Founders Advantage Capital Corp.

Audited Consolidated Financial Statements

For the 12 months ended December 31, 2017, and 15 months ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Founders Advantage Capital Corp.

We have audited the accompanying consolidated financial statements of Founders Advantage Capital Corp. which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the twelve months ended December 31, 2017 and the fifteen months ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Founders Advantage Capital Corp. as at December 31, 2017 and December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the twelve months ended December 31, 2017 and the fifteen months ended December 31, 2016, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
April 24, 2018
Calgary, Canada

CONSOLIDATED BALANCE SHEETS

Founders Advantage Capital Corp. **(in thousands of Canadian dollars)**		**As at December 31, 2017**		As at December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents (note 5)	**$**	**10,316**	$	7,824
Trade and other receivables (note 6)		**22,442**		11,742
Prepaids and other assets		**2,410**		1,340
Notes receivable		**342**		290
Inventories (note 7)		**4,834**		-
Total current assets		**40,344**		21,196
Non-current assets				
Trade and other receivables (note 6)		**1,056**		671
Investments (note 8)		**357**		2,673
Equity accounted investment (note 9)		**-**		609
Capital assets (note 10)		**33,254**		12,816
Intangible assets (note 11)		**163,415**		137,441
Goodwill (note 11)		**115,939**		82,765
TOTAL ASSETS	**$**	**354,365**	$	258,171
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness (note 5)	**$**	**766**	$	-
Accounts payable and accrued liabilities (note 12)		**21,032**		13,916
Loans and borrowings (note 14)		**16,370**		25,064
Deferred revenue		**1,838**		970
Other current liabilities		**413**		636
Capital lease obligation		**327**		-
Non-controlling interest liability (note 13)		**2,000**		-
Total current liabilities		**42,746**		40,586
Non-current liabilities				
Loans and borrowings (note 14)		**61,330**		7,391
Other long-term liabilities		**2,391**		271
Capital lease obligation		**631**		-
Deferred tax liabilities (notes 4 and 20)		**33,519**		26,480
Non-controlling interest liability (note 13)		**10,500**		-
TOTAL LIABILITIES		**151,117**		74,728
Equity				
Share capital (note 15)		**115,055**		111,429
Contributed surplus		**14,569**		14,859
Accumulated other comprehensive loss		**(683)**		-
Deficit		**(27,555)**		(19,439)
TOTAL EQUITY ATTRIBUTABLE TO FOUNDERS ADVANTAGE CAPITAL CORP. SHAREHOLDERS		**101,386**		106,849
NON-CONTROLLING INTEREST (note 13)		**101,862**		76,594
TOTAL LIABILITIES AND EQUITY	**$**	**354,365**	$	258,171

Commitments and contingencies (note 24).
Subsequent events (note 26).
The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors,

(signed)
Stephen Reid, Director

(signed)
Dennis Sykora, Director

CONSOLIDATED STATEMENTS OF LOSS

Founders Advantage Capital Corp. **(in thousands of Canadian dollars, except per share data)**		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
REVENUES (note 18)	**$**	**82,905**	$	22,938
Direct costs		**17,295**		4,589
GROSS PROFIT		**65,610**		18,349
Acquisition and due diligence costs		**993**		3,365
General and administrative expenses (note 19)		**45,231**		12,586
Share-based payments (note 16)		**3,066**		6,065
Depreciation and amortization (notes 10 and 11)		**10,882**		2,670
		60,172		24,686
INCOME (LOSS) FROM OPERATIONS		**5,438**		(6,337)
OTHER (EXPENSES) INCOME				
Finance expense		**(4,917)**		(2,896)
Foreign exchange gain		**1,468**		147
Non-cash write down/impairment (notes 7, 8 and 11)		**(2,892)**		-
Loss on equity accounted investment (note 9)		**(205)**		(84)
Gain (loss) on sale of investments (note 9)		**1,902**		(1,319)
Net gain (loss) on disposal of capital and intangible assets		**1,244**		(12)
Change in fair value of non-controlling interest (note 13)		**(4,285)**		-
Other income		**834**		881
		(6,851)		(3,283)
LOSS BEFORE INCOME TAX		**(1,413)**		(9,620)
INCOME TAX (EXPENSE) RECOVERY				
Current tax expense (note 20)		**(4,161)**		(2,552)
Deferred tax recovery (notes 4 and 20)		**4,917**		4,893
		756		2,341
NET LOSS	**$**	**(657)**	$	(7,279)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	**$**	**(6,212)**	$	(9,794)
Non-controlling interests (note 13)	**$**	**5,555**	$	2,515
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS OF FOUNDERS ADVANTAGE CAPITAL CORP. (note 21)				
Basic	**$**	**(0.17)**	$	(0.42)
Diluted	**$**	**(0.17)**	$	(0.42)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Founders Advantage Capital Corp. (in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
NET LOSS	**$**	**(657)**	$	(7,279)
OTHER COMPREHENSIVE LOSS				
Items that will be subsequently reclassified to comprehensive income:				
Transfer of unrealized loss on available for sale investments to net loss, net of tax		**-**		(3,382)
Foreign exchange translation loss		**(1,313)**		-
TOTAL OTHER COMPREHENSIVE LOSS		**(1,313)**		(3,382)
COMPREHENSIVE LOSS	**$**	**(1,970)**	$	(10,661)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	**$**	**(6,895)**	$	(13,176)
Non-controlling interests	**$**	**4,925**	$	2,515

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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 September 30, 2015	$ 27,027	$ 6,678	$ 3,382	$ (9,645)	$ 27,442	$ -	$ 27,442
Shares issued on the acquisition of Advantage Investments (note 15)	2,429	-	-	-	2,429	-	2,429
Shares held in escrow (note 15)	(2,429)	-	-	-	(2,429)	-	(2,429)
Subscription receipts offering	28,790	-	-	-	28,790	-	28,790
Share issuance costs	(2,259)	-	-	-	(2,259)	-	(2,259)
Fair value of broker warrants issued	(2,178)	2,178	-	-	-	-	-
Shares issued on the acquisition of DLC Group (note 4)	26,667	-	-	-	26,667	-	26,667
Share-based payments (note 16)	-	6,065	-	-	6,065	-	6,065
Net (loss) income and comprehensive loss	-	-	(3,382)	(9,794)	(13,176)	2,515	(10,661)
Non-controlling interest on acquisition	-	-	-	-	-	75,156	75,156
Common share offering	33,289	-	-	-	33,289	-	33,289
Exercise of warrants (note 16)	93	(62)	-	-	31	-	31
Distributions to non-controlling interest	-	-	-	-	-	(1,077)	(1,077)
Balance at December 31, 2016	$ 111,429	$ 14,859	$ -	$ (19,439)	$ 106,849	$ 76,594	$ 183,443
Share-based payments (note 16)	**-**	**2,947**	**-**	**-**	**2,947**	**-**	**2,947**
Exercise of DSUs (note 16)	**1,037**	**(1,862)**	**-**	**-**	**(825)**	**-**	**(825)**
Exercise of broker warrants (note 16)	**160**	**(106)**	**-**	**-**	**54**	**-**	**54**
Fair value of lender warrants issued (notes 14 and 16)	**-**	**1,160**	**-**	**-**	**1,160**	**-**	**1,160**
Shares released from escrow (note 15)	**2,429**	**(2,429)**	**-**	**-**	**-**	**-**	**-**
Net (loss) income and comprehensive loss	**-**	**-**	**(683)**	**(6,212)**	**(6,895)**	**4,925**	**(1,970)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(4,595)**	**(4,595)**
Non-controlling interest on acquisition (note 4)	**-**	**-**	**-**	**-**	**-**	**13,842**	**13,842**
Transfer of non-controlling interest (note 13)	**-**	**-**	**-**	**-**	**-**	**11,096**	**11,096**
Dividends declared (note 15)	**-**	**-**	**-**	**(1,904)**	**(1,904)**	**-**	**(1,904)**
Balance at December 31, 2017	**$ 115,055**	**$ 14,569**	**$ (683)**	**$ (27,555)**	**$ 101,386**	**$ 101,862**	**$ 203,248**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Founders Advantage Capital Corp. (in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
OPERATING ACTIVITIES				
Net loss	**$**	**(657)**	$	(7,279)
Items not affecting cash:				
Share-based payments (note 16)		**3,066**		6,065
Depreciation and amortization (notes 10 and 11)		**10,882**		2,670
(Gain) loss on sale of investments (note 9)		**(1,902)**		1,319
Net (gain) loss on disposal of capital and intangible assets		**(1,244)**		12
Change in fair value of non-controlling interest rights (note 13)		**3,653**		-
Non-cash write down/impairment (notes 7, 8, and 11)		**2,892**		-
Other non-cash items		**(1,579)**		919
Deferred tax recovery (note 20)		**(4,917)**		(4,893)
Changes in non-cash working capital (note 22)		**(1,505)**		(2,253)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**8,689**		(3,440)
INVESTING ACTIVITIES				
Expenditures on capital assets (note 10)		**(4,349)**		(167)
Investment in intangible assets (note 11)		**(3,783)**		(1,285)
Proceeds on disposal of capital and intangible assets		**1,081**		-
Purchase of investments (note 8)		**(171)**		(3,082)
Proceeds from sale of investments (note 9)		**2,500**		10,087
Contributions to equity accounted investee		**(194)**		(90)
Investment in subsidiaries, net of cash received (note 4)		**(33,589)**		(79,478)
Distributions to non-controlling interests (note 13)		**(5,345)**		(1,077)
Changes in non-cash working capital (note 22)		**(566)**		-
CASH USED IN INVESTING ACTIVITIES		**(44,416)**		(75,092)
FINANCING ACTIVITIES				
Proceeds from equity financing, net of transaction costs		**-**		58,989
Proceeds from debt financing, net of transaction costs (note 14)		**73,119**		36,864
Repayment of debt (note 14)		**(33,307)**		(21,788)
Capital lease payments		**(62)**		-
Dividends paid to common shareholders (note 15)		**(1,427)**		-
Exercise of warrants (note 16)		**54**		31
Exercise of deferred share units (note 16)		**(825)**		-
CASH PROVIDED BY FINANCING ACTIVITIES		**37,552**		74,096
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,825**		(4,436)
Impact of foreign exchange on cash and cash equivalents		**(99)**		147
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**7,824**		12,113
NET CASH AND CASH EQUIVALENTS, END OF PERIOD (note 5)	**$**	**9,550**	**$**	7,824
Cash flows include the following amounts:				
Interest paid	**$**	**4,113**	$	1,858
Interest received	**$**	**73**	$	98
Income taxes paid	**$**	**4,624**	$	1,375

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

NOTES TO THE 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 Corporation's name was changed from FCF Capital Inc. to Founders Advantage Capital Corp. on May 16, 2016. Previously, the Corporation's name was Brilliant Resources Inc., which changed to FCF Capital Inc. on June 25, 2015. 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 equity interests in middle-market private companies with strong cash flows and proven management teams who are driven to grow their underlying business (the "Founders Advantage Investment Approach"). Previously, when operating under the name Brilliant Resources Inc., the Corporation was a junior resource company in the business of acquiring mineral rights. The change of business from a junior resource company to an investment company was approved by the Exchange and the shareholders of the Corporation on June 25, 2015.

On February 23, 2016, the Corporation acquired 100% of the shares of Advantage Investments (Alberta) Ltd. ("Advantage Investments"), which resulted in the Corporation obtaining the resources to pursue 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	
	December 31, 2017	December 31, 2016
Dominion Lending Centres Limited Partnership ("DLC"; note 4)	**60%**	60%
Club16 Limited Partnership ("Club16"; note 4)	**60%**	60%
Cape Communications International Inc. (operating as Impact Radio Accessories; "Impact"; note 4)	**52%**	-
Astley Gilbert Limited ("AG"; note 4)	**50%**	-

2. BASIS OF PREPARATION

Statement of compliance

These audited consolidated financial statements ("consolidated 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 consolidated financial statements were authorized for issuance by the Board of Directors on April 24, 2018.

Change in year end

Effective in 2016, the Corporation changed its financial year-end from September 30 to December 31 to align its year-end with its subsidiaries and peer group. The change in year-end resulted in the Corporation filing a one-time, 15-month transition year covering the period of October 1, 2015, to December 31, 2016. Subsequent to this transition year, the Corporation's financial year will cover the period January 1 to December 31. The information presented in these consolidated financial statements includes the 15 months of the prior fiscal period as compared to the 12-month fiscal period ending December 31, 2017. As a result, the information contained in these consolidated financial statements may not be comparable to previously reported periods.

3. SIGNIFICANT ACCOUNTING POLICIES

A complete summary of the significant accounting policies used in the preparation of these consolidated financial statements are as follows. These policies have been applied to all periods presented.

a. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis with the exception of certain investments, which are measured at fair value as determined at each reporting date.

These financial statements are presented in Canadian dollars, the Corporation's functional currency.

b. Basis of consolidation

These financial statements include the accounts of the Corporation and its subsidiaries DLC, Club16, Impact and AG from their respective acquisition dates. All intercompany balances and transactions have been eliminated on consolidation.

In December 2015, the Corporation commenced the process of dissolving Ivory Resources Inc. ("Ivory") and Ivory's subsidiaries, Equatorial Resources Inc., Bissau Phosphate Inc. and Bissau Resources Inc. All such subsidiaries of the Corporation, each of which was governed by the laws of the Cayman Islands, were deemed to be dissolved per the certificates of resolution dated March 30, 2016. Advantage Investments was dissolved effective April 27, 2016, and is no longer a subsidiary of the Corporation.

Subsidiaries are those entities over which the Corporation has control. The Corporation controls an entity when it is exposed to or has the rights to variable returns from its involvement with the investment, and can affect those returns through its power over the investee. The existence and effect of voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are deconsolidated from the date control ceases.

Non-controlling interests represent interests in subsidiaries owned by outside parties. Non-controlling interests are measured at the proportionate interest in the recognized amounts of the assets and liabilities on the date acquired plus their proportionate share of subsequent changes in equity, less distributions made to minority partners in those entities.

c. Cash and cash equivalents

Cash consists of demand deposits with accredited financial institutions in Canada. Cash equivalents consist of temporary investments with a maturity of three months or less, and temporary investments with a maturity of greater than three months and less than a year, in cases where the investments are readily convertible to cash and there is insignificant risk of changes in value.

d. Business combinations

The Corporation uses the acquisition method to account for the acquisition of subsidiaries. The consideration transferred for the acquisition is measured as the aggregate of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of the exchange. Acquisition costs are expensed as they are incurred. The identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition, and any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed, and any remaining difference is recognized directly in the consolidated statement of income.

Contingent consideration, if any, is recognized at fair value on the date of the acquisition, with subsequent changes in the fair values recorded in the consolidated statement of income. Contingent consideration is not remeasured when it is an equity instrument, and its subsequent settlement is accounted for within equity.

e. Equity accounted investments

Equity accounted investments are investments over which the Corporation has significant influence, but not control. Generally, the Corporation is considered to exert significant influence when it holds at least a 20% interest in an entity. The financial results of the Corporation's significantly influenced investments are included in the Corporation's consolidated financial statements using the equity method of accounting, whereby the investment is initially recognized at cost, and the carrying amount is then subsequently adjusted to recognize the Corporation's share of earnings or losses of the underlying investment. If the Corporation's carrying value in the equity accounted investment is reduced to zero, further losses are not recognized except to the extent that the Corporation has incurred legal or constructive obligations or has made payments on behalf of the equity accounted investee.

At the end of each reporting period, the Corporation assesses whether there is objective evidence that the investment is impaired. If the investment is considered impaired, the Corporation estimates its recoverable amount, and any difference is charged to the consolidated statement of income.

f. Capital assets

Capital assets are recorded at cost, net of accumulated depreciation and impairment, if any. Cost of capital assets represents the fair value of the consideration given to acquire the assets. Depreciation is calculated on a straight-line or declining balance depending on the industry of the subsidiary over the assets' useful lives, as follows:

Assets	Estimated useful life
Computer equipment	20% declining balance or 2- 4 years
Furniture and fixtures	20% declining balance or 5 years
Fitness equipment	10 years
Leasehold improvements	5-10 years
Vehicles	30% declining balance
Machinery and equipment	20% declining balance
Other	2- 5 years

The depreciation methods and estimated useful lives for capital assets are reviewed at the end of each reporting period and adjusted if appropriate. Any change is accounted for prospectively as a change in accounting estimate.

g. Intangible assets and goodwill

Intangible assets

Identifiable intangible assets acquired through a business combination are initially recorded at fair value and are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The indefinite life intangible assets, which comprise the DLC brand names, are tested for impairment annually, or more frequently if there is an indication that the intangible asset may be impaired. The indefinite life assumption is reviewed each reporting period to determine if it continues to be supportable. If the indefinite life assessment is no longer deemed supportable, the change in useful life is made from indefinite to finite. Any change is accounted for prospectively as a change in accounting estimate.

Intangible assets related to DLC operations include renewable franchise rights, franchisee non-competition agreements and relationships, DLC brand names, software and intellectual property rights. The renewable franchise agreements are amortized on a straight-line basis over the estimated economic life of 25 years. Franchisee non-competition agreements and relationships consist of the cost of acquiring and renewing contracts with DLC franchisees, and are amortized on a straight-line basis over the life of the related non-competition agreement which ranges from three to 10 years. The software is amortized over its six-year useful life. Intellectual property rights relate to music usage rights purchased by DLC. The music rights are amortized over the two-year term of the licensing agreement.

Intangible assets acquired on acquisition of Newton Connectivity Systems Inc. ("NCS") by DLC relate to three software products used in the mortgage brokerage industry. The software products have a useful life ranging from 3 to 11 years and are amortized on a straight-line basis over their respective useful lives.

Intangible assets acquired on acquisition of Club16 include customer relationships with the Club16 customer base and a brand name licensing agreement. The relationships have a six-year useful life over which they are amortized. The brand name licensing agreement relates to the usage of the Trevor Linden name and is amortized over its 10-year useful life.

Intangible assets related to the Impact acquisition include customer and supplier relationships, a non-compete agreement and the Impact brand name. These intangible assets are amortized on a straight-line basis over their respective useful lives. Customer relationships are amortized over the estimated economic life of 15 years. Supplier relationships and the brand name are amortized over five-year terms. The non-compete agreement is amortized over the two-year term of the agreement.

Intangible assets related to the AG acquisition include customer relationships, a non-compete agreement and the AG brand name. These intangible assets are amortized on a straight-line basis over their respective useful lives. Customer relationships are amortized over the estimated economic life of 10 years; brand name is amortized over a 5-year term. The non-compete agreement is amortized over the two-year term of the agreement.

The amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Any change is accounted for prospectively as a change in accounting estimate.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination at the date of acquisition. When goodwill is acquired through a business combination for the purposes of impairment testing, it is allocated to each cash-generating unit ("CGU"), or group of CGUs, which represents the smallest identifiable group of assets that generate cash inflows. The allocation is made to the CGU, or group of CGUs, that is expected to benefit from the related acquisition. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

h. Impairment

Long-lived assets with finite useful lives are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, are tested for impairment annually, or more frequently if an indicator for impairment exists. To assess for impairment, assets are grouped into CGUs, and an impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the assets' fair value less cost of disposal or its value in use. At the end of each reporting period, an assessment is made as to whether there is any indication that impairment losses previously recognized, other than those that relate to goodwill impairment, may no longer exist or have decreased. If such indications exist, the Corporation makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If an impairment is reversed, the carrying amount will be revised to equal the newly estimated recoverable amount. The revised carrying amount may not exceed the carrying amount that would have resulted after taking depreciation into account had no impairment loss been recognized in prior periods. The amount of any impairment reversal is recorded directly to consolidated income.

i. Financial instruments

A financial instrument is any instrument that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial assets and liabilities are measured at their fair value, and are subsequently measured based on their classification. The Corporation classifies its financial assets and liabilities into one of the following categories:

Fair value through profit or loss

A financial asset or liability is classified as fair value through profit or loss ("FVTPL") if it is classified as held-for-trading or is designated as such on initial recognition. The Corporation classifies a financial instrument as held-for-trading if it was acquired principally for selling or repurchasing in the short-term. Directly attributable transaction costs are recognized in income as incurred. These financial assets and financial liabilities are measured at fair value, with any gains and losses on revaluation recognized in income as incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. The Corporation's loans and receivables comprise cash and cash equivalents, notes receivable, and trade and other receivables.

Available-for-sale assets

Available-for-sale assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other financial asset categories. These assets are measured at fair value, plus transaction costs, and subsequently are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments are transferred from other comprehensive income to earnings for the period. The Corporation's investment in Vital Alert Communications Inc. ("Vital Alert") is classified as available-for-sale.

Financial liabilities at amortized cost

This category consists of non-derivative financial liabilities that do not meet the definition of held-for-trading liabilities and that have not been designated as liabilities at fair value through profit or loss. These liabilities are initially measured at fair value, less any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Corporation's financial liabilities that are measured at amortized cost include trade payables, and loans and borrowings. A financial liability is derecognized when its contractual obligations are discharged or expire.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or when the Corporation has transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets have transferred.

j. Revenue recognition

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 measured at the fair value of the consideration received or receivable to the extent that it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

DLC—Franchising revenue, mortgage brokerage services

Franchising revenue from mortgage brokerages includes income from royalties, advertising fees and connectivity fees.

Royalty income is based on a percentage of the mortgage-related revenues earned by the franchises, and is recognized as the franchisees earn their commissions and bonuses from lending contracts. Income from advertising fees relates to advertising and management fees collected from franchisees monthly. These fees are charged to franchisees for management of the advertising fund, and are used to fund ongoing advertising expenses. The advertising revenues are recognized each month as amounts become due from franchises based on the terms of the franchise agreement.

Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn income based on the volume of mortgages funded or broker activity. Connectivity fee revenue is recognized on an accrual basis as the volume or activity thresholds are fulfilled, and is primarily collected in the first four months of the following fiscal year.

DLC—Brokering of mortgages

Commission income relates to income earned on the brokering of mortgages within the corporately owned mortgage franchise and is earned when the mortgage deal has closed.

Club16—Fitness club revenues

Fitness club membership fees and dues revenue is recognized over the period of the membership for which the dues are paid. Fees and dues received in advance are recorded as deferred revenue. Supplementary services revenue relates to optional services that are provided within the fitness clubs. Supplementary services revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

Impact—Radio accessories

Radio accessories revenue relates to revenues earned from the sale of two-way radio products. It is recognized when the risks and rewards of ownership are transferred to the buyer, it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

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 when the company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation, the costs incurred or to be incurred can be measured reliably and the company maintains no effective control over the goods sold or continuing managerial involvement to the degree usually associated with ownership. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and rebates, that have been provided to certain customers as a condition of sale.

k. Share-based payments

Share options

The Corporation issues share-based compensation awards to directors, employees, and consultants. The fair value of the share-based compensation, as at the share option grant date, is measured using an option-pricing model and is recognized over the vesting period as share-based payments expense. When share options are exercised, the proceeds received, together with any amounts in contributed surplus, are recorded in share capital. At the end of each reporting period, the Corporation reassesses its estimates of the number of awards expected to vest and recognizes the impact in the consolidated statement of income and comprehensive income, with a corresponding adjustment to contributed surplus.

In cases where share options issued do not contain any service conditions, the fair value of the share options are immediately recognized as an expense in the consolidated statement of income and comprehensive income on the date of the grant.

Deferred share units

A deferred share unit ("DSU") plan was established for the Corporation's directors. The DSUs settle in cash or through the issuance of the Corporation's common shares at the sole option of the Corporation when an individual ceases to be a director of the Corporation. The DSUs are expensed immediately upon issuance. Share-based payments expense is recognized at the market value of the Corporation's common shares at the grant date, with a corresponding increase in contributed surplus. Upon redemption of the DSUs for the Corporation's common shares, the amount previously recognized in contributed surplus is recorded as an increase to share capital. All DSUs were redeemed during the year ended December 31, 2017, and the DSU plan was terminated.

Warrants—equity settled transactions

The Corporation occasionally issues warrants to brokers and finders participating in private placement offerings. These share-based payment arrangements, where the Corporation receives goods or services in exchange for its own equity instruments, are accounted for at the fair value of the goods and services received at the date of their receipt. If the fair value of the goods or services received cannot be reliably measured, the values of the warrants are used and are measured using the Black-Scholes option-pricing model.

The fair value of the warrants issued to brokers is recognized as share issuance costs, and netted against share capital, with a corresponding credit to contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with amounts previously recognized in contributed surplus are recorded in share capital.

Share appreciation rights

As a part of the Impact acquisition, share appreciation rights ("SARs") were granted to the management of Impact. The SARs provide Impact's management with the opportunity to receive a cash payment equal to the growth in the fair market value of Impact's shares over and above the fair market value of the shares on the grant date. The liability is measured initially, and at the end of each reporting period until the liability is settled, at the fair value of the SARs by applying an option pricing model, with any changes in fair value recognized in the consolidated statement of income.

l. Inventories

Impact—Radio accessories

Impact's inventories consist of two-way radio products and are measured at the lower of cost and net realizable value. The cost of inventories is assigned on a weighted average cost formula. Cost of inventories comprises the purchase price and costs incurred to bring the inventories to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

Astley Gilbert—Print and print services raw materials

AG's inventories consist of the raw materials used in AG's production process and are measured at the lower of cost and net realizable value. The cost of inventories is assigned on a first-in, first-out cost formula. It includes the cost of purchase, duty, brokerage and transportation costs that are directly incurred to bring inventories to their present location and condition. AG estimates net realizable value as the amount at which inventories are expected to be sold less any costs to complete the sale. Inventories are written down to net realizable value when it is determined that the cost of inventories is not recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

m. Warranty provision

The Corporation's 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. Impact provides warranties on its products for six months, two years or three years, and expects these costs to be incurred over the next one to three years. Actual warranty costs are charged against the provision for warranty, which is included in other current liabilities on the consolidated statement of financial position.

n. Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency. The financial statements of each of our subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency of each of the Corporation's subsidiaries is the Canadian dollar, except for Impact, whose functional currency is the U.S. dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of loss. Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated into Canadian dollars at the period end exchange rate, and the results of their operations are translated at the average rates for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

o. Shares held in escrow

The Corporation has issued shares held in escrow as a part of a compensation arrangement. The arrangement requires certain performance conditions be met prior to their release from escrow. The fair value of the escrowed shares is recognized as share-based payments, with a corresponding credit to contributed surplus, over the period in which management estimates the performance conditions being met. Upon release from escrow, the amounts previously recognized in contributed surplus are recorded as an increase to share capital. The Corporation revises its estimated period over which the compensation expense is recorded if subsequent information indicates this period differs from previous estimates. Any change is accounted for prospectively as a change in estimate. The shares were released from escrow in July 2017.

p. Current and deferred taxes

Current taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates enacted at the end of the reporting period. Deferred tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized to the extent that it is probable that future profit will be available against which the deductible temporary differences can be utilized. They are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are presented as non-current. They are offset when there is a legally enforceable right to offset, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated using tax rates that have been enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax expense or recovery is recognized in income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or equity, respectively.

q. Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and related notes. Those include estimates that, by their nature, are uncertain, and actual results could differ materially from the estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions are as follows:

Business combinations

The Corporation uses significant judgement to conclude whether an acquired set of activities and assets is a business, and such a determination can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition or a compensation arrangement.

The Corporation accounts for business combinations using the acquisition method. Significant estimation and judgement are required in applying the acquisition method when identifying and determining the fair values of the acquired company's assets and liabilities.

The most significant estimates and assumptions, and those requiring the most judgement, involve the fair values of intangible assets and residual goodwill, if any. Valuation techniques applied to intangible assets are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of the intangible assets identified include the determination of future revenues and cash flows, discount rates and market conditions at the date of the acquisition. The excess acquisition cost over the fair value of identifiable net assets is recorded as goodwill.

The estimates and assumptions used in determining the fair value of the intangible assets acquired are subject to uncertainty, and if changed, they could significantly differ from those recognized in the consolidated financial statements.

Control assessment and classification of non-controlling interest

The Corporation acquires controlling or majority interests in private companies. This requires management to apply significant judgement to assess whether the investment structure results in the Corporation having control, joint control or significant influence over the investee, and to determine the classification of non-controlling interest. The assessment of whether the Corporation has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as distribution, voting and liquidity rights. Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Corporation's consolidated financial statements.

Intangible assets

For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income.

Management has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on many factors, including the Corporation's ability to continue to use the brand and the indefinite period over which the brand name is expected to generate cash flow. The determination that the brand has an indefinite useful life involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income.

Impairment of goodwill and intangible assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and indefinite life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of the asset's fair value less cost of disposal or its value in use. The value in use is calculated using a discounted cash flow analysis, which requires management to make many significant assumptions, including those related to future operating plans, discount rates and future growth rates.

Finite life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whether the carrying amount of the asset is considered recoverable. An impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the asset's fair value less cost of disposal or its value in use.

CGU determination

The determination of CGUs for the purposes of impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generate cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the consolidated financial statements.

Share-based awards

When share-based awards are granted, the Corporation measures the fair value of each award and recognizes the related compensation expense over the vesting period. Management makes a variety of assumptions in calculating the fair value of share-based compensation. An option pricing model is used in determining the fair value, which requires estimating the expected volatility, interest rates, expected life of the awards granted and forfeiture rates. Consequently, share-based compensation expense is subject to measurement uncertainty.

Deferred taxes

The determination of the Corporation's income and other tax liabilities requires the interpretation of complex tax regulations. Judgment is required in determining whether deferred tax assets should be recognized on the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. These estimates and assumptions are subject to uncertainty and, if changed, could materially affect the assessment of the Corporation's ability to fully realize the benefit of the deferred tax asset.

Liquidity

As part of its capital management process, the Corporation prepares and uses budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its subsidiaries. This includes ongoing and forecasted compliance with the covenants as set out within the Corporation's lending agreements (see note 14) and the Corporation's ability to meet its commitments and obligations as they become due. Budgets and forecasts are subject to significant judgment and estimates relating to future activity levels, future cash flows and the timing thereof, availability of acceptable financing arrangements and other factors which may or may not be within the control of the Corporation (customer demand, growth rates, access to capital, etc.).

r. 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 consolidated financial statements. Those which are relevant to the Corporation have been set out below.

IFRS 9—Financial instruments: Classification and measurement

A finalized version of IFRS 9 was issued in July 2014 and supersedes all previous versions, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes new requirements for the classification and measurement of financial instruments, a new impairment model for financial assets, and modifications to hedge accounting. This standard is to be applied retrospectively and is effective for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation plans to adopt the new standard on the required effective date and is currently assessing the new standard. While the Corporation does not expect a material impact on its earnings based on its assessment to date, further analysis is being completed.

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. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation plans to adopt the new standard on the required effective date and is currently assessing the new standard. While the Corporation does not expect a material impact on its earnings based on its assessment to date, further analysis is being completed.

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 consolidated financial statements.

4. ACQUISITIONS

Advantage Investments

On February 3, 2016, the Corporation entered into an arm's length agreement to purchase 100% of the shares of Advantage Investments. The key terms of the agreement provided for the appointment of Stephen Reid as the Chief Executive Officer of the Corporation and the acquisition of certain investment opportunities, in consideration for 952,380 common shares (with a share price on the closing date of $2.55 per share) of the Corporation (the "Reid Shares") and the assumption of $350 thousand of liabilities. The Reid Shares were held in escrow and released when investment opportunities, and any other investments made by the Corporation following the closing of the transaction, delivered cumulative earnings before interest, tax, depreciation and amortization ("EBITDA") to the Corporation of not less than $15,000. The performance condition was achieved in July 2017. The transaction closed on February 23, 2016.

The total consideration paid for Advantage Investments is as follows:

(in thousands of Canadian dollars)		
Issuance of 952,380 common shares of the Corporation		
based on fair value on closing date (note 15)	$	2,429
Liabilities assumed		350
	$	2,779

As a result of the performance condition associated with the Reid Shares, the Corporation has determined that the transaction represented a compensation arrangement for accounting purposes. The total share consideration of $2,429 is amortized as a charge to income as a share-based payment expense (note 16) over the period for which the performance condition was achieved.

DLC Limited Partnership

On June 3, 2016, the Corporation acquired a 60% majority and voting interest in DLC, which is engaged through its subsidiaries in the business of franchising mortgage brokerage services. The aggregate purchase consideration was $86,432 thousand, which included cash of $61,388 thousand; 4,761,902 common shares of the Corporation with a fair value of $26,667 thousand as at the closing date (based on the June 3, 2016 share price of $5.60); and post-closing adjustment amounts due from the vendors of $1,623 thousand (note 25). The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given (in thousands of Canadian dollars):		
Issuance of 4,761,902 common shares of the Corporation		
based on fair value on closing date	$	26,667
Cash consideration		61,388
Amount due from vendors		(1,623)
	$	86,432

Assets acquired:		
Cash and cash equivalents	$	6,618
Trade and other receivables		6,099
Notes receivable		206
Prepaids and other assets		190
Capital assets		213
Equity accounted investments		603
Intangible assets		126,900
Goodwill		57,097
Liabilities assumed:		
Accounts payable and accrued liabilities		(7,179)
Government agencies payable		(2,594)
Deferred revenue		(372)
Other liabilities		(381)
Loans and borrowings		(12,187)
Deferred tax liabilities		(30,078)
Non-controlling interest		(58,703)
	$	86,432

Newton Connectivity Systems Inc. (formerly Marlborough Stirling Canada Ltd.)

On December 13, 2016, the Corporation's subsidiary, DLC, acquired a 70% majority and voting interest in NCS, which is engaged in the business of providing software and services to the Canadian mortgage lending industry. The aggregate purchase consideration for NCS was $4,228 thousand. The Corporation owns a 60% interest in DLC, giving the Corporation an indirect interest of 42% in NCS.

The Corporation accounted for the acquisition of NCS as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given (in thousands of Canadian dollars)*:*		
Cash consideration	$	4,228

Assets acquired:		
Cash and cash equivalents	$	18
Trade and other receivables		536
Prepaids and other assets		160
Capital assets		123
Intangible assets		2,900
Goodwill		3,629
Liabilities assumed:		
Accounts payable and accrued liabilities		(185)
Deferred revenue		(305)
Other liabilities		(58)
Deferred tax liabilities		(778)
Non-controlling interest		(1,812)
	$	4,228

Club16 Limited Partnership

On December 20, 2016, the Corporation acquired a 60% majority and voting interest in Club16, which is engaged in the business of operating fitness clubs. The aggregate purchase consideration for the fitness clubs was $21,961 thousand.

The Corporation accounted for the acquisition of Club16 as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given (in thousands of Canadian dollars):		
Cash consideration	$	20,500
Amount due to vendors		1,461
	$	21,961
Assets acquired:		
Cash and cash equivalents	$	2
Trade and other receivables		24
Prepaids and other assets		365
Capital assets		12,480
Intangible assets		8,871
Goodwill		22,039
Liabilities assumed:		
Accounts payable and accrued liabilities		(611)
Deferred revenue		(561)
Loans and borrowings		(4,172)
Deferred tax liabilities		(1,835)
Non-controlling interest		(14,641)
	$	21,961

Cape Communications International Inc. (operating as Impact Radio Accessories)

On March 1, 2017, the Corporation acquired a 52% majority and voting interest in Impact, which is engaged in the designing and retailing of communication products. The aggregate purchase consideration was $12,501 thousand. As part of this acquisition, FAC funded to the vendors $12,735 thousand in cash and accepted a receivable back from the vendors of $234 thousand related to sales tax amounts for which the Corporation has been indemnified (see note 6). The acquisition was funded through the Corporation's existing credit facility.

The Corporation accounted for the acquisition of Impact as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations. The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given (in thousands of Canadian dollars):		
Cash consideration	**$**	**12,735**
Amount due from vendor		**(234)**
	$	**12,501**
Assets acquired:		
Cash and cash equivalents	**$**	**1,294**
Trade and other receivables		**966**
Prepaids and other assets		**67**
Inventories		**4,254**
Capital assets		**138**
Intangible assets		**13,370**
Goodwill		**6,133**
Liabilities assumed:		
Accounts payable and accrued liabilities		**(1,366)**
Other current liabilities		**(483)**
Deferred tax liabilities		**(3,572)**
Non-controlling interest rights (note 13)		**(8,300)**
	$	**12,501**

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing management team and the future growth potential of the business. Of the $13,370 thousand allocated to intangible assets, $12,000 thousand was allocated to customer relationships, $1,000 thousand to supplier relationships, $280 thousand to brand and $90 thousand to non-compete covenants.

The results of operations are included in the Corporation's consolidated financial statements for the period since the acquisition date. From the closing date of the acquisition on March 1, 2017, to December 31, 2017, Impact contributed revenues of $9,522 thousand and net income of $1,454 thousand to the Corporation's consolidated financial results. If the acquisition had occurred on January 1, 2017, management estimates that revenue and net income would have been increased by approximately $1,532 thousand and $130 thousand, respectively.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets and non-controlling interest rights acquired were as follows:

Assets acquired:	*Valuation technique:*
Intangible assets—brand name	Relief-from-royalty method: Values the intangible asset based on the present value of the after-tax royalty payments that are expected to be avoided as a result of the brand name being owned.
Intangible assets—customer relationships	Multi-period excess earnings method: Values the intangible asset based on the present value of incremental after-tax cash flows that are attributable only to the customer relationships after deducting any contributory asset charges.
Intangible assets—non-compete	Comparative method: Values the intangible assets based on the present value of the after-tax cash flows of the business assuming the intangible asset is in place, compared to the present value of the after-tax cash flows assuming the absence of the intangible asset, in order to isolate the value attributable to the intangible asset.
Intangible assets—supplier relationships	Cost savings method: A specific application of the discounted cash flow method, whereby the cash flows associated with the cost savings the intangible asset affords its owner over the next best alternative are taken into account. Any costs savings are estimated over a discrete time period and discounted to present value.
Non-controlling interest rights	Calculated based on the present value of the after-tax cash flows associated with two separate scenarios, the exercise of the put option and the exercise of the liquidity rights provided to the non-controlling shareholders as a part of the Impact acquisition (see note 13). The cash flows associated with each of these scenarios were then assigned a probability rate to determine the fair value of the total liability. Key assumptions used in the fair value calculation include a discount rate of 26.5%, a tax rate of 26% and probability rates of 50% assigned to each of the two possible scenarios.

Astley Gilbert Limited

On October 31, 2017, the Corporation acquired a 50% voting interest in AG, which is engaged in providing digital printing and imaging solutions to customers in a wide range of industries. The aggregate purchase consideration was $24,700 thousand, $22,200 thousand of which was funded by the Corporation's existing credit facilities, with the remainder being an amount due to vendors of $2,500 thousand.

The Corporation accounted for the acquisition of AG as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed have been recorded at their estimated fair values. The fair values of the net assets acquired at the date of the transaction are as follows:

Consideration given (in thousands of Canadian dollars):		
Cash consideration	**$**	**22,200**
Amount due to vendors		**2,500**
	$	**24,700**
Assets acquired:		
Cash and cash equivalents	**$**	**78**
Trade and other receivables		**10,393**
Prepaids and other assets		**557**
Notes receivables		**20**
Inventories		**1,778**
Capital assets		**19,031**
Intangible assets		**18,240**
Goodwill		**27,306**
Liabilities assumed:		
Bank indebtedness		**(26)**
Accounts payable and accrued liabilities		**(8,816)**
Deferred revenue		**(246)**
Capital lease obligation		**(1,020)**
Loans and borrowings		**(6,671)**
Other long-term liabilities		**(1,330)**
Deferred tax liabilities		**(8,252)**
Non-controlling interest liability (note 13)		**(12,500)**
Non-controlling interest		**(13,842)**
	$	**24,700**

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and liabilities assumed has been recorded as goodwill. The goodwill recorded primarily reflects the existing management team and the future growth potential of the business.

Of the $18,240 thousand allocated to intangible assets, $15,350 thousand has been allocated to customer relationships, $2,700 thousand to brand and $190 thousand to non-compete agreements.

The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations. The Corporation's preliminary estimates of expected future cash flows are based on significant management judgements. As in a business combination, it generally takes time to obtain the information necessary to measure the fair values of assets acquired, liabilities assumed, and the resulting goodwill, if any. Changes to the provisional measurements of assets and liabilities acquired and resulting goodwill may be prospectively adjusted as new information is obtained, until the final measurements are determined. The Corporation is still in the process of identifying and assessing the fair value of allocations relating to intangible and capital assets. Fair value allocations are estimated using the latest available information as at the date of these financial statements. As a result, these preliminary allocations may change.

The results of operations are included in the Corporation's consolidated financial statements for the period since the acquisition date. From the closing date of the acquisition on October 31, 2017, to December 31, 2017, AG contributed revenues of $10,143 thousand and net loss of $396 thousand to the Corporation's consolidated financial results. If the acquisition had occurred on January 1, 2017, management estimates that revenue and net income would have been increased by approximately $35,204 thousand and $5,568 thousand, respectively.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets and non-controlling interest rights acquired were as follows:

Assets acquired:	*Valuation technique:*
Intangible assets—customer relationships	Multi-period excess earnings method: Values the intangible asset based on the present value of incremental after-tax cash flows that are attributable only to the customer relationships after deducting any contributory asset charges.
Intangible assets—brand name	Relief-from-royalty method: Values the intangible asset based on the present value of the after-tax royalty payments that are expected to be avoided as a result of the brand name being owned.
Intangible assets—non-compete	Comparative method: Values the intangible assets based on the present value of the after-tax cash flows of the business assuming the intangible asset is in place, compared to the present value of the after-tax cash flows assuming the absence of the intangible asset in order to isolate the value attributable to the intangible asset.

5. CASH AND CASH EQUIVALENTS

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Cash and cash equivalents	$	**10,316**	$	7,824
Bank indebtedness		**(766)**		-
Net cash and cash equivalents	**$**	**9,550**	**$**	7,824

6. TRADE AND OTHER RECEIVABLES

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Trade accounts receivable				
DLC franchise fees and mortgage brokerage services	$	**7,621**	$	8,693
Radio and radio accessories		**1,180**		-
Print and print services		**10,295**		-
Other trade receivables		**728**		672
		19,824		9,365
Other receivables		**3,674**		3,048
Total trade and other receivables		**23,498**		12,413
Less current portion		**(22,442)**		(11,742)
	$	**1,056**	$	671

DLC's franchise fees and mortgage brokerage services include connectivity fee revenue, which is recognized on an accrual basis as the volume or activity thresholds are fulfilled, and is primarily collected in the first four months of the following fiscal year.

Other receivables, as at December 31, 2017, include $1,055 thousand (December 31, 2016—$1,623 thousand) due to the Corporation from the vendors in the DLC and Impact transactions (see note 25). Other receivables also include amounts due from related parties (see note 25) of $1,821 thousand, income tax receivable of $372 thousand and other non-trade receivables of $426 thousand (December 31, 2016—$1,315 thousand).

The aging of gross trade receivables as at December 31, 2017, is as follows:

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Current	$	**13,454**	$	8,605
31-60 days		**4,274**		376
61-90 days		**1,192**		226
Past due > 90 days		**960**		165
Allowance for doubtful accounts		**(56)**		(7)
	$	**19,824**	**$**	9,365

The Corporation has an allowance for doubtful accounts as at December 31, 2017, of $56 thousand (December 31, 2016—$7 thousand). The Corporation considers all amounts greater than 90 days as past due. Amounts greater than 90 days, less those for which an allowance has been made, management considers these amounts collectible at December 31, 2017. They consist of amounts due from AG customers with credit history and from franchisees who are in long-term contractual agreements with DLC, of which DLC has the ability to collect such amounts by withholding volume bonuses earned by franchisees; as such, management considers credit risk to be low.

7. INVENTORIES

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Radio and radio accessories	$	**3,000**	$	-
Print and print services raw materials		**1,804**		-
Other		**30**		-
	$	**4,834**	**$**	-

During the year ended December 31, 2017, included in direct costs are amounts related to inventories of $5,755 thousand (December 31, 2016—$nil). The total inventory write-downs recorded during the year ended December 31, 2017, and included in non-cash write down and impairment was $79 thousand (December 31, 2016—$nil).

8. INVESTMENTS

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Vital Alert Communications Inc.	**$**	**357**	**$**	2,673

On December 23, 2015, the Corporation made an equity investment of $2,673 thousand in Vital Alert, a Canadian private company. The investment closed on December 23, 2015, and resulted in the Corporation acquiring 25,999,568 voting preferred shares in the capital of Vital Alert (representing 18.6% of the voting shares). At December 31, 2017, a director of the Corporation is also a director of Vital Alert.

The Corporation has classified its investment in Vital Alert as an available-for-sale asset, carried at fair value, with all unrealized gains and losses, other than impairment losses, held as a component of accumulated other comprehensive income in equity, net of deferred taxes.

The Corporation's available-for-sale investment in Vital Alert is considered a Level 3 investment. The investment was initially recorded at fair value, which was calculated using a discounted cash flow valuation technique, whereby a 50–70% discount rate was applied. On October 31, 2017, Vital Alert consolidated the outstanding shares and issued an offering for convertible debenture units, which provides for each debenture unit to be converted into one common share of Vital Alert at a conversion price of $7.141 per common share. Management considers the terms of this unit offering to be indicative of the value of the Vital Alert common shares as at December 31, 2017, and as a result has adjusted the carrying value of the Corporation's equity investment in Vital Alert to its fair value of $357 thousand. At the time of the debenture offering, Vital Alert was reorganized into two entities, Vital Alert and Waldo Technologies ("Waldo"). Upon the reorganization, the Corporation holds an 18.6% interest in both entities.

On April 28, 2017, the Corporation entered into two option agreements related to its equity interest in Vital Alert with significant shareholders and a director of Vital Alert. The agreements provide the Corporation with a put option to require the counterparties of the agreement to purchase all the Corporation's shares in Vital Alert at any time prior to April 28, 2018, for an aggregate purchase consideration of $2,732 thousand. In return, the Corporation provided the counterparties with a call option which requires the Corporation to sell its Vital

Alert shares to the same shareholders and director of Vital Alert at any time prior to April 28, 2018, for an aggregate purchase price of $2,732 thousand. On October 31, 2017, the option agreements were cancelled, and the Corporation participated in the convertible debenture offering as discussed above for an additional investment of $171 thousand.

At December 31, 2017, management assessed its investment in Vital Alert and Waldo for impairment, and concluded the decline in fair value of its investment to be permanent in nature. As a result, an impairment loss equal to the change in fair value of the investment of $2,487 thousand was recorded in other income (expense).

9. EQUITY ACCOUNTED INVESTMENT

The Corporation owns a 60% interest in DLC, which in turn owned a 20% interest in Canadiana Financial Corp ("Canadiana"), giving the Corporation an indirect interest of 12% in Canadiana. Canadiana is a privately held entity in the business of providing mortgage facilitation services. On August 1, 2017, DLC sold its 20% interest in Canadiana for $2,500 thousand. The carrying value of the investment as at August 1, 2017, was $598 thousand, resulting in a gain on sale of investment of $1,902 thousand included in the consolidated statement of loss. The following tables summarizes the financial information of Canadiana:

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Assets	$	**-**	$	3,190
Liabilities		**-**		(145)
Net assets		**-**		3,045
Partnership's percentage of ownership		**0%**		20%
Corporation share of net assets	**$**	**-**	$	609

During the period from January 1, 2017 to August 1, 2017, the Corporation recorded its share of net losses in the amount of $205 thousand (2016—$84 thousand).

10. CAPITAL ASSETS

(in thousands of Canadian dollars)		Machinery and equipment		Leasehold improvements		Fitness equipment		Computer equipment		Other		Total
Cost												
Balance at September 30, 2015	$	-	$	-	$	-	$	-	$	-	$	-
Acquisitions		-		6,024		5,825		535		432		12,816
Additions		-		82		-		33		52		167
Disposals		-		(6)		-		(1)		(6)		(13)
Balance at December 31, 2016		-		6,100		5,825		567		478		12,970
Acquisitions (note 4)		**15,109**		**870**		**-**		**2,147**		**1,043**		**19,169**
Additions		**221**		**2,282**		**1,556**		**131**		**159**		**4,349**
Effect of movements in exchange rates		**-**		**-**		**-**		**(2)**		**(6)**		**(8)**
Disposals		**-**		**-**		**(113)**		**(33)**		**(53)**		**(199)**
Balance at December 31, 2017	**$**	**15,330**	**$**	**9,252**	**$**	**7,268**	**$**	**2,810**	**$**	**1,621**	**$**	**36,281**

(in thousands of Canadian dollars)						
Accumulated amortization						
Balance at September 30, 2015	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation and amortization expense	-	(48)	(33)	(45)	(29)	(155)
Disposals	-	1	-	-	-	1
Balance at December 31, 2016	-	(47)	(33)	(45)	(29)	(154)
Depreciation and amortization expense	**(537)**	**(1,080)**	**(880)**	**(222)**	**(202)**	**(2,921)**
Disposals	**-**	**-**	**7**	**26**	**15**	**48**
Balance at December 31, 2017	**$ (537)**	**$ (1,127)**	**$ (906)**	**$ (241)**	**$ (216)**	**$ (3,027)**
Carrying value, December 31, 2016	$ -	$ 6,053	$ 5,792	$ 522	$ 449	$ 12,816
Carrying value, December 31, 2017	**$ 14,793**	**$ 8,125**	**$ 6,362**	**$ 2,569**	**$ 1,405**	**$ 33,254**

11. INTANGIBLE ASSETS AND GOODWILL

(in thousands of Canadian dollars)	Franchise rights, relationships and agreements	Brand names	Customer relationships	Other(1)	Total intangible assets
Cost					
Balance at September 30, 2015	$ -	$ -	$ -	$ -	$ -
Acquisitions	79,800	47,400	7,171	4,300	138,671
Additions	1,090	-	-	195	1,285
Balance at December 31, 2016	80,890	47,400	7,171	4,495	139,956
Acquisitions (note 4)	**-**	**2,980**	**27,350**	**1,280**	**31,610**
Additions	**3,416**	**-**	**142**	**225**	**3,783**
Purchase price allocation	**-**	**100**	**(492)**	**-**	**(392)**
Effect of movements in exchange rates	**-**	**(14)**	**(672)**	**(54)**	**(740)**
Non-cash impairment (2)	**(326)**	**-**	**-**	**-**	**(326)**
Balance at December 31, 2017	**$ 83,980**	**$ 50,466**	**$ 33,499**	**$ 5,946**	**$ 173,891**
Accumulated amortization					
Balance at September 30, 2015	$ -	$ -	$ -	$ -	$ -
Depreciation and amortization expense	(2,275)	(5)	(42)	(193)	(2,515)
Balance at December 31, 2016	(2,275)	(5)	(42)	(193)	(2,515)
Depreciation and amortization expense	**(4,164)**	**(307)**	**(2,094)**	**(1,396)**	**(7,961)**
Balance at December 31, 2017	**$ (6,439)**	**$ (312)**	**$ (2,136)**	**$ (1,589)**	**$ (10,476)**
Carrying value, December 31, 2016	$ 78,615	$ 47,395	$ 7,129	$ 4,302	$ 137,441
Carrying value, December 31, 2017	**$ 77,541**	**$ 50,154**	**$ 31,363**	**$ 4,357**	**$ 163,415**

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

(2) During the year ended December 31, 2017, DLC wrote off one of its franchise relationships and agreements, resulting in a write down of $326 thousand.

Upon finalization of the Club16 purchase price allocation, an adjustment of $392 thousand has been made between goodwill, customer relationships and brand name intangibles.

For the purposes of impairment testing, the Corporation has five groups of CGUs, to which goodwill is allocated. This includes the DLC Franchise CGU; the NCS CGU; the Club16 CGU, which is a group of CGUs in which goodwill is allocated; the Impact CGU; and the AG CGU. The following table shows the carrying amount of goodwill by CGU, or group of CGUs:

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Cash-generating units				
DLC Franchise	**$**	**57,097**	$	57,097
NCS (1)		**3,340**		3,629
Club16 (2)		**22,431**		22,039
Impact (3)		**5,765**		-
Astley Gilbert		**27,306**		-
	$	**115,939**	$	82,765

(1) Upon finalization of the NCS purchase price allocation, an adjustment has been made between goodwill and deferred income tax liability of $289 thousand.
(2) Upon finalization of the Club16 purchase price allocation, an adjustment has been made between goodwill, customer relationships and brand name intangibles of $392 thousand.
(3) Goodwill acquired upon acquisition of Impact is adjusted for foreign exchange translation differences from the date of acquisition to December 31, 2017.

Intangible assets with indefinite lives:

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Cash-generating units				
DLC Franchise brand name	**$**	**45,700**	$	45,700
	$	**45,700**	$	45,700

The Corporation completed its annual impairment test for goodwill and indefinite life intangible assets as at December 31, 2017. The recoverable amounts were based on the value in use approach, an income-based approach whereby a present value technique is employed that takes into account the future cash flows using assumptions that would be common to any market participant. This approach requires management to make estimates and assumptions about operating margins, and discount and tax rates. Future cash flows are based on management's projections for a five-year period with a perpetual growth rate applied thereafter. The discount rate is based on the weighted-average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners, and serves as the basis for developing an appropriate discount rate.

The annual impairment test was performed for the DLC Franchise CGU, the NCS CGU, the Club16 CGU and the Impact CGU. As AG was acquired in October of 2017, the first annual impairment test will be at December 31, 2018.

The Corporation's assumptions regarding revenue, gross margin, cash flows and EBITDA were based on each CGU's internal budget, which is approved by their Board of Directors. The key assumptions used in performing the impairment tests were as follows:

Cash-generating units	**DLC Franchise**	**NCS**	**Club16**	**Impact**
Perpetual growth rate	2%	2%	2%	2%
Discount rate	10.6%	23.8%	16.8% - 20.3%	23.6%
Tax rate	26.2%	26%	27%	27%

As certain inputs to the valuation are not based on observable market data, the recoverable value of each CGU is categorized in Level 3 of the fair value measurement hierarchy.

Sensitivity analysis

The estimated recoverable amounts for each CGU, or group of CGUs, are sensitive to certain inputs. Based on management's assessment there was no impairment of goodwill at December 31, 2017, as the recoverable amount of the CGU was in excess of its carrying value. The recoverable amount of each CGU is sensitive to changes in market conditions and could result in material changes in its carrying value in the future. Based on sensitivity analysis, no reasonably possible change in key assumptions would cause the recoverable amount of any CGU to have a significant change from its current valuation except for the Club16 CGU, where a 1% increase in the discount rate would result in an impairment of $89 thousand at the Club16 Metrotown location and an impairment of $36 thousand at the Club16 White Rock location.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Trade payables	**$**	**7,168**	$	1,817
Accrued liabilities		**11,078**		9,455
Government agencies payable		**1,920**		2,191
Other		**866**		453
	$	**21,032**	$	13,916

Accrued liabilities, as at December 31, 2017, include $4,812 thousand (December 31, 2016—5,392 thousand) related to commissions due to DLC mortgage brokers.

Government agencies payable include corporate income taxes payable in the amount of $247 thousand (December 31, 2016—$1,679 thousand) and sales tax payable of $1,673 thousand (December 31, 2016—$512 thousand). As part of the DLC acquisition, the Corporation has been indemnified by the founders of DLC for certain amounts relating to sales tax assessments (see note 6).

13. NON-CONTROLLING INTEREST

Non-controlling interest liability

Impact – Non-controlling interest put option

In connection with the Impact acquisition, the Corporation provided the vendor with certain rights, including the right to require the Corporation to purchase an additional 22.2% interest in Impact for total proceeds of $5,100 thousand (the "Option") and the right to control a future sales process for all outstanding shares of Impact (the "Liquidity Rights"). The Option could be exercised at any time between September 30, 2017, and March 31, 2018, provided Impact has maintained earnings of at least $4,000 thousand before income taxes, depreciation and amortization during the 12 months preceding the date of exercise. The Liquidity Rights could be exercised any time on or after March 1, 2020, which would allow the vendor to control the decision-making process over the sale of both the Corporation's and the vendor's interest in Impact. These rights provided to the vendors were linked in that, in the event the Option is exercised, the Liquidity Rights transfer to the Corporation, and in turn are no longer available to the vendors. On initial recognition, these rights result in a liability to the Corporation, which was measured at fair value on the date of the Impact acquisition, and any subsequent changes in fair value were recognized in income. Changes in the estimated value of the liability in future periods, as well as the non-controlling interest's share of net income, are reflected in the fair value of the liability at each reporting date, with the offset recorded in fair value of non-controlling interest in the consolidated statement of loss.

On December 1, 2017, these agreements were amended, and the Impact non-controlling interest was reclassified from liability to equity. The amendment removed the Liquidity Rights, replacing them with a penalty payment of $1,000 thousand if a sale committee is formed for Impact that is not satisfactory to the vendor. The current fair value of the 1,000 thousand liability is $632 thousand as at December 31, 2017, and is recognized in accounts payable and accrued liabilities and change in fair value of non-controlling interest. The fair value of the non-controlling interest liability as at December 1, 2017, was calculated to be $11,096 thousand, and was moved to equity on that date. Changes in the fair value of the Impact non-controlling interest liability of $3,653 thousand has been recorded in change in fair value of non-controlling interest from the date of acquisition (March 1, 2017) to the date of the amending agreement (December 1, 2017). Impact's non-controlling interest is presented in equity from the date of the amending agreement, and the non-controlling interest's share of net income and dividends subsequent to the amendment will be applied directly against its equity balance.

AG—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. The fair value of the liability was calculated to be $12,500 thousand at October 31, 2017, and at December 31, 2017, which was determined by discounting the estimated future payment obligations at each reporting date. 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 loss.

Non-controlling interest equity

Non-controlling interests represent third-party equity interests in subsidiaries controlled by the Corporation. The table below summarizes the financial information for each of these subsidiaries. The amounts disclosed are based on the total subsidiaries balances included in the consolidated financial statements before intercompany eliminations.

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
DLC	**$**	**62,226**	$	61,968
Club16		**15,648**		14,626
Impact		**10,305**		-
AG		**26,183**		**-**
Total non-controlling interest		**114,362**		**76,594**
Less current portion of non-controlling interest liability		**(2,000)**		**-**
Less non-current portion of non-controlling interest liability		**(10,500)**		**-**
Non-controlling interest equity	**$**	**101,862**	$	**76,594**

As at and for the year ended December 31, 2017 **(in thousands of Canadian dollars)**		**DLC**		**Club16**		**Impact**		**AG**
Non-controlling interest ownership percentage		**40%**		**40%**		**52%**		**50%**
Current assets	**$**	**16,444**	**$**	**2,735**	**$**	**5,765**	**$**	**13,310**
Non-current assets		**187,240**		**43,713**		**17,605**		**63,912**
Current liabilities		**(17,745)**		**(7,917)**		**(1,472)**		**(14,660)**
Non-current liabilities		**(34,910)**		**(2,107)**		**(3,261)**		**(24,419)**
Revenues	**$**	**38,772**	**$**	**24,468**	**$**	**9,522**	**$**	**10,143**
Net income (loss)		**11,272**		**2,556**		**1,454**		**(396)**
Net income (loss) attributable to non-controlling interest	**$**	**4,566**	**$**	**1,022**	**$**	**125**	**$**	**(158)**
Cash flow provided by operating activities	**$**	**14,161**	**$**	**3,926**	**$**	**2,043**	**$**	**(2,489)**
Cash flow (used in) provided by investing activities		**(11,088)**		**(3,965)**		**(941)**		**(268)**
Cash flow provided by (used in) financing activities		**(3,164)**		**351**		**-**		**2,442**
Net (decrease) increase in cash and cash equivalents	**$**	**(91)**	**$**	**312**	**$**	**1,102**	**$**	**(315)**

As at and for the year ended December 31, 2016 (in thousands of Canadian dollars)		DLC		Club16
Non-controlling interest ownership percentage		40%		40%
Current assets	$	19,536	$	460
Non-current assets		195,223		43,263
Current liabilities		(13,831)		(5,322)
Non-current liabilities		(44,521)		(1,837)
Revenues	$	22,305	$	633
Net income (loss)		6,310		(38)
Net income (loss) attributable to non-controlling interest	$	2,530	$	(15)
Cash flow provided by operating activities	$	5,378	$	186
Cash flow (used in) provided by investing activities		(1,784)		2
Cash flow provided by (used in) financing activities		3,047		(1)
Net increase in cash and cash equivalents	$	6,641	$	187

During the year ended December 31, 2017, cash distributions of $5,345 thousand were paid to holders of the non-controlling interests (December 31, 2016—$1,077 thousand).

14. LOANS AND BORROWINGS

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Corporate				
ATB credit facility	**$**	**-**	$	13,050
Sagard credit facility		**49,433**		-
Promissory note		**2,500**		-
Subsidiaries				
DLC term loan facilities		**6,980**		10,395
DLC vehicle loan		**-**		9
DLC operating facility		**5,090**		2,830
DLC promissory notes		**-**		2,000
Club16 demand credit facility		**4,240**		4,171
Club16 operating facility		**282**		-
AG operating facility		**3,470**		-
AG term loan facilities		**5,036**		-
AG vehicle and equipment loans		**669**		-
Total loans and borrowings		**77,700**		32,455
Less current portion		**(16,370)**		(25,064)
	$	**61,330**	**$**	**7,391**

Corporate credit facilities

Corporate ATB credit facility

On July 15, 2016, the Corporation entered into a $17,000 thousand revolving acquisition credit facility (“Facility A”) and a $5,000 thousand non-revolving demand acquisition credit facility (“Facility B”) with Alberta Treasury Branches (“ATB”) to refinance the bridging facility used to acquire DLC, and thereafter to finance future acquisitions and fund general corporate purposes.

On February 28, 2017, the Corporation amended Facility A and Facility B to increase its revolving acquisition credit facility from $17,000 thousand to $28,000 thousand (“2017 Amended Credit Agreement”) and cancel its $5,000 thousand non-revolving demand acquisition credit facility. On June 14, 2017, the Corporation repaid and cancelled this ATB credit facility.

Corporate Sagard credit facility

On May 31, 2017, the Corporation entered into a USD $42,000 thousand term credit facility (“Sagard Credit Facility”) with Sagard Credit Partners LP (“Sagard”; formerly Sagard Holdings ULC) to refinance its 2017 Amended 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 quarter ending June 30, 2018;
- 4.00:1.00 for the fiscal quarters ending September 30, 2018, and December 31, 2018; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

As at December 31, 2017, the Corporation was in compliance with all such covenants. In connection with entering into the Sagard Credit Facility, the Corporation issued the lender 2,078,568 common share purchase warrants (note 16).

Corporate—Promissory note

On October 31, 2017, the Corporation issued a promissory note payable totalling $2,500 thousand to the founder 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 facilities

DLC term loan facilities

On June 12, 2013, DLC established a $6,500 thousand loan facility that was to mature on June 12, 2018. In April 2017, this term loan facility was repaid in full.

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 1.5% 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 1.20:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at December 31, 2017, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

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 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 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 1.20:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at December 31, 2017, DLC was in compliance with all such covenants. This facility is held at the DLC subsidiary level.

DLC promissory notes

On December 12, 2016, the Corporation's subsidiary, DLC, issued two promissory notes payable totalling $2,000 thousand to the two founders of DLC. In August 2017, the promissory notes were repaid in full.

Club16 demand credit facility

On March 21, 2017, Club16 entered into a $7,000 thousand demand credit facility ("Club16 Demand Facility") with a Canadian financial institution to refinance the Club16 demand loan facilities, and thereafter to finance the opening of new fitness facilities. The balance owing under the facility is $4,240 thousand at December 31, 2017 (December 31, 2016 - $4,171 thousand). The facility matures on the earlier of (i) demand by the lender or (ii) 60 months from the date of each drawdown. It is secured by a general security agreement with first charge over the assets of Club16, 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 1.25:1.00 and a maximum debt-to-EBITDA ratio of less than 2.25:1.00. As at December 31, 2017, Club16 was in compliance with all such covenants. Borrowings under the facility bear interest at the prime rate plus 1.25%. This facility is held at the Club16 subsidiary level.

Club16 revolving facility

On March 21, 2017, Club16 entered into a $1,500 thousand revolving operating facility ("Club16 Operating Facility") to finance 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. This Club16 Operating Facility is provided by the same Canadian financial institution as the Club16 Term Facility. The Club16 Operating Facility is secured by a general security agreement with first charge over the assets of Club16, 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 1.25:1.00 and a maximum debt-to-EBITDA ratio of less than 2.25:1.00. As at December 31, 2017, Club16 was in compliance with all such covenants. This facility is held at the Club16 subsidiary level and has $282 thousand drawn at December 31, 2017.

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 December 31, 2017, AG was in compliance with all such covenants. The facility is held at the AG level and has $3,470 thousand drawn as at December 31, 2017.

AG has a 70% investment in Litho Color Solutions (Toronto) Ltd. ("Litho"). Litho has a $750 thousand operating facility to finance the working capital requirements of day-to-day operations. Borrowings under the facility bear interest at a rate equal to the prime rate plus varying rates of 0.45% to 1.25% per annum, calculated monthly in arrears and payable on the last day of each month. The credit facility is secured by a general security agreement with a first charge over the assets of Litho, subject to customary terms, conditions, covenants, and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.15:1.00 and a debt-to-EBITDA ratio of less than or equal to 2.00:1.00. As at December 31, 2017, AG was in compliance with all such covenants and has $nil drawn.

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, is repayable in monthly installments of $82 thousand a month and incurs interest at a fixed rate of 3.48% per annum. AG Term Loan 2 matures in October 2022, is repayable in monthly installments of $30 thousand a month and incurs 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 1.2:1.00. As at December 31, 2017, AG was in compliance with all such covenants. The facilities are held at the AG level and have $5,036 thousand drawn as at December 31, 2017.

AG vehicle and equipment loans

AG has three equipment and automobile financing loans bearing interest between 3.5% and 5.99%, repayable in monthly installments and secured by the respective equipment and automobile.

15. SHARE CAPITAL

Share consolidation

Effective May 18, 2016, the Corporation consolidated its common shares on the basis of one (1) post-consolidation common share for every fifteen (15) common shares outstanding. All figures in the consolidated financial statements have been adjusted to reflect the 15:1 consolidation. The number of outstanding share options and deferred share units have also been adjusted proportionately. The corresponding exercise prices have increased by the same ratio.

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 September 30, 2015	9,953,397	$	27,027
Shares issued to Advantage Investments vendor (1)	952,380		2,429
Shares held in escrow (1)	-		(2,429)
Subscription receipts	13,709,306		28,790
Share issuance costs	-		(2,259)
Broker warrants issued (note 14)	-		(2,178)
Issued to DLC vendors	4,761,902		26,667
Common shares issued	8,322,330		33,289
Broker warrants exercised	15,027		93
Balance at December 31, 2016	37,714,342	$	111,429
DSUs exercised (note 16)	**388,589**		**1,037**
Broker warrants exercised (note 16)	**25,675**		**160**
Shares released from escrow (1)	**-**		**2,429**
Balance at December 31, 2017	**38,128,606**	$	**115,055**

(1) The shares held in escrow are issued and outstanding, but were held in escrow until investment opportunities and other investments made by the Corporation delivered cumulative earnings before interest, tax, depreciation and amortization to the Corporation of not less than $15,000 thousand. The performance release condition was achieved in July 2017, and the shares were released from escrow.

Dividends

During the year ended December 31, 2017, the Corporation declared quarterly dividends of $0.125 per share, with total dividends paid during the year of $1,427 thousand. Dividends declared during the year ending December 31, 2017, are as follows:

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
$0.05 per share (2016: $nil)	**$**	**1,904**	$	**-**

16. SHARE-BASED PAYMENTS

The Corporation recorded a total share-based payment expense of $3,066 thousand for the year ended December 31, 2017 (December 31, 2016—$6,065 thousand). These amounts include share-based payments related to shares held in escrow of $786 thousand (December 31, 2016—$1,643 thousand) relating to the Advantage Investments transaction (see notes 4 and 15).

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 periods is as follows:

	Number of share options		Weighted average exercise price
Outstanding share options, September 30, 2015	213,333		2.45
Granted	2,829,745		3.94
Forfeited	(20,000)		3.00
Outstanding share options, December 31, 2016	3,023,078	$	3.85
Granted	**275,000**		**3.73**
Forfeited	**(188,333)**		**4.40**
Outstanding share options, December 31, 2017	**3,109,745**	**$**	**3.80**

On July 3, 2017, the Corporation granted 75,000 share options to an officer and director of the Corporation. The share options are exercisable at a price of $3.00 per share and have an estimated fair value of $0.95 per share option. The options have a five-year term, vested on the grant date. As at December 31, 2017, all these share options are exercisable.

On September 15, 2017, the Corporation granted 200,000 share options to an officer of the Corporation. The share options are exercisable at a price of $4.00 per share and have an estimated fair value of $0.39 per share option. The options have a five-year term, vested on the grant date. As at December 31, 2017, all these share options are exercisable.

The fair value of the stock options granted were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions.

	December 31, 2017	December 31, 2016
Risk-free interest rate	**1.63%**	0.60%
Expected volatility	**41%**	100%
Expected life	**5 years**	4.8 years
Expected dividend yield	**$0.05**	N/A
Estimated forfeiture rate	**0%**	1.70%

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected life of the share options. The risk-free rate is based on the Government of Canada yield curve in effect at the time of valuation.

The following table summarizes the share options outstanding and exercisable under the plan as at December 31, 2017:

Grant date	Share options outstanding	Exercise price	Years to maturity	Share options exercisable
July 15, 2015	193,333	$ 2.40	7.8	193,333
February 23, 2016	877,245	3.00	3.2	292,415
July 7, 2016	1,614,167	4.40	3.5	1,174,169
December 1, 2016	150,000	4.00	0.9	150,000
July 3, 2017	**75,000**	**3.00**	**4.5**	**75,000**
September 15, 2017	**200,000**	**4.00**	**4.7**	**200,000**
	3,109,745			**2,084,917**

The Corporation recorded a share-based payment expense related to share options for the year ended December 31, 2017, of $2,161 thousand (December 31, 2016—$4,322 thousand).

Phantom share options

On October 17, 2017, the Corporation granted 545,000 phantom share options with an exercise price of $2.75 and an estimated fair value of $1.28 per phantom share option. Each phantom share option entitles the holder thereof to cash payments equal to the difference between the phantom share option price and the market price upon the exercise date. The phantom share options have a five-year term and vest one-third on the first, second and third anniversary from the date of grant. The Corporation recorded a share-based payment expense related to the phantom share options for the year ended December 31, 2017, of $59 thousand (December 31, 2016—$nil).

Warrants

The following table summarizes the broker warrants outstanding:

	Warrants outstanding		Exercise price
Outstanding warrants, September 30, 2015	-	$	-
Broker warrants granted	528,691		2.10
Broker warrants exercised	(15,027)		2.10
Outstanding warrants, December 31, 2016	513,664	$	2.10
Lender warrants granted	**2,078,568**		**3.74**
Broker warrants exercised	**(25,675)**		**2.10**
Outstanding warrants, December 31, 2017	**2,566,557**	**$**	**3.43**

On June 14, 2017, the Corporation issued 2,078,568 common share lender warrants, each of which entitles Sagard to acquire one common share of the Corporation for a period of five years. One half of the warrants have an exercise price of $3.508 and one half have an exercise price of $3.965. The warrants vested on the grant date and were issued as non-cash compensation to lenders of the Sagard Credit Facility (see note 14). Using a Black-Scholes option-pricing model, one half of the warrants have been valued at $0.81 and one half at $0.72. The fair value of the warrants has been recognized as a credit to contributed surplus (net of deferred tax of $421 thousand), with the offsetting debit to debt issuance costs netted against loans and borrowings on the Corporation's statement of financial position (see note 14). The Corporation recorded a charge to finance expense related to these warrants for the year ended December 31, 2017, of $224 thousand (December 31, 2016—$nil). During the year ended December 31, 2016, the Corporation issued 528,691 broker warrants with an exercise price of $2.10. During the year ended December 31, 2017, 25,675 of these broker warrants (December 31, 2016—15,027) were exercised for total proceeds of $54 thousand (2016—$31 thousand).

The fair value of the lender and broker warrants granted were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions.

	December 31, 2017 (1)	December 31, 2016 (1)
Risk-free interest rate	**1.06%**	0.51%
Expected volatility	**45%**	100%
Expected life	**5 years**	2 years
Expected dividend yield	**$0.05**	N/A
Estimated forfeiture rate	**0%**	0%
Share price on grant date	**$2.84**	$5.60

(1) The lender warrants were granted on June 14, 2017, and the broker warrants were granted on June 3, 2016.

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected life of the broker warrants. The risk-free rate is based on the Government of Canada yield curve in effect at the time of valuation.

Deferred share units

On June 25, 2015, shareholders of the Corporation approved an amended DSU Plan under which the board may elect to pay out DSUs in either cash or common shares of the Corporation to eligible participants. The previous DSU Plan required that DSUs be paid out in cash when a participant ceased to be a director of the Corporation. The liability for such payment was fair valued based upon the market price at every period end and was recorded as a current liability with the expense adjusted accordingly.

The following table summarizes the total DSUs outstanding:

	DSUs outstanding
Outstanding DSUs, September 30, 2015	580,366
Granted	43,297
Outstanding DSUs, December 31, 2016	623,663
Exercised	**(623,663)**
Outstanding DSUs, December 31, 2017	**-**

During the year ended December 31, 2017, 623,663 DSUs were exercised, resulting in the issuance of 388,589 common shares of the Corporation (net of applicable withholding taxes of $825 thousand). The DSU Plan was terminated immediately following the DSUs being exercised.

The Corporation recorded a share-based payment expense related to DSUs for the year ended December 31, 2017, of $nil (December 31, 2016—$100 thousand).

Share appreciation rights

On March 1, 2017, as a part of the Impact acquisition, SARs were granted to the management of Impact. The SARs provide Impact's management with the opportunity to receive a cash payment equal to the growth in the fair market value of Impact's shares over and above the fair market value of the shares on the grant date. The SARs have no expiry and vest over a five-year period, with one-third of the grant amount vesting on each of the third, fourth and fifth anniversaries of the grant date, and must be exercised by December 31 of the year in which they vest. The SARs have an estimated fair value of $262 thousand. As at December 31, 2017, none of these SARs are exercisable.

The fair value of the SARs granted during the year ended December 31, 2017, was estimated on the date of the grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Risk-free interest rate	**1.15%**	-
Expected volatility	**65%**	-
Expected life	**4.8 years**	-
Expected dividend yield	**$1,200**	-
Estimated forfeiture rate	**0%**	-

The Corporation recorded a share-based payment expense related to the SARs for the year ended December 31, 2017, of $60 thousand (December 31, 2016—$nil).

17. 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.

As at December 31, 2017 (in thousands of Canadian dollars)	**Franchise**	**Consumer Products and Services**	**Business Products and Services**	**Corporate and Consolidated**	**Consolidated**
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
Revenue	$ 38,772	$ 24,468	$ 19,665	$ -	$ 82,905
Direct costs	5,841	2,012	9,442	-	17,295
Acquisition and due diligence costs	-	-	478	515	993
General and administrative	16,920	16,204	6,351	5,756	45,231
Share-based payments	-	-	60	3,006	3,066
Finance expense	627	182	52	4,056	4,917
Other expenses	2,099	3,514	1,991	5,212	12,816
Income (loss) before tax	$ 13,285	$ 2,556	$ 1,291	$ (18,545)	$ (1,413)

As at December 31, 2016 (in thousands of Canadian dollars)	Franchise	Consumer Products and Services	Corporate and Consolidated	Consolidated
Cash and cash equivalents	$ 6,641	$ 187	$ 996	$ 7,824
Trade and other receivables	10,683	108	1,622	12,413
Intangible assets	128,617	8,824	-	137,441
Goodwill	60,726	22,039	-	82,765
Capital and other assets	2,245	12,564	2,919	17,728
Total assets	$ 208,912	$ 43,722	$ 5,537	$ 258,171
Accounts payable and accrued liabilities	$ 10,594	$ 781	$ 2,541	$ 13,916
Loans and borrowings	15,234	4,171	13,050	32,455
Deferred tax	31,019	(6)	(4,533)	26,480
Other liabilities	1,507	370	-	1,877
Total liabilities	$ 58,354	$ 5,316	$ 11,058	$ 74,728
Revenue	$ 22,305	$ 633	$ -	$ 22,938
Direct costs	4,585	4	-	4,589
Acquisition and due diligence costs	-	-	3,365	3,365
General and administrative	6,551	534	5,501	12,586
Share-based payments	-	-	6,065	6,065
Finance expense	297	6	2,593	2,896
Other expenses	1,846	127	1,084	3,057
Income (loss) before tax	$ 9,026	$ (38)	$ (18,608)	$ (9,620)

18. REVENUES

(in thousands of Canadian dollars)	**For the 12 months ended December 31, 2017**	For the 15 months ended December 31, 2016
Franchising revenue, mortgage brokerage services	**$ 37,613**	$ 22,013
Brokering of mortgages	**468**	191
Memberships and dues revenue	**18,455**	520
Radio and radio accessories	**9,395**	-
Print and print services	**10,143**	-
Supplementary services revenue and other revenue	**6,831**	214
	$ 82,905	$ 22,938

Revenues reflect the amounts earned from the closing date of the Impact and AG acquisitions (March 1, 2017, and October 31, 2017, respectively) to December 31, 2017. Amounts for DLC and Club16 reflect a full year of operations as they were acquired on June 3, 2016, and December 20, 2016, respectively. Prior year revenues reflect those amounts from the date of acquisition.

19. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses include the following:

(in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
Salary and salary-related	**$**	**21,327**	$	6,448
Office, administration and rent		**16,288**		1,961
Advertising, promotion and travel		**3,760**		1,710
Professional fees		**1,930**		1,582
Management and consulting fees		**1,835**		803
Regulatory and filing fees		**91**		82
	$	**45,231**	$	12,586

General and administrative expenses reflect the amounts earned from the closing date of the Impact and AG acquisitions (March 1, 2017, and October 31, 2017, respectively) to December 31, 2017. Amounts for DLC and Club16 reflect a full year of operations as they were acquired on June 3, 2016, and December 20, 2016, respectively. Prior year general administrative expenses reflect those amounts from the date of acquisition.

20. INCOME TAXES

The components of the Corporation's tax expense are as follows:

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.1% (2016—26.5%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2017 and 2016:

(in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
Loss before tax	**$**	**1,413**	$	9,620
Loss before tax multiplied by the statutory rate of 26.1% (2016—26.5%)		**369**		2,549
Effect of:				
Change in unrecognized temporary differences		**-**		2,413
Permanent differences		**78**		(1,857)
Change in tax rates and rate differences		**(987)**		(367)
Other		**1,296**		(397)
Total tax recovery	**$**	**756**	$	2,341

Deferred tax assets and liabilities for the year ended December 31, 2017, and the year ended December 31, 2016, consist of the following:

(in thousands of Canadian dollars)		**As at December 31, 2017**		As at December 31, 2016
Deferred tax liabilities				
Intangible assets	$	**(40,247)**	$	(34,384)
Capital assets		**(3,752)**		-
Goodwill		**(251)**		-
		(44,250)		(34,384)
Deferred tax assets				
Non-capital loss carryforwards		**8,063**		4,997
Capital assets		**1,628**		1,662
Warranty provisions		**104**		-
Share issuance costs		**596**		669
Other		**340**		576
		10,731		7,904
Net deferred tax liability	**$**	**(33,519)**	$	(26,480)

For the purposes of the preceding table, deferred income tax liabilities are shown net of offsetting deferred income tax assets where these occur in the same entity and jurisdiction.

As at December 31, 2017, the Corporation has non-capital loss carryforwards of $29,873 thousand (December 31, 2016—$18,712 thousand). These Canadian tax losses expire between 2024 and 2037. The Corporation has determined that it is more likely than not that future taxable profit will be available to utilize these losses.

Continuity of the deferred tax liability is as follows:

(in thousands of Canadian dollars)		**As at December 31, 2017**		As at December 31, 2016
Balance, beginning of year	$	**(26,480)**	$	-
Deferred tax on acquisition of subsidiaries (note 4)		**(11,824)**		(32,691)
Deferred tax recognized in equity		**(421)**		830
Deferred tax recovery in net loss		**4,917**		4,893
Other		**289**		488
Net deferred tax liability	**$**	**(33,519)**	$	(26,480)

21. LOSS PER SHARE

(in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
Net loss attributable to shareholders	**$**	**(6,212)**	$	(9,794)
Basic weighted average number of shares		**37,523,300**		23,254,133
Effect of dilutive securities		**-**		-
Diluted basic average number of shares		**37,523,300**		23,254,133
Basic loss per share	**$**	**(0.17)**	$	(0.42)
Diluted loss per share	**$**	**(0.17)**	$	(0.42)

As at December 31, 2017, there were 3,109,745 share options (December 31, 2016—3,023,078), nil DSUs (December 31, 2016—623,663) and 2,566,557 warrants (December 31, 2016—513,664) outstanding that were considered anti-dilutive (see note 16).

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

(in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
Trade and other receivables	**$**	**836**	$	(3,484)
Prepaids and other assets		**(446)**		(573)
Notes receivable		**(32)**		(84)
Inventories		**1,198**		-
Accounts payable and accrued liabilities		**(3,543)**		1,648
Deferred revenue		**622**		(88)
Other current liabilities		**(706)**		328
	$	**(2,071)**	$	(2,253)
Changes in non-cash operating working capital		**(1,505)**		(2,253)
Changes in non-cash investing capital		**(566)**		-
	$	**(2,071)**	$	(2,253)

23. 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 December 31, 2017, the USD cash balance is USD $1,614 thousand (CAD $2,024 thousand), compared to USD $37 thousand (CAD $44 thousand) at December 31, 2016. The USD loans and borrowing balance is USD $42,000 thousand (CAD $52,689 thousand); at December 31, 2016, it was USD $nil. Management has assessed that the Corporation's exposure to foreign exchange risk at December 31, 2017, 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 $5,297 thousand decrease in net income before tax for the year ended December 31, 2017 (December 31, 2016—$4 thousand increase).

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 $578 thousand impact on net income for the year ended December 31, 2017 (December 31, 2016—$165 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 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 December 31, 2017, $960 thousand (December 31, 2016—$165 thousand) of our trade receivables are greater than 90 days' outstanding. A decline in economic conditions, or other adverse conditions, could lead to a 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)		**December 31, 2017**		December 31, 2016
Cash and cash equivalents	**$**	**10,316**	$	7,824
Trade and other receivables		**23,498**		12,413
Notes receivable		**342**		290
	$	**34,156**	$	20,527

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 December 31, 2017, 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	**$**	**21,032**	**$**	**21,032**	**$**	**-**
Capital lease obligation		**1,017**		**359**		**658**
Loans and borrowings		**80,956**		**16,370**		**64,586**
Long-term accrued liabilities		**1,974**		**-**		**1,974**
	$	**104,979**	**$**	**37,761**	**$**	**67,218**

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 December 31, 2017, and December 31, 2016.

(in thousands of Canadian dollars)		**December 31, 2017**		December 31, 2016
Loans and borrowings	**$**	**77,700**	$	32,455
Less: net cash and cash equivalents (note 5)		**(9,550)**		(7,824)
Net loans and borrowings	**$**	**68,150**	$	24,631
Shareholders' equity	**$**	**101,386**	$	106,849

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 December 31, 2017.

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 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 (note 8)		**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**

(in thousands of Canadian dollars)	Carrying value as at December 31, 2016	Fair value as at December 31, 2016 — 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	$ 7,824	$ 7,824	$ -	$ -
Trade and other receivables	12,413	-	-	-
Notes receivable	290	290	-	-
Investments (note 8)	2,673	-	-	2,673
Financial liabilities				
Accounts payable and accrued liabilities	13,916	-	-	-
Loans and borrowings	32,455	-	32,455	-
Other current liabilities	636	-	636	-
Other long-term liabilities	271	-	271	-

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 December 31, 2017, management has determined that the fair values of its loans and borrowings approximate their carrying value. The 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.

24. COMMITMENTS AND CONTINGENCIES

Consulting agreement

On January 31, 2016, DLC entered into a three-year consulting agreement whereby DLC has agreed to incur an annual amount of $350 thousand, paid quarterly, for consulting services related to promotional support.

Service agreement

On March 1, 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 on August 31, 2021.

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	**$ 6,368**
2019	**6,103**
2020	**5,962**
2021	**5,094**
2022	**3,696**
Thereafter	**11,433**
	$ 38,656

Contingencies

Former employees have brought claims against AG totalling $630 thousand, related to wrongful dismissal and income earned but not paid for. On October 5, 2017, a court order was obtained requiring all claims to be consolidated into one action. The Corporation has been indemnified from these claims. Further, in the opinion of management, the outcome of the unsettled claims is not determinable. As a result, the potential for any obligation is not estimable, and no provision for settlement has been made in the financial statements.

25. RELATED PARTY TRANSACTIONS

Related party transactions and balances as at and for the year ended December 31, 2017, are described below.

Property leases

DLC, Impact and AG lease and rent office space from companies that are controlled by minority partners within the subsidiaries. During the year ended December 31, 2017, the total costs incurred under these leases was $571 thousand (December 31, 2016—$136 thousand). The lease term maturities range from 2020—2022.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by key management of Club16. The total costs incurred under these leases for the year ended December 31, 2017, was $400 thousand (December 31, 2016—$13 thousand). The lease term maturities range from 2020—2021.

Expenses related to these leases are recorded in general and administrative expenses and are paid monthly; as such, no amount remains payable within the Corporation's consolidated financial statements.

Sales tax receivable

On acquisition of DLC, the Corporation was indemnified against any sales tax amounts assessed based on DLC's past results. As at December 31, 2017, the Corporation has recorded a receivable due from the DLC founders in the amount of $821 thousand for the sales tax amounts payable recorded by DLC (December 31, 2016—$1,623 thousand). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statement of financial position.

Corporate tax and U.S. state tax receivable

On acquisition of Impact, the Corporation was indemnified against any U.S. state sales tax and corporate tax amounts assessed based on Impact's past results. As at December 31, 2017, the Corporation has recorded a receivable due from the Impact founders in the amount of $234 thousand (December 31, 2016—$nil) for the U.S. state tax and corporate tax amounts payable recorded by Impact. This receivable has been recorded in trade and other receivables in the Corporation's consolidated financial statements.

Loans and advances

DLC has amounts due to/from companies that are controlled by key management personnel and both significant and minority shareholders of DLC. Due to amounts of $10 thousand (December 31, 2016—$31 thousand) have been included in accounts payable and accrued liabilities in the Corporation's consolidated financial statements as at December 31, 2017. Due from amounts of $21 thousand (December 31, 2016—$24 thousand) have been included in trade and other receivables in the Corporation's consolidated financial statements as at December 31, 2017.

Club16 has loans and advances due from companies that are controlled by key management personnel of Club16 in the amount of $1,800 thousand as at December 31, 2017 (December 31, 2016—$nil). The balance is included in accounts receivable in the Corporation's consolidated financial statements.

All related party loans and advances are unsecured, due on demand and non-interest bearing.

Loan guarantees

AG provided guarantees over loan advances totalling $4,500 thousand for two related party companies controlled by key management personnel. The guarantees were released subsequent to December 31, 2017.

Promissory notes

DLC had entered into two promissory notes payable totalling $2,000 thousand due to companies that are controlled by key management personnel and significant shareholders of DLC (see note 14). During the year ended December 31, 2017, interest of $108 thousand (December 31, 2016—$9 thousand) was paid on these promissory notes. These notes were fully paid in 2017.

On October 31, 2017, as part of the purchase of AG, the Corporation entered a two-year promissory note payable totalling $2,500 thousand due to vendors of AG (see note 14). During the year ended December 31, 2017, interest of $25 thousand (December 31, 2016—$nil) was accrued and is recorded as an accounts payable and accrued liabilities.

Administrative services

Club16 has entered into an agreement to provide administrative services to a company controlled by key management. Total fees charged for services under this agreement for the year ended December 31, 2017, was $98 thousand (December 31, 2016—$4 thousand). The agreement can be terminated by either party with six months' prior written notice.

On October 31, 2017, AG entered into a consulting agreement with a company controlled by key management personnel whereby AG has agreed to incur an annual amount of $108 thousand, paid monthly, for consulting services. From the date of acquisition until December 31, 2017, total fees charged under this agreement was $195 thousand (December 31, 2016—$nil).

Other

The Corporation has entered into an agreement with the non-controlling shareholders of Impact. The agreement is related to liquidation rights, and if a liquidation event occurs, the Corporation has a possible commitment to pay $1,000 thousand to these shareholders. As at December 31, 2017, a liability has been recognized for the current fair value of the liability of $632 thousand (December 31,2016—$nil).

Key management compensation

Key management personnel comprise of members of the Board of Directors and key management of the Corporation. Their compensation is as follows:

(in thousands of Canadian dollars)		**For the 12 months ended December 31, 2017**		For the 15 months ended December 31, 2016
Directors fees	**$**	**213**	$	177
Salaries and benefits		**2,933**		1,638
Share-based payments		**2,873**		5,540
	$	**6,019**	$	7,355

26. SUBSEQUENT EVENTS

Dividend payment

The Corporation declared a dividend of $0.0125 per common share for all shareholders of record as of December 29, 2017. The dividend was paid on January 12, 2018. The Corporation declared a dividend of $0.0125 per common share for all shareholders of record as of March 30, 2018. The dividend was paid on April 11, 2018.

Club16 debt amendment

On March 16, 2018, Club16 amended its existing demand credit facility. The amendment increased the credit available on term loans from $7,000 thousand to $9,000 thousand. Included in the amendment was a modification in the financial covenant which established a debt service coverage ratio to be greater than 1.05:1:00 (lowered from 1.25:1:00 previously) and greater than or equal to 1.50:1 excluding distributions. Subsequent to year-end, Club16 was notified by its lender that the lender believed Club16 had breached the debt service ratio, included in the demand credit facility, for the period ending March 31, 2018. The breach constitutes an event of default under the agreement. The lender has taken no action to date and has notified that no further action is required.

Impact—Non-controlling put option

On March 31, 2018, the option issued to the vendor of the Impact acquisition (see notes 4 and 13) expired unexercised.