		61,330
Other long-term liabilities		**3,889**		2,391
Capital lease obligation		**1,020**		631
Deferred tax liabilities		**30,655**		33,519
Non-controlling interest liability		**10,500**		10,500
TOTAL LIABILITIES		**150,724**		151,117
Equity				
Share capital (note 8)		**115,390**		115,055
Contributed surplus		**14,649**		14,569
Accumulated other comprehensive loss		**(118)**		(683)
Deficit		**(31,776)**		(27,555)
TOTAL EQUITY ATTRIBUTABLE TO FOUNDERS ADVANTAGE CAPITAL CORP. SHAREHOLDERS		**98,145**		101,386
NON-CONTROLLING INTEREST		**99,795**		101,862
TOTAL LIABILITIES AND EQUITY	$	**348,664**	$	354,365

Commitments and contingencies (note 15).

Subsequent events (note 16).

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) (unaudited)

Founders Advantage Capital Corp.		**For the three months ended**		**June 30,**		**For the six months ended**		**June 30,**
(in thousands of Canadian dollars, except per share data)		2018		2017		2018		2017
REVENUES (note 11)	$	**35,626**	$	19,500	$	**65,767**	$	33,194
Direct costs		**10,774**		3,325		**20,436**		5,557
GROSS PROFIT		**24,852**		16,175		**45,331**		27,637
General and administrative		**14,745**		10,446		**29,509**		20,370
Share-based payments (note 9)		**178**		757		**325**		1,972
Depreciation and amortization (note 4 and 6)		**4,098**		2,332		**8,224**		4,445
		19,021		13,535		**38,058**		26,787
INCOME FROM OPERATIONS		**5,831**		2,640		**7,273**		850
OTHER INCOME (EXPENSES)								
Finance expense		**(2,254)**		(889)		**(4,197)**		(1,417)
Dividends paid to non-controlling interest shareholders		**(500)**		-		**(1,000)**		-
Foreign exchange gain (loss)		**(1,186)**		559		**(2,646)**		576
Net gain on sale of capital and intangible		**(64)**		1,722		**(63)**		1,722
Change in fair value of non-controlling interest liability		**(36)**		(261)		**(70)**		(305)
Loss on contract settlement (note 15)		**(1,417)**		-		**(1,417)**		-
Gain on financial instruments		**-**		59				59
Loss on equity accounted investment		**-**		(57)		**-**		(182)
Other income		**228**		55		**342**		82
		(5,229)		1,188		**(9,051)**		535
INCOME (LOSS) BEFORE INCOME TAX		**602**		3,828		**(1,778)**		1,385
INCOME TAX (EXPENSE) RECOVERY								
Current tax expense		**(1,374)**		(834)		**(2,539)**		(1,457)
Deferred tax recovery		**1,435**		97		**2,941**		1,503
		61		(737)		**402**		46
NET INCOME (LOSS)	**$**	**663**	**$**	3,091	**$**	**(1,376)**	**$**	1,431
ATTRIBUTABLE TO:								
Shareholders of Founders Advantage Capital Corp.	**$**	**(976)**	**$**	975	**$**	**(3,267)**	**$**	(655)
Non-controlling interest	**$**	**1,639**	**$**	2,116	**$**	**1,891**	**$**	2,086
NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS OF FOUNDERS ADVANTAGE CAPITAL CORP. (note 12)								
Basic	$	**(0.03)**	$	0.03	$	**(0.09)**	$	(0.02)
Diluted	$	**(0.03)**	$	0.03	$	**(0.09)**	$	(0.02)

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.

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

Founders Advantage Capital Corp.		For the three months ended June 30,				For the six months ended June 30,		
(in thousands of Canadian dollars)		**2018**		2017		**2018**		2017
NET INCOME (LOSS)	$	**663**	$	3,091	$	**(1,376)**	$	1,431
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will be subsequently reclassified to comprehensive income:								
Foreign exchange translation gain (loss) (net of tax)		**448**		(517)		**1,084**		(540)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**448**		(517)		**1,084**		(540)
COMPREHENSIVE INCOME (LOSS)	**$**	**1,111**	**$**	2,574	**$**	**(292)**	**$**	891
ATTRIBUTABLE TO:								
Shareholders of Founders Advantage Capital Corp.	$	**(742)**	$	458	$	**(2,702)**	$	(1,195)
Non-controlling interest	$	**1,853**	$	2,116	$	**2,410**	$	2,086

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

Founders Advantage Capital Corp. (in thousands of Canadian dollars)	Attributable to Shareholders of Founders Advantage Capital Corp. **Share capital**	**Contributed surplus**	**Accumulated other comprehensive income (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)	-	1,939	-	-	1,939	-	1,939
Exercise of DSUs	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
Net income (loss) and comprehensive loss	-	-	(540)	(655)	(1,195)	2,086	891
Distributions to non-controlling interest	-	-	-	-	-	(2,874)	(2,874)
Dividends declared (note 8)	-	-	-	(950)	(950)	-	(950)
Balance at June 30, 2017	$ 112,626	$ 15,990	$ (540)	$ (21,044)	$ 107,032	$ 75,806	$ 182,838
Balance at January 1, 2018	$ 115,055	$ 14,569	$ (683)	$ (27,555)	$ 101,386	$ 101,862	$ 203,248
Share-based payments (note 9)	**-**	**302**	**-**	**-**	**302**	**-**	**302**
Exercise of broker warrants (note 8)	**335**	**(222)**	**-**		**113**	**-**	**113**
Net income (loss) and comprehensive income	**-**	**-**	**565**	**(3,267)**	**(2,702)**	**2,410**	**(292)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(4,477)**	**(4,477)**
Dividends declared (note 8)	**-**	**-**	**-**	**(954)**	**(954)**	**-**	**(954)**
Balance at June 30, 2018	**$ 115,390**	**$ 14,649**	**$ (118)**	**$ (31,776)**	**$ 98,145**	**$ 99,795**	**$ 197,940**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Founders Advantage Capital Corp. (in thousands of Canadian dollars)	For the six months ended June 30, **2018**		2017	
OPERATING ACTIVITIES				
Net income (loss)	**$**	**(1,376)**	$	1,431
Items not affecting cash:				
Share-based payments (note 9)		**325**		1,972
Depreciation and amortization (note 4 and 6)		**8,224**		4,445
Change in fair value of non-controlling interest rights		**70**		305
Deferred tax recovery		**(2,941)**		(1,503)
Unrealized foreign exchange loss (gain)		**2,630**		526
Other non-cash items		**3,386**		(1,842)
Cash provided by before non-cash working capital		**10,318**		5,334
Changes in non-cash working capital (note 13)		**(2,933)**		1,217
CASH PROVIDED BY OPERATING ACTIVITIES		**7,385**		6,551
INVESTING ACTIVITIES				
Expenditures on capital assets (note 6)		**(3,194)**		(195)
Investment in intangible assets (note 4)		**(2,888)**		(1,293)
Proceeds on disposal of capital and intangible assets		**85**		1,457
Purchase of investments		**(200)**		-
Dividends paid to non-controlling interest shareholders		**(1,000)**		-
Contributions to equity accounted investee		**-**		(586)
Investment in subsidiaries, net of cash received		**-**		(11,261)
Distributions to non-controlling interests		**(4,477)**		(3,162)
Changes in other non-cash items		**355**		-
Changes in non-cash working capital (note 13)		**75**		(1,461)
CASH USED IN INVESTING ACTIVITIES		**(11,244)**		(16,501)
FINANCING ACTIVITIES				
Proceeds from debt financing, net of transaction costs (note 7)		**4,285**		67,064
Proceeds from capital lease financing		**753**		-
Repayment of debt (note 7)		**(2,666)**		(29,993)
Capital lease payments		**(218)**		-
Dividends paid to common shareholders (note 8)		**(954)**		(474)
Exercise of warrants		**113**		54
Exercise of deferred share units		**-**		(825)
CASH PROVIDED BY FINANCING ACTIVITIES		**1,313**		35,826
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,546)**		25,876
Impact of foreign exchange on cash and cash equivalents		**(13)**		(526)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**9,550**		7,824
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**6,991**	**$**	33,174
Net cash and cash equivalents is comprised of:				
Cash and cash equivalents		**7,071**		33,174
Bank indebtedness		**(80)**		-
NET CASH AND CASH EQUIVALENTS, END OF PERIOD		**6,991**		33,174
Cash flows include the following amounts:				
Interest paid	**$**	**3,508**	$	1,065
Interest received	**$**	**9**	$	2
Income taxes paid	**$**	**2,798**	$	1,949

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

Founders Advantage Capital Corp. tabular dollar amounts in thousands of Canadian dollars, unless otherwise shown.

1. NATURE OF OPERATIONS

Founders Advantage Capital Corp. ("FAC", "we", "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 4 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	
	June 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 August 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 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.

(in thousands of Canadian dollars)	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
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 expected credit losses model, under which the lifetime expected credit losses are measured on initial recognition of the receivable. Credit losses are measured as the present value of all expected cash shortfalls over the life of the asset. The adoption of the lifetime expected losses model on January 1, 2018, did not have a material impact to the financial statements. Total expected credit losses as at June 30, 2018 is $61 thousand (December 31, 2017—$56 thousand).

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 was issued in May 2014. It 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, but it did not have a material effect on the Corporation's financial statements.

The details of the new significant accounting policies are set out below. 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 delivering 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. Typically, the memberships do not have contracts and are 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, which is typically only one month. Supplementary services revenue relates to optional services that are provided within the fitness clubs. Supplementary services revenue (personal training, bike rentals, and other add-on services) is recognized at the point in time the service is provided.

The transaction price is based on the amount charged to the customer for membership dues or the supplemental service. Payments are typically due immediately and are received in advance of receiving services or access to the 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 the 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 the print product ownership has transferred to the customer, which is when the item is delivered to a 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 the customer terms.

c. Non-controlling interest dividends

The AG shareholder agreement contains provisions which set the minimum dividends to be declared and paid each quarter by AG. The minimum dividends are set in the agreement for amounts payable to the Corporation and the non-controlling interests' shareholders, resulting in a liability for the minimum dividends prescribed for AG's non-controlling interest on consolidation. 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 in the consolidated statement of income (loss). Dividends paid to the non-controlling interests' shareholders are recorded as an expense in the consolidated statement of income (loss.

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 the interim financial statements.

4. INTANGIBLE ASSETS

(in thousands of Canadian dollars)		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		**2,795**		**-**		**-**		**93**		**2,888**
Purchase price measurement period adjustment (note 5)		**-**		**100**		**100**		**(10)**		**190**
Effect of movements in exchange rates		**-**		**11**		**534**		**43**		**588**
Balance at June 30, 2018	**$**	**86,775**	**$**	**50,577**	**$**	**34,133**	**$**	**6,072**	**$**	**177,557**
Accumulated amortization										
Balance at December 31, 2017		(6,439)		(312)		(2,136)		(1,589)		(10,476)
Depreciation and amortization expense		**(2,328)**		**(415)**		**(1,646)**		**(765)**		**(5,154)**
Balance at June 30, 2018	**$**	**(8,767)**	**$**	**(727)**	**$**	**(3,782)**	**$**	**(2,354)**	**$**	**(15,630)**
Carrying value, December 31, 2017	$	77,541	$	50,154	$	31,363	$	4,357	$	163,415
Carrying value, June 30, 2018	**$**	**78,008**	**$**	**49,850**	**$**	**30,351**	**$**	**3,718**	**$**	**161,927**

(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.

5. GOODWILL

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

(in thousands of Canadian dollars)		
Balance at December 31, 2017	$	115,939
Effect of movements in exchange rates		**291**
Measurement period adjustment		**(31)**
Balance at June 30, 2018	$	**116,199**

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 thousand related to the provision for U.S state tax payable by Impact.

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

6. CAPITAL ASSETS

(in thousands of Canadian dollars)	Machinery and equipment	Leasehold improvements	Fitness equipment	Computer equipment	Other	Total
Cost						
Balance at December 31, 2017	$ 15,330	$ 9,252	$ 7,268	$ 2,810	$ 1,621	$ 36,281
Additions	**1,671**	**576**	**526**	**120**	**301**	**3,194**
Effect of movements in exchange rates	**-**	**-**	**-**	**-**	**5**	**5**
Disposals	**(111)**	**(60)**	**(49)**	**-**	**(236)**	**(456)**
Balance at June 30, 2018	**16,890**	**9,768**	**7,745**	**2,930**	**1,691**	**39,024**
Accumulated amortization						
Balance at December 31, 2017	(537)	(1,127)	(906)	(241)	(216)	(3,027)
Depreciation and amortization expense	**(1,463)**	**(746)**	**(495)**	**(122)**	**(244)**	**(3,070)**
Disposals	**100**	**60**	**21**	**-**	**127**	**308**
Balance at June 30, 2018	**(1,900)**	**(1,813)**	**(1,380)**	**(363)**	**(333)**	**(5,789)**
Carrying value, December 31, 2017	14,793	8,125	6,362	2,569	1,405	33,254
Carrying value, June 30, 2018	**$ 14,990**	**$ 7,955**	**$ 6,365**	**$ 2,567**	**$ 1,358**	**$ 33,235**

7. LOANS AND BORROWINGS

(in thousands of Canadian dollars)	**June 30, 2018**	December 31, 2017
Corporate		
Sagard credit facility	**$ 52,507**	$ 49,433
Promissory note	**2,500**	2,500
Subsidiaries		
DLC term loan facility	**5,965**	6,980
DLC operating facility	**5,935**	5,090
Club16 demand credit facility	**5,712**	4,240
Club16 operating facility	**-**	282
AG operating facility	**4,830**	3,470
AG term loan facilities	**4,399**	5,036
AG vehicle and equipment loans	**687**	669
Total loans and borrowings	**82,535**	77,700
Less current portion	**(19,796)**	(16,370)
	$ 62,739	**$** 61,330

Corporate credit facilities

Corporate Sagard credit facility

On May 31, 2017, the Corporation entered into a $42,000 thousand USD term credit facility ("Corporate Credit Facility" or "Sagard Facility") with Sagard Credit Partners LP (formerly Sagard Holdings ULC) to refinance our prior credit agreement, finance future acquisitions and fund general corporate purposes. The facility has a five-year term and bears interest at the three-month LIBOR rate plus 7% per annum with interest payable quarterly. The term 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

- 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 June 30, 2018, the Corporation was in compliance with all such covenants. Subsequent to June 30, 2018, this credit facility was amended (see note 16).

Corporate—Promissory note
On October 31, 2017, the Corporation issued a promissory note payable totalling $2,500 thousand 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.

Subsidiary credit facility
DLC term loan facility
On November 20, 2015, DLC established a $10,300 thousand 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 the 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 June 30, 2018, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level and has $5,965 thousand drawn as of June 30, 2018 (December 31, 2017—$6,980 thousand).

DLC operating facility
On June 12, 2013, DLC established a $500 thousand revolving credit facility (the "DLC Operating Facility") as an operating demand loan to finance working capital requirements and fund acquisitions. In October 2016, the DLC Operating Facility was increased to $4,500 thousand, and in September 2017 it was increased to $6,500 thousand. Borrowings under the DLC Operating Facility bear an interest rate equal to the 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 June 30, 2018, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level and has $5,935 thousand drawn as of June 30, 2018 (December 31, 2017—$5,090 thousand).

Club16 demand credit facility
On March 16, 2018, the Club16 amended its existing credit facilities. The amendment increased the credit available on term loans from $7,000 thousand to $9,0000 thousand, of which $5,712 thousand was drawn at June 30, 2018 (December 31, 2017—$4,240 thousand). 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 2.25:1.00. Borrowings under the facility bear interest at the prime rate plus 1.25%. As at June 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 thousand revolving operating facility to finance its working capital requirements. Borrowings under the revolving facility are due on demand and bear interest at the bank's 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 2.25:1.00. As at June 30, 2018, Club16 was in compliance with all such covenants. The facility is held at the Club16 level and has $nil thousand drawn as at June 30, 2018 (December 31,2017—$282 thousand).

AG operating facility

AG has an operating facility available for the lesser of $6,000 thousand or 75% of accounts receivable, net of over 90 days and related company accounts. The loan bears interest at the bank's prime rate plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The AG 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 2.25:1.00, and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at June 30, 2018, AG was in compliance with all such covenants. The facility is held at the AG level and has $4,830 thousand drawn as at June 30, 2018 (December 31, 2017—$3,470 thousand).

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 a floating rate of 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 2.25:1:00, and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at June 30, 2018, AG was in compliance with all such covenants. The facilities are held at the AG level and have $4,399 thousand drawn as at June 30, 2018 (December 31,2017—$5,036 thousand).

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	(in thousands of Canadian dollars) Amount
Balance at December 31, 2017	38,128,606	$ 115,055
Broker warrants exercised (note 9)	53,936	335
Balance at June 30, 2018	**38,182,542**	$ **115,390**

On June 12, 2018, the Corporation announced a normal course issuer bid (the "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 six months ended June 30, 2018.

Dividends

During the three and six months ended June 30, 2018, the Corporation declared quarterly dividends of $0.0125 per share. Dividends declared during the three and six months ended June 30, 2018 and June 30, 2017 are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands of Canadian dollars)	2018	2017	2018	2017
$0.0125 per share (2017: $0.0125 per share)	**$ 477**	**$ 476**	**$ 954**	**$ 950**

9. SHARE-BASED PAYMENTS

Share options

Under the Corporation's share option plan (the "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, June 30, 2018	**2,568,911**	**$**	**3.82**

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

Grant date	Share options outstanding		Exercise price	Years to maturity	Share options exercisable
July 15, 2015	96,666	$	2.40	7.0	96,666
February 23, 2016	743,912		3.00	2.7	247,971
July 7, 2016	1,303,333		4.40	3.0	880,002
December 1, 2016	150,000		4.00	0.4	150,000
July 3, 2017	75,000		3.00	4.0	75,000
September 15, 2017	200,000		4.00	4.2	200,000
	2,568,911				1,649,639

The Corporation recorded total share-based payment expense of $178 and $325 thousand for the three and six months ended June 30, 2018 (June 30, 2017—$757 and $1,972 thousand). These amounts include T share-based payment expense related to the Corporation's share options for the three and six months ended June 30, 2018, of $174 and $302 thousand (June 30, 2017—$453 and $1,252 thousand); share-based payments related to Impacts share appreciation rights ("SARs") of $18 and $37 thousand (June 30, 2017—$9 and $33 thousand); and the Corporations phantom share options of $(14) and $(14) thousand (June 30, 2017—$nil and $nil). Share-based payments for the three and six months ended June 30, 2017 included $294 and $687 thousand 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, June 30, 2018,	**2,078,568**	**$**	**3.74**

During the three and six months ended June 30, 2018, 53,936 of broker warrants (June 30, 2017—25,675) were exercised for total proceeds of $113 thousand (2017—$54 thousand).

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.

(in thousands of Canadian dollars)	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
As at June 30, 2018					
Cash and cash equivalents	**$ 2,219**	**$ 1,332**	**$ 1,518**	**$ 2,002**	**$ 7,071**
Trade and other receivables	**8,260**	**1,520**	**11,403**	**691**	**21,874**
Intangible assets	**126,548**	**6,627**	**28,752**	**-**	**161,927**
Goodwill	**60,437**	**22,431**	**33,331**	**-**	**116,199**
Capital and other assets	**1,176**	**14,603**	**24,715**	**1,099**	**41,593**
Total assets	$ **198,640**	**$ 46,513**	**$ 99,719**	**$ 3,792**	**$ 348,664**
Accounts payable and accrued liabilities	$ **8,149**	**$ 1,459**	**$ 6,818**	**$ 832**	**$ 17,258**
Loans and borrowings	**11,900**	**5,712**	**9,916**	**55,007**	**82,535**
Deferred tax	**28,828**	**1,690**	**10,700**	**(10,563)**	**30,655**
Other liabilities	**2,024**	**1,638**	**15,866**	**748**	**20,276**
Total liabilities	$ **50,901**	**$ 10,499**	**$ 43,300**	**$ 46,024**	**$ 150,724**

(in thousands of Canadian dollars)	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the three months ended June 30, 2018					
Revenue	$ **10,035**	**$ 8,246**	**$ 17,345**	**$ -**	**$ 35,626**
Direct costs	**1,631**	**623**	**8,520**	**-**	**10,774**
General and administrative	**3,790**	**4,556**	**5,428**	**971**	**14,745**
Share-based payments	**-**	**-**	**18**	**160**	**178**
Finance expense	**325**	**80**	**114**	**1,735**	**2,254**
Other expenses	**2,738**	**908**	**2,212**	**1,215**	**7,073**
Income (loss) before tax	$ **1,551**	**$ 2,079**	**$ 1,053**	**$ (4,081)**	**$ 602**

(in thousands of Canadian dollars)		Franchise		Consumer Products and Services		Business Products and Services		Corporate and Consolidated		Consolidated
For the six months ended June 30, 2018										
Revenue	$	**18,155**	**$**	**14,143**	**$**	**33,469**	**$**	**-**	**$**	**65,767**
Direct costs		**2,698**		**1,199**		**16,539**		**-**		**20,436**
General and administrative		**7,257**		**9,111**		**10,992**		**2,149**		**29,509**
Share-based payments		**-**		**-**		**37**		**288**		**325**
Finance expense		**464**		**144**		**211**		**3,378**		**4,197**
Other expenses		**4,262**		**1,709**		**4,570**		**2,537**		**13,078**
Income (loss) before tax	$	**3,474**	**$**	**1,980**	**$**	**1,120**	**$**	**(8,352)**	**$**	**(1,778)**

(in thousands of Canadian dollars)		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 and other receivables		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

(in thousands of Canadian dollars)		Franchise		Consumer Products and Services		Business Products and Services		Corporate and Consolidated		Consolidated
For the three months ended June 30, 2017										
Revenue	$	8,802	$	7,811	$	2,887	$	-	$	19,500
Direct costs		1,542		526		1,257		-		3,325
General and administrative		4,665		3,990		651		1,140		10,446
Share-based payments		-		-		9		748		757
Finance expense		168		57		-		664		889
Other expenses		(390)		708		281		(344)		255
Income (loss) before tax	$	2,817	$	2,530	$	689	$	(2,208)	$	3,828

(in thousands of Canadian dollars)	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
For the six months ended June 30, 2017					
Revenue	$ 16,140	$ 13,277	$ 3,777	$ -	$ 33,194
Direct costs	2,805	1,076	1,676	-	5,557
General and administrative	8,793	7,790	911	2,876	20,370
Share-based payments	-	-	33	1,939	1,972
Finance expense	345	97	-	975	1,417
Other expenses	1,046	1,380	365	(298)	2,493
Income (loss) before tax	$ 3,151	$ 2,934	$ 792	$ (5,492)	$ 1,385

11. DISAGGREGATED REVENUES

(in thousands of Canadian dollars)	For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Franchising revenue, mortgage brokerage services	$ **9,733**	$ 8,685	$ **17,580**	$ 15,932
Brokering of mortgages	**126**	96	**220**	163
Memberships and dues revenue	**6,595**	6,229	**11,075**	10,282
Radio and radio accessories	**3,204**	2,853	**5,715**	3,745
Print and print services	**13,945**	-	**27,398**	-
Supplementary services revenue and other revenue	**2,023**	1,637	**3,779**	3,072
	$ 35,626	**$** 19,500	$ **65,767**	$ 33,194

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 Club 16 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. LOSS PER SHARE

(in thousands of Canadian dollars, except per share data)	For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Net loss attributable to shareholders	$ **(976)**	$ 975	$ **(3,267)**	$ (655)
Basic weighted average number of shares	**38,150,053**	37,172,272	**38,139,389**	37,065,815
Effect of dilutive securities				
Share options	**-**	43,656	**-**	-
Warrants	**-**	330,573	**-**	-
Diluted weighted average number of shares	**38,150,053**	37,546,501	**38,139,389**	37,065,815
Basic loss per share	**$ (0.03)**	0.03	**$ (0.09)**	(0.02)
Diluted loss per share	**$ (0.03)**	**$** 0.03	**$ (0.09)**	**$** (0.02)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the six months ended June 30,			
(in thousands of Canadian dollars)		**2018**		2017
Trade and other receivables	**$**	**1,068**	$	1,695
Prepaid expenses and deposits		**(301)**		164
Notes receivable		**30**		(5)
Inventories		**56**		873
Accounts payable and accrued liabilities		**(3,774)**		(1,995)
Deferred revenue		**120**		(287)
Other current liabilities		**(57)**		(689)
	$	**(2,858)**	$	(244)
Changes in non-cash operating working capital		**(2,933)**		1,217
Changes in non-cash investing capital		**75**		(1,461)
	$	**(2,858)**	$	(244)

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

Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. 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. Changes in the USD exchange rate can increase or decrease revenues, income from operations, net income and the carrying values of Impact's assets and liabilities. At June 30, 2018, the USD cash balance is USD $1,047 thousand (CAD $ 1,378 thousand), compared to USD $1,614 thousand (CAD $2,024 thousand) at December 31, 2017. The USD loans and borrowing balance is USD $42,000 thousand (CAD $55,306 thousand); at December 31, 2017, it was USD $42,000 thousand (CAD $52,689 thousand). Management has assessed that the Corporation's exposure to foreign exchange risk at June 30, 2018, is high and monitors foreign exchange rates on an ongoing basis. A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $4 thousand increase and $5,260 thousand decrease in net income before tax for the three and six months ended June 30, 2018 (June 30, 2017—$2,741 and $2,613 thousand decrease).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in the interest rates on the loans and borrowings would have a $207 and $409 thousand impact on net income for the three and six months ended June 30, 2018 (June 30, 2017—$100 and $200 thousand).

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 and Impact's 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. Impact manages its credit risk 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 lifetime expected credit losses of their customers. As at June 30, 2018, $1,262 thousand (December 31, 2017—$960 thousand) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at June 30, 2018 is $61 thousand (December 31, 2017—$56 thousand). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of the 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.

(in thousands of Canadian dollars)		**June 30, 2018**		December 31, 2017
Cash and cash equivalents	**$**	**7,071**	$	10,316
Trade and other receivables		**21,874**		23,498
Notes receivable		**312**		342
	$	**29,257**	$	34,156

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 June 30, 2018, contractual obligations and their maturities were as follows:

(in thousands of Canadian dollars)		**Contractual cash flow**		**Within 1 year**		**Within 5 years**
Accounts payable and accrued liabilities	**$**	**17,258**	**$**	**17,258**	**$**	**-**
Capital lease obligation		**1,493**		**473**		**1,020**
Loans and borrowings		**85,333**		**19,796**		**65,537**
Long-term accrued liabilities		**2,144**		**-**		**2,144**
	$	**106,228**	**$**	**37,527**	**$**	**68,701**

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 June 30, 2018, and December 31, 2017.

(in thousands of Canadian dollars)		**June 30, 2018**		December 31, 2017
Loans and borrowings	**$**	**82,535**	$	77,700
Less: net cash and cash equivalents		**(6,991)**		(9,550)
Net loans and borrowings	**$**	**75,544**	$	68,150
Shareholders' equity	**$**	**98,145**	$	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 borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at June 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 values 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.

			Fair value as at June 30, 2018					
(in thousands of Canadian dollars)		**Carrying value as at June 30, 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	**$**	**7,071**	**$**	**7,071**	**$**	**-**	**$**	**-**
Trade and other receivables		**21,874**		**-**		**-**		**-**
Notes receivable		**312**		**312**		**-**		**-**
Investments		**557**		**-**		**-**		**557**
Financial liabilities								
Bank indebtedness		**80**		**80**		**-**		**-**
Accounts payable and accrued liabilities		**17,258**		**-**		**-**		**-**
Loans and borrowings		**82,535**		**-**		**82,535**		**-**
Other current liabilities		**356**		**-**		**356**		**-**
Other long-term liabilities		**3,889**		**-**		**3,889**		**-**
Capital lease obligation		**1,493**		**-**		**1,493**		**-**
Non-controlling interest liability		**12,500**		**-**		**-**		**12,500**

		Fair value as at December 31, 2017		
(in thousands of Canadian dollars)	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)
Financial assets				
Cash and cash equivalents	$ 10,316	$ 10,316	$ -	$
Trade and other receivables	23,498	-	-	-
Notes receivable	342	342	-	-
Investments	357	-	-	357
Financial liabilities				
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

The fair values of cash, trade and other receivables, notes receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

As at June 30, 2018, management has determined that the fair values 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 payment obligations as at June 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.

15. 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 thousand, 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 thousand 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 thousand. 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 the three months ended June 30, 2018, a contract with a dealer was terminated, resulting in a loss on contract settlement of $1,417 thousand. A gross amount of $3,067 thousand will be paid to the dealer over 2 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)]	$	3,203
2019		6,266
2020		6,142
2021		5,273
2022		3,844
Thereafter		10,896
	$	35,624

(1) For the remaining period of 2018.

Contingencies

The Corporation 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 financial statements.

16. SUBSEQUENT EVENTS

Dividend payment

The Corporation declared a dividend of $0.0125 per common share for all shareholders of record as of June 29, 2018. The dividend was paid on July 12, 2018.

Strategic Review

On August 8, 2018, the Corporation announced that the Board of Directors had initiated a formal strategic review process to explore alternatives for the enhancement of shareholder value. A special committee of independent members of the Board of Directors (the "Special Committee") has been formed to consider the various alternatives potentially available. The Corporation does not intend to set a definite schedule to complete its evaluation or process and cautions that there are no assurances or guarantees that the process will result in a transaction or, if a transaction is undertaken, the terms or timing of such a transaction.

Corporate debt amendment

On August 10, 2018, the Corporation amended its existing credit facility. The amendment increased the financial covenant for the total leverage ratio to 4.50:1.00 (increased from 4.00:1:00) for the fiscal quarter ending September 30, 2018. The total leverage ratio for quarters subsequent to September 30, 2018 have not been amended.