Founders Advantage Capital Corp.

Audited Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Founders Advantage Capital Corp.

Opinion
We have audited the consolidated financial statements of Founders Advantage Capital Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2018, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Jubenvill.

Ernst & Young LLP

Calgary, Alberta
April 23, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

		As at December 31, 2018		As at December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents (note 5)	**$**	**5,492**	$	10,316
Trade and other receivables (note 6)		**27,627**		22,442
Prepaid expenses and deposits		**2,758**		2,410
Notes receivable		**299**		342
Inventories (note 7)		**5,847**		4,834
Total current assets		**42,023**		40,344
Non-current assets				
Trade, other receivables and other assets (note 6)		**599**		1,056
Investments (note 8)		**557**		357
Capital assets (note 9)		**33,805**		33,254
Intangible assets (note 10)		**159,380**		163,415
Goodwill (note 10)		**110,257**		115,939
TOTAL ASSETS	**$**	**346,621**	$	354,365
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness (note 5)	**$**	**397**	$	766
Accounts payable and accrued liabilities (note 11)		**22,970**		21,032
Loans and borrowings (note 13)		**25,698**		16,370
Deferred contract liability		**650**		1,382
Other current liabilities		**788**		869
Capital lease obligation		**573**		327
Non-controlling interest liability (note 12)		**2,000**		2,000
Total current liabilities		**53,076**		42,746
Non-current liabilities				
Loans and borrowings (note 13)		**61,007**		61,330
Deferred contract liability		**2,076**		141
Other long-term liabilities		**3,293**		2,250
Capital lease obligation		**1,173**		631
Deferred tax liabilities (note 20)		**39,553**		33,519
Non-controlling interest liabilities (note 12)		**11,621**		10,500
TOTAL LIABILITIES		**171,799**		151,117
Equity				
Share capital (note 14)		**115,390**		115,055
Contributed surplus		**14,759**		14,569
Accumulated other comprehensive income (loss)		**332**		(683)
Deficit		**(50,525)**		(27,555)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**79,956**		101,386
NON-CONTROLLING INTEREST (note 12)		**94,866**		101,862
TOTAL LIABILITIES AND EQUITY	**$**	**346,621**	$	354,365

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

Signed on behalf of the Board of Directors,

(signed)
James Bell, Director

(signed)
Dennis Sykora, Director

CONSOLIDATED STATEMENTS OF LOSS

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

For the years ended December 31,		2018		2017
REVENUES (note 17)	**$**	**133,541**	$	82,905
Direct costs		**41,819**		17,295
GROSS PROFIT		**91,722**		65,610
General and administrative (note 18)		**60,273**		46,224
Share-based payments (note 15)		**408**		3,066
Depreciation and amortization (notes 9 and 10)		**17,267**		10,882
		77,948		60,172
INCOME FROM OPERATIONS		**13,774**		5,438
OTHER (EXPENSES) INCOME				
Finance expense (note 19)		**(8,571)**		(4,917)
Dividends paid to non-controlling interest shareholders		**(1,500)**		-
Foreign exchange gain (loss) gain		**(4,645)**		1,468
Net (loss) gain on sale of capital and intangible assets		**(12)**		1,244
Change in fair value of non-controlling interest liability (note 12)		**(180)**		(4,285)
Loss on contract settlement (note 24)		**(1,463)**		-
Non-cash write down/impairment (notes 7, 8, and 10)		**(6,163)**		(2,892)
Gain on sale of investment		**-**		1,902
Loss on equity accounted investment		**-**		(205)
Other income		**414**		834
		(22,120)		(6,851)
LOSS BEFORE INCOME TAX		**(8,346)**		(1,413)
INCOME TAX (EXPENSE) RECOVERY (note 20)				
Current tax expense		**(6,074)**		(4,161)
Deferred tax (expense) recovery		**(5,957)**		4,917
		(12,031)		756
NET LOSS	**$**	**(20,377)**	$	(657)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	**$**	**(21,062)**	$	(6,212)
Non-controlling interest	**$**	**685**	$	5,555
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS (note 21)				
Basic	**$**	**(0.55)**	$	(0.17)
Diluted	**$**	**(0.55)**	$	(0.17)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

For the years ended December 31,		2018		2017
NET LOSS	$	(20,377)	$	(657)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be subsequently reclassified to comprehensive income:				
Foreign exchange translation gain (loss) (net of tax)		1,951		(1,313)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		1,951		(1,313)
COMPREHENSIVE LOSS	$	(18,426)	$	(1,970)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	$	(20,047)	$	(6,895)
Non-controlling interest	$	1,621	$	4,925

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

CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of Canadian dollars)

	Attributable to Shareholders of Founders Advantage Capital Corp.						
	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity	Non-controlling interest	Total equity
Balance at December 31, 2016	$ 111,429	$ 14,859	$ -	$ (19,439)	$ 106,849	$ 76,594	$ 183,443
Share-based payments (note 15)	-	2,947	-	-	2,947	-	2,947
Exercise of deferred share units	1,037	(1,862)	-	-	(825)	-	(825)
Exercise of broker warrants (note 15)	160	(106)	-	-	54	-	54
Fair value of lender warrants issued	-	1,160	-	-	1,160	-	1,160
Shares released from escrow	2,429	(2,429)	-	-	-	-	-
Net (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	-	-	-	-	-	13,842	13,842
Transfer of non-controlling interest	-	-	-	-	-	11,096	11,096
Dividends declared (note 14)	-	-	-	(1,904)	(1,904)	-	(1,904)
Balance at December 31, 2017	$ 115,055	$ 14,569	$ (683)	$ (27,555)	$ 101,386	$ 101,862	$ 203,248
Share-based payments (note 15)	**-**	**412**	**-**	**-**	**412**	**-**	**412**
Exercise of broker warrants (note 15)	**335**	**(222)**	**-**	**-**	**113**	**-**	**113**
Net (loss) income and comprehensive income	**-**	**-**	**1,015**	**(21,062)**	**(20,047)**	**1,621**	**(18,426)**
Non-controlling interest put option (note 12)	**-**	**-**	**-**	**-**	**-**	**(941)**	**(941)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(7,676)**	**(7,676)**
Dividends declared (note 14)	**-**	**-**	**-**	**(1,908)**	**(1,908)**	**-**	**(1,908)**
Balance at December 31, 2018	**$ 115,390**	**$ 14,759**	**$ 332**	**$ (50,525)**	**$ 79,956**	**$ 94,866**	**$ 174,822**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the years ended December 31,		2018		2017
OPERATING ACTIVITIES				
Net loss	**$**	**(20,377)**	$	(657)
Items not affecting cash:				
Share-based payments (note 15)		**408**		3,066
Depreciation and amortization (notes 9 and 10)		**17,267**		10,882
Gain on sale of investment		**-**		(1,902)
Net loss (gain) on disposal of capital and intangible assets		**12**		(1,244)
Change in fair value of non-controlling interest liability (note 12)		**180**		3,653
Non-cash write down/impairment (notes 7, 8, and 10)		**6,163**		2,892
Dividends paid to non-controlling interest shareholders		**1,500**		-
Unrealized foreign exchange loss (gain)		**4,554**		(2,795)
Deferred tax expense (recovery) (note 20)		**5,957**		(4,917)
Other non-cash items		**4,519**		1,216
Changes in non-cash working capital (note 22)		**(5,535)**		(1,505)
CASH PROVIDED BY OPERATING ACTIVITIES		**14,648**		8,689
INVESTING ACTIVITIES				
Expenditures on capital assets (note 9)		**(7,474)**		(4,349)
Investment in intangible assets (note 10)		**(5,352)**		(3,783)
Proceeds on disposal of capital and intangible assets		**229**		1,081
Purchase of investments (note 8)		**(200)**		(171)
Proceeds from sale of investment		**-**		2,500
Contributions to equity accounted investee		**-**		(194)
Dividends paid to non-controlling interest shareholders		**(1,500)**		-
Investment in subsidiaries, net of cash received		**-**		(33,589)
Distributions to non-controlling interests		**(7,676)**		(5,345)
Changes in other non-cash items		**386**		-
Changes in non-cash working capital (note 22)		**75**		(566)
CASH USED IN INVESTING ACTIVITIES		**(21,512)**		(44,416)
FINANCING ACTIVITIES				
Proceeds from debt financing, net of transaction costs (note 13)		**8,402**		73,119
Proceeds from capital lease financing		**1,253**		-
Repayment of debt (note 13)		**(5,040)**		(33,307)
Capital lease payments		**(465)**		(62)
Dividends paid to common shareholders (note 14)		**(1,908)**		(1,427)
Exercise of broker warrants (note 15)		**113**		54
Exercise of deferred share units		**-**		(825)
CASH PROVIDED BY FINANCING ACTIVITIES		**2,355**		37,552
(DECREASE) INCREASE IN NET CASH AND CASH EQUIVALENTS		**(4,509)**		1,825
Impact of foreign exchange on cash and cash equivalents		**54**		(99)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (note 5)		**9,550**		7,824
NET CASH AND CASH EQUIVALENTS, END OF PERIOD (note 5)	**$**	**5,095**	$	9,550
Cash flows include the following amounts:				
Interest paid	**$**	**7,059**	$	4,113
Interest received	**$**	**40**	$	73
Income taxes paid	**$**	**5,058**	$	4,624

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

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

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

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

2. BASIS OF PREPARATION

Statement of compliance

These audited consolidated financial statements ("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 financial statements were authorized for issuance by the Board of Directors on April 23, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of measurement

These 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.

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 acquisition of our 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 acquisition. The identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition, and any excess of the fair value of the identifiable net assets acquired is recorded as goodwill. If the fair value of liabilities is less than the fair value of assets acquired, the fair value of the net assets is reassessed, and any remaining difference is recognized directly in the consolidated statements of loss and comprehensive loss.

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 statements of loss and comprehensive loss. Contingent consideration is not remeasured when it is an equity instrument, and its subsequent settlement is accounted for within equity.

e. 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
Machinery and equipment	20% declining balance
Leasehold improvements	5-10 years
Fitness equipment	10 years
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.

f. 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 of 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. Renewable franchise agreements are amortized on a straight-line basis over the estimated economic life of twenty-five 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 ten years. 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 software products used in the mortgage brokerage industry. The software products have a useful life ranging from three to eleven 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 Club16's customer base and a brand name licensing agreement. The customer 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 ten-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 assets are amortized on a straight-line basis over their respective useful lives. Customer relationships are amortized over the estimated economic life of fifteen-years. Supplier relationships and 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 ten-years; brand name is amortized over a five-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, at which goodwill is monitored for impairment. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

g. 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 in the consolidated statements of loss and comprehensive loss.

h. Share-based payments

Share options

The Corporation issues share-based payment awards to directors, employees, and consultants. The fair value of the awards, 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 statements of loss and comprehensive loss, 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 statements of loss and comprehensive loss on the date of the grant.

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 statements of loss and comprehensive loss.

i. 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.

j. 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 statements of financial position.

k. Foreign currency

The 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 statements of loss and comprehensive 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 (loss).

l. 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 statements 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 net loss and comprehensive income except to the extent that it relates to items recognized directly in other comprehensive loss or directly in equity, in which case the income tax is also recognized in other comprehensive loss or equity, respectively.

m. Use of estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the 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 intangible assets identified include 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 intangible assets acquired are subject to uncertainty, and if changed, they could significantly differ from those recognized in the 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 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 depreciation and amortization charge recorded in the consolidated statements of loss and comprehensive loss.

Management has concluded that the DLC brand names 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 depreciation and amortization charge recorded in the consolidated statements of loss and comprehensive loss.

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 fair value less cost of disposal 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 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 payments. 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 payments 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 statements 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 our 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 13) 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.).

n. Financial instruments: Classification and Measurement

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

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

(in thousands of Canadian dollars)

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

Financial instruments	**Original classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale assets	Fair value through profit or loss
Bank indebtedness	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost
Other current liabilities	Amortized cost	Amortized cost
Other long-term liabilities	Amortized cost	Amortized cost
Capital lease obligation	Amortized cost	Amortized cost
Non-controlling interest liability	Amortized cost	Amortized cost

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, allowance for doubtful accounts is determined using an ECL model, under which the lifetime expected credit losses are measured on initial recognition of the receivable. Credit losses are measured at the present value of all expected cash shortfalls over the life of the asset. The adoption of the lifetime ECL model on January 1, 2018, did not have a material impact to these financial statements. Total expected credit losses as at December 31, 2018 is $19 (December 31, 2017—$56) (see note 6).

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

o. Revenue

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

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

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

DLC—Franchising revenue, mortgage brokerage services

Mortgage brokerage franchising revenue is earned for providing franchisees the nonexclusive right to operate a DLC franchise; which includes income from royalties, monthly advertising and service fees, and connectivity fees.

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

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

DLC—Brokering of mortgages

Commission income relates to income earned for the brokering of mortgages within the corporately-owned mortgage franchise and is earned at a point in time when the mortgage deal has closed.

Club16—Fitness club revenues

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

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

Impact—Radio accessories

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

Astley Gilbert—Print and print services

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

p. Non-controlling interest—liability

a. Non-controlling interest—dividend liability

The Corporation accounts for provisions in shareholder agreements which set the minimum dividends to be declared and paid each quarter as a non-derivative financial liability. The liability is recorded at the amortized costs with changes in the amortized cost of the liability reflected in the value of the liability at each reporting date. Dividends paid to non-controlling interests' shareholders are recorded as an expense in the consolidated statements of loss and comprehensive.

b. Non-controlling interest—put liability

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

(in thousands of Canadian dollars)

q. **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 financial statements. Those which are relevant to the Corporation have been set out below.

IFRS 16—Leases

IFRS 16 introduces a single accounting model for leases; the standard eliminates lessee's classification of leases as either operating leases or finance leases. The standard requires a lessee to recognize assets and liabilities on its statements of financial position for all leases with a term of more than twelve 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 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Corporation will recognize right-of-use assets and lease liabilities for its operating leases of buildings, office space, and vehicle leases (see note 24). The nature of expenses related to those leases will change because the Corporation will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Corporation recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. IFRS 16 does not cause a difference in the actual cash flows but will change the presentation of cash flows relating to leases in the Corporation's consolidated statements of cash flows, as cash flows relating to leases will be presented as cash flows from financing activities. Based on the information currently available, the Corporation estimates that the additional lease liabilities and right-to-use asset recognized as of January 1, 2019 will be material.

4. ACQUISITIONS

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 $12,583. As part of this acquisition, FAC funded to the vendors $12,735 in cash and accepted a receivable back from the vendors of $152 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.

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, $22,200 of which was funded by the Corporation's existing credit facility, with the remainder being an amount due to the vendors of $2,500 (see note 13).

5. CASH AND CASH EQUIVALENTS

		December 31, 2018		December 31, 2017
Cash and cash equivalents	**$**	**5,492**	$	10,316
Bank indebtedness		**(397)**		(766)
Net cash and cash equivalents	**$**	**5,095**	$	9,550

(in thousands of Canadian dollars)

6. TRADE AND OTHER RECEIVABLES

		December 31, 2018		December 31, 2017
Trade accounts receivable				
DLC franchise fees and mortgage brokerage services	**$**	**9,695**	$	7,621
Radio and radio accessories		**2,486**		1,180
Print and print services		**10,093**		10,295
Other trade receivables		**1,591**		728
		23,865		19,824
Other receivables and assets		**4,361**		3,674
Total trade and other receivables		**28,226**		23,498
Less current portion		**(27,627)**		(22,442)
	$	**599**	$	1,056

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 and assets, as at December 31, 2018 include $418 (December 31, 2017—$1,055) 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 $2,192 (December 31, 2017—$1,800), and other non-trade receivables and assets of $1,751 (December 31, 2017—$891).

		December 31, 2018		December 31, 2017
Current	**$**	**15,053**	$	13,454
31-60 days		**4,185**		4,274
61-90 days		**2,546**		1,192
Past due > 90 days		**2,100**		960
Allowance for doubtful accounts		**(19)**		(56)
	$	**23,865**	$	19,824

The Corporation has an allowance for doubtful accounts as at December 31, 2018 of $19 (December 31, 2017—$56) for our outstanding trade receivables. 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, 2018. 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

		December 31, 2018		December 31, 2017
Radio and radio accessories	**$**	**3,948**	$	3,000
Print and print services raw materials		**1,868**		1,804
Other		**31**		30
	$	**5,847**	$	4,834

For the year ended December 31, 2018, included in direct costs are amounts related to inventories of $20,086 (December 31, 2017—$5,755). The total inventory obsolescence provision and non-cash write-downs recorded during the year ended December 31, 2018 was $61 and $nil (December 31, 2017—$nil and $79).

8. INVESTMENTS

		December 31, 2018		December 31, 2017
Vital Alert Communications Inc.	**$**	**557**	$	357

On December 23, 2015 the Corporation made an equity investment of $2,673 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 of Vital Alert (representing 18.6% of the voting shares).

(in thousands of Canadian dollars)

The Corporation's investment in Vital Alert is considered a Level 3 instrument. 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. Vital Alert consolidated the outstanding shares and completed an offering of convertible debenture units ("debenture offering"), with for each debenture unit to be converted into one common share of Vital Alert at a conversion price of $7.141 per common share. At the time of the debenture offering, Vital Alert was reorganized into two entities, Vital Alert and Waldo. Upon the reorganization, the Corporation holds an 18.6% interest in both entities. The Corporation participated in the debenture offering resulting in an additional investment for the year ended December 31, 2018 of $200 (December 31, 2017—$171).

Management has determined that there has been no change in the carrying value of the investment. The carrying value of the Corporations investment in Vital Alert and Waldo is $557 (December 31, 2017—$357), a non-cash write down equal to the change in fair value of the investment for the year ended December 31, 2018 of $nil (December 31, 2017—$2,487) was recorded in other (expense) income.

9. CAPITAL ASSETS

		Machinery and equipment		Leasehold improvements		Fitness equipment		Other		Total capital assets
Cost										
Balance at December 31, 2016	$	-	$	6,100	$	5,825	$	1,045	$	12,970
Acquisitions (1)		17,103		870		-		1,196		19,169
Additions		221		2,282		1,556		290		4,349
Disposals		-		-		(113)		(86)		(199)
Effect of movements in exchange rates		-		-				(8)		(8)
Balance at December 31, 2017		17,324		9,252		7,268		2,437		36,281
Additions		**3,252**		**2,463**		**1,229**		**530**		**7,474**
Disposals		**(82)**		**(60)**		**(53)**		**(242)**		**(437)**
Effect of movements in exchange rates		**-**		**-**		**-**		**8**		**8**
Balance at December 31, 2018	**$**	**20,494**	**$**	**11,655**	**$**	**8,444**	**$**	**2,733**	**$**	**43,326**
Accumulated amortization										
Balance at December 31, 2016	$	-	$	(47)	$	(33)	$	(74)	$	(154)
Disposals		-		-		7		41		48
Depreciation and amortization expense		(537)		(1,080)		(880)		(424)		(2,921)
Balance at December 31, 2017		(537)		(1,127)		(906)		(457)		(3,027)
Disposals		39		60		21		88		208
Depreciation and amortization expense		**(3,801)**		**(1,429)**		**(995)**		**(477)**		**(6,702)**
Balance at December 31, 2018	**$**	**(4,299)**	**$**	**(2,496)**	**$**	**(1,880)**	**$**	**(846)**	**$**	**(9,521)**
Carrying value										
December 31, 2017 (1)	$	16,787	$	8,125	$	6,362	$	1,980	$	33,254
December 31, 2018	**$**	**16,195**	**$**	**9,159**	**$**	**6,564**	**$**	**1,887**	**$**	**33,805**

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

(in thousands of Canadian dollars)

10. INTANGIBLE ASSETS AND GOODWILL

	Franchise rights, relationships and agreements	Brand names	Customer relationships	Other (1)	Total intangible assets
Cost					
Balance at December 31, 2016	$ 80,890	$ 47,400	$ 7,171	$ 4,495	$ 139,956
Acquisitions	-	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	(326)	-	-	-	(326)
Balance at December 31, 2017	83,980	50,466	33,499	5,946	173,891
Additions	**5,114**	**-**	**-**	**238**	**5,352**
Disposals	**(37)**	**-**	**-**	**-**	**(37)**
Purchase price allocation	**-**	**100**	**100**	**(10)**	**190**
Effect of movements in exchange rates	**-**	**19**	**914**	**67**	**1,000**
Balance at December 31, 2018	**$ 89,057**	**$ 50,585**	**$ 34,513**	**$ 6,241**	**$ 180,396**
Accumulated amortization					
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)
Disposals	**25**	**-**	**-**	**-**	**25**
Depreciation and amortization expense	**(4,798)**	**(813)**	**(3,416)**	**(1,538)**	**(10,565)**
Balance at December 31, 2018	**$ (11,212)**	**$ (1,125)**	**$ (5,552)**	**$ (3,127)**	**$ (21,016)**
Carrying value					
December 31, 2017	$ 77,541	$ 50,154	$ 31,363	$ 4,357	$ 163,415
December 31, 2018	**$ 77,845**	**$ 49,460**	**$ 28,961**	**$ 3,114**	**$ 159,380**

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

Intangible assets with indefinite lives:

	December 31, 2018	December 31, 2017
DLC Franchise brand name	**$ 45,700**	$ 45,700

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

Goodwill by CGU	**December 31, 2018**	December 31, 2017
DLC Franchise	**$ 57,097**	$ 57,097
NCS	**3,340**	3,340
Club16	**22,431**	22,431
Impact (1)	**6,359**	5,765
AG (2)	**21,030**	27,306
	$ 110,257	$ 115,939

(1) Upon finalization of Impact's purchase price allocation in 2018, an adjustment has been made between goodwill and the amount due from the vendors of the Impact transaction of $82 related to Impact's provision for U.S. state tax payable. Goodwill acquired upon acquisition of Impact is adjusted for foreign exchange translation differences at the end of each reporting period.

(2) Upon finalization of AG's purchase price allocation in 2018, an adjustment has been made between goodwill, intangible assets and deferred income tax liability of ($113), $190 and $77. For the year ended December 31, 2018, the Corporation recognized impairment of the AG CGU of $6,163.

(in thousands of Canadian dollars)

The Corporation completed its annual impairment test for goodwill and indefinite life intangible assets as at December 31, 2018. The recoverable amounts were based on the fair value less cost of disposal 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, discount rates and tax rates (level 3 within the fair value hierarchy). 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 Corporation's assumptions regarding revenue, gross margin, cash flows and earnings before interest, tax, depreciation and amortization ("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:

	DLC Franchise	NCS	Club16	Impact	AG
Perpetual growth rate	2%	2%	2%	2%	2%
Tax rate	26.8%	26.4%	27%	25%	25%
Discount rate	9.8%	24.2%	17.6%	19.6%	12.3%

Based on management's assessment, non-cash impairment of $6,163 was recognized against the AG CGU for the year ended December 31, 2018 (2017—$nil). The non-cash impairment is the difference between the carrying amount of the AG CGU and the recoverable amount of the AG CGU; the difference is due to the decrease in budgeted revenue growth at the date of acquisition of AG and as of December 31, 2018 which is primarily due to a decrease in print and print services related to construction activity.

Sensitivity analysis

The estimated recoverable amounts for each CGU or group of CGUs is sensitive to certain inputs. The recoverable amount of each CGU or group of CGUs is sensitive to changes in market conditions and could result in material changes in its carrying value in the future. Based on our sensitivity analysis, no reasonable change in key assumptions would cause the recoverable amount of any CGU of group or CGUs to have a significant change from its current valuation except for the Club16 group of CGUs where a 1% increase in the discount rate and a 1% reduction in growth rate would result in impairment of $936 and $75 respectively.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2018		December 31, 2017
Trade payables	**$**	**6,318**	$	7,168
Accrued liabilities		**13,712**		11,078
Income tax payable		**937**		247
Government agencies payable		**1,241**		1,673
Other		**762**		866
	$	**22,970**	$	21,032

12. NON-CONTROLLING INTEREST

Non-controlling interest liability

The following table summarizes the Corporations allocation of non-controlling interest liability:

		December 31, 2018		December 31, 2017
Non-controlling interest—dividend liability	**$**	**12,500**	$	12,500
Non-controlling interest—put liability		**1,121**		-
Total		**13,621**		12,500
Less: Current portion		**(2,000)**		(2,000)
	$	**11,621**	$	10,500

(in thousands of Canadian dollars)

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 upon acquisition of AG and is carried at its amortized costs of $12,500 as at December 31, 2018.

Non-controlling interest put liability

AG has entered into an agreement with certain of its non-controlling shareholders of its subsidiary whereby the agreement contains an option which provides the non-controlling interest shareholders with the right to require AG to purchase their retained interest in the AG subsidiary for consideration of $1,470 at any time after October 27, 2020. AG also negotiated a reciprocal call option, which would require the same non-controlling interest shareholders to sell their retained interest to AG for consideration of $1,470. The put option resulted in recording a $941 increase in non-controlling interest liability, and a $180 increase to change in fair value of non-controlling interest liability. The liability recognized in connection with the put option has been recognized at the exercise price discounted to its present value. The present value has been estimated using a discount rate of 16%, a reduction in the discount rate would increase the put liability.

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 our subsidiaries. The amounts disclosed are based on the total balances included in these financial statements.

		December 31, 2018		December 31, 2017
DLC	**$**	**60,506**	$	62,226
Club16		**15,278**		15,648
Impact		**10,937**		10,305
AG		**8,145**		13,683
	$	**94,866**	$	101,862

As at and for the year ended December 31, 2018		DLC		Club16		Impact		AG
Non-controlling interest ownership percentage		40%		40%		52%		50%
Current assets	**$**	**16,402**	**$**	**3,427**	**$**	**6,819**	**$**	**12,736**
Non-current assets		**186,741**		**43,961**		**18,041**		**54,895**
Current liabilities		**(21,566)**		**(9,457)**		**(1,703)**		**(16,371)**
Non-current liabilities		**(33,842)**		**(3,288)**		**(3,119)**		**(23,491)**
Revenues		**40,123**		**26,543**		**13,150**		**53,725**
Net income (loss)		**8,066**		**2,009**		**1,967**		**(7,257)**
Net income (loss) attributable to non-controlling interest		**3,248**		**911**		**944**		**(4,418)**
Cash flow provided by operating activities		**12,288**		**4,499**		**1,745**		**5,886**
Cash flow used by investing activities		**(16,751)**		**(6,953)**		**(2,618)**		**(7,214)**
Cash flow provided by financing activities		**365**		**2,568**		**-**		**1,359**
(Decrease) increase in net cash and cash equivalents	**$**	**(4,098)**	**$**	**114**	**$**	**(873)**	**$**	**31**

(in thousands of Canadian dollars)

As at and for the year ended December 31, 2017	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 by investing activities	(11,088)	(3,965)	(941)	(268)
Cash flow (used by) provided by financing activities	(3,164)	351	-	2,442
(Decrease) increase in net cash and cash equivalents	$ (91)	$ 312	$ 1,102	$ (315)

13. LOANS AND BORROWINGS

	December 31, 2018	December 31, 2017
Corporate		
Term credit facility (1)	**$ 54,927**	$ 49,433
Promissory note	**2,500**	2,500
Subsidiaries		
DLC term loan facility	**5,095**	6,980
DLC operating facility	**7,340**	5,090
Club16 demand credit facility	**6,108**	4,240
Club16 operating facility	**989**	282
AG term loan facilities	**3,677**	5,036
AG operating facility	**5,500**	3,470
AG vehicle and equipment loans	**569**	669
Total loans and borrowings	**86,705**	77,700
Less current portion	**(25,698)**	(16,370)
	$ 61,007	$ 61,330

(1) Net of debt issuance costs.

Corporate credit facilities

Corporate term credit facility

On May 31, 2017, the Corporation entered into a $42,000 USD term credit facility ("Corporate Credit Facility") to refinance our prior credit agreement, finance future acquisitions and fund general corporate purposes. The Corporate Credit Facility has a five-year term and bears interest at the three-month LIBOR rate plus 7% per annum with interest payable quarterly. The Corporate Credit Facility is secured by a general security agreement with first charge over the assets of the Corporation, subject to customary terms, conditions, covenants and other provisions. As at December 31, 2018, financial covenants included the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of not less than or equal to:

- 4.00:1.00 for the fiscal quarter ending December 31, 2018; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

As at December 31, 2018, the Corporation was in compliance with all such covenants.

Corporate promissory note

On October 31, 2017, the Corporation issued a promissory note payable totalling $2,500 to a non-controlling interest shareholder of AG, which bears interest at a rate of 6% per annum. Interest and principal are payable at the later of maturity on October 31, 2019 and approval of the Corporation's lender. The promissory note was issued by the Corporation as partial consideration for the AG acquisition (see note 4).

Subsidiaries credit facilities

DLC

On November 20, 2015, DLC established a $10,300 term loan facility that matures on December 30, 2021. This facility is held at the DLC subsidiary level and has $5,095 drawn as of December 31, 2018 (December 31, 2017—$6,980).

On June 12, 2013, DLC established a revolving operating facility as an operating demand loan to finance working capital requirements and fund acquisitions. On September 28, 2018, the DLC Operating Facility was increased to $9,500 from $6,500. This facility is held at the DLC subsidiary level and has $7,340 drawn as of December 31, 2018 (December 31, 2017—$5,090).

Borrowings under the term loan and operating facility bear interest at a rate equal to prime rate plus 1.0% per annum. The loan facility is secured by a general security agreement with first charge over the assets of DLC. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00 and a debt-to-EBITDA ratio of less than 2.5:1.00. As at December 31, 2018, DLC was in compliance with all such covenants.

Club16

On March 16, 2018, Club16 amended its existing credit facilities. The amendment increased the credit available on term loans from $7,000 to $9,000, of which $6,108 was drawn at December 31, 2018 (December 31, 2017—$4,240). The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown; and is secured by a general security agreement with first charge over the assets of Club16.

On March 21, 2017, Club16 entered a $1,500 revolving operating facility to finance its working capital requirements. The facility is held at the Club16 level and has $989 drawn as at December 31, 2018 (December 31, 2017—$282).

Borrowings under the term loans and operating facility bear interest at prime rate plus 1.25% per annum and are secured by a general security agreement with first charge over the assets of Club16. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00, a debt service charge ratio greater than or equal to 1.50:1:00 excluding distributions, and a maximum debt-to-EBITDA ratio of less than or equal to 2.25:1.00. As at March 31, 2018, Club16 was notified by its lender that the lender believed it had breached the debt service coverage ratio. A 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. As at December 31, 2018, Club16 was in compliance with all such covenants.

AG

AG has two term loan facilities ("AG Term Loan 1" and "AG Term Loan 2"). AG Term Loan 1 matures in July 2020, and bear interest at a fixed rate of 3.48% per annum. AG Term Loan 2 matures in October 2022 and bear interest based on prime plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The facilities are held at the AG level and have $3,677 drawn as at December 31, 2018 (December 31, 2017—$5,036).

AG has an operating facility available for the lesser of $6,000 or 75% of accounts receivable, net of over 90 days and related company accounts. The loan bears interest at prime rate plus varying rates from 0.45% to 1.25% calculated quarterly based on the total debt-to-adjusted-EBITDA ratio. The facility is held at the AG level and has $5,500 drawn as at December 31, 2018 (December 31, 2017—$3,470).

The committed term debts and operating facility are secured by a general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a maximum-debt-to-adjusted-EBITDA ratio of less than or equal to 2.25:1:00 and maintain a fixed charge coverage ratio of not less than 1.20:1.00. As at December 31, 2018, AG was in compliance with all such covenants.

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

(in thousands of Canadian dollars)

14. SHARE CAPITAL

Authorized share capital

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

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

	Number of Class A common shares		Amount
Balance at December 31, 2016	37,714,342	$	111,429
DSUs exercised	388,589		1,037
Broker warrants exercised	25,675		160
Shares released from escrow	-		2,429
Balance at December 31, 2017	38,128,606		115,055
Broker warrants exercised (note 15)	**53,936**		**335**
Balance at December 31, 2018	**38,182,542**	**$**	**115,390**

On June 12, 2018 the Corporation announced a normal course issuer bid ("NCIB"), which commenced on June 27, 2018. The NCIB will terminate on the earlier of: (i) June 26, 2019; and (ii) the date on which the maximum number of common shares that can be acquired pursuant to the NCIB are purchased. Purchases of common shares under the NCIB will be affected through the facilities of the Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Corporation may purchase up to 2,250,000 common shares under the NCIB. Any common shares purchased pursuant to the NCIB will be cancelled by the Corporation. There were no common shares repurchased during the year ended December 31, 2018.

Dividends

During the year ended December 31, 2018 the Corporation declared quarterly dividends of $0.0125 per share, with total dividends paid during the year ended December 31, 2018 of $1,908 (December 31, 2017—$1,427). Dividends declared during the year ending December 31, 2018 and December 31, 2017 are as follows:

		December 31, 2018		December 31, 2017
Dividend declared	**$**	**1,908**	$	1,904

15. SHARE-BASED PAYMENTS

Share options

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

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

	Number of share options		Weighted average exercise price
Outstanding share options, December 31, 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
Forfeited	**(16,667)**		**4.40**
Expired	**(674,167)**		**3.75**
Outstanding share options, December 31, 2018	**2,418,911**	**$**	**3.81**

(in thousands of Canadian dollars)

The following table summarizes the share options outstanding and exercisable under the Plan as at December 31, 2018:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable	Weighted average exercise price
July 15, 2015	96,666	6.5	96,666	$ 2.40
February 23, 2016	743,912	2.2	495,941	3.00
July 7, 2016	1,303,333	2.5	1,303,333	4.40
July 3, 2017	75,000	3.5	75,000	3.00
September 15, 2017	200,000	3.7	200,000	4.00
	2,418,911		2,170,940	$ 3.91

The Corporation recorded total share-based payment expense of $408 for the year ended December 31, 2018 (December 31, 2017—$3,066). These amounts include share-based payment expense related to the Corporation's share options for the year ended December 31, 2018 of $412 (December 31, 2017—$2,161), share-based payments related to Impact's share appreciation rights ("SARs") of $55 (December 31, 2017—$60), and recovery of the Corporation's phantom share options of ($59) (December 31, 2017—$59). Share-based payments for the year ended December 31, 2017 included $786 related to the shares held in escrow.

Warrants

The following table summarizes the warrants outstanding:

	Warrants Outstanding		Exercise price
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, 2018	2,566,557		3.43
Broker warrants exercised	**(53,936)**		**2.10**
Broker warrants expired	**(434,053)**		**2.10**
Outstanding warrants, December 31, 2018	**2,078,568**	**$**	**3.74**

During the year ended December 31, 2018, 53,936 broker warrants (December 31, 2017—25,675) were exercised for total proceeds of $113 (2017—$54).

16. SEGMENTED INFORMATION

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

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

(in thousands of Canadian dollars)

As at December 31, 2018	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
Cash and cash equivalents	**$ 2,452**	**$ 613**	**$ 356**	**$ 2,071**	**$ 5,492**
Trade, other receivables and other assets	**12,636**	**2,217**	**12,670**	**703**	**28,226**
Intangible assets	**125,929**	**5,969**	**27,482**	**-**	**159,380**
Goodwill	**60,437**	**22,431**	**27,389**	**-**	**110,257**
Capital and other assets	**1,689**	**16,158**	**24,594**	**825**	**43,266**
Total assets	**$ 203,143**	**$ 47,388**	**$ 92,491**	**$ 3,599**	**$ 346,621**
Accounts payable and accrued liabilities	**$ 11,887**	**$ 2,012**	**$ 7,592**	**$ 1,479**	**$ 22,970**
Loans and borrowings	**12,435**	**7,097**	**9,746**	**57,427**	**86,705**
Capital lease obligation	**-**	**-**	**1,746**	**-**	**1,746**
Deferred tax	**28,338**	**2,102**	**10,279**	**(1,166)**	**39,553**
Other liabilities	**2,748**	**1,534**	**15,321**	**1,222**	**20,825**
Total liabilities	**$ 55,408**	**$ 12,745**	**$ 44,684**	**$ 58,962**	**$ 171,799**

For the year ended December 31, 2018	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
Revenue	**$ 40,123**	**$ 26,543**	**$ 66,875**	**$ -**	**$ 133,541**
Direct costs	**5,381**	**2,446**	**33,992**	**-**	**41,819**
General and administrative	**15,745**	**18,008**	**21,098**	**5,422**	**60,273**
Share-based payments	**-**	**-**	**55**	**353**	**408**
Depreciation and amortization	**6,110**	**3,474**	**7,651**	**32**	**17,267**
Finance expense	**714**	**306**	**447**	**7,104**	**8,571**
Non-cash write down/impairment	**-**	**-**	**6,163**	**-**	**6,163**
Other expenses	**1,124**	**30**	**1,767**	**4,465**	**7,386**
Income (loss) before tax	**$ 11,049**	**$ 2,279**	**$ (4,298)**	**$ (17,376)**	**$ (8,346)**

As at December 31, 2017	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, other receivables and other assets	8,997	1,877	11,306	1,318	23,498
Intangible assets	126,587	7,203	29,625	-	163,415
Goodwill	60,437	22,431	33,071	-	115,939
Capital and other assets	1,113	14,438	25,037	609	41,197
Total assets	$ 203,684	$ 46,448	$ 100,592	$ 3,641	$ 354,365
Accounts payable and accrued liabilities	$ 9,959	$ 2,854	$ 7,279	$ 940	$ 21,032
Loans and borrowings	12,070	4,522	9,175	51,933	77,700
Capital lease obligation	-	-	958	-	958
Deferred tax	29,413	1,831	11,226	(8,951)	33,519
Other liabilities	1,213	817	15,174	704	17,908
Total liabilities	$ 52,655	$ 10,024	$ 43,812	$ 44,626	$ 151,117

(in thousands of Canadian dollars)

For the year ended December 31, 2017	Franchise	Consumer Products and Services	Business Products and Services	Corporate and Consolidated	Consolidated
Revenue	$ 38,772	$ 24,468	$ 19,665	$ -	$ 82,905
Direct costs	5,841	2,012	9,442	-	17,295
General and administrative	16,920	16,204	6,829	6,271	46,224
Share-based payments	-	-	60	3,006	3,066
Depreciation and amortization	5,501	3,405	1,942	34	10,882
Finance expense	627	182	52	4,056	4,917
Non-cash write down/impairment	326	-	79	2,487	2,892
Other expenses	(3,728)	109	(30)	2,691	(958)
Income (loss) before tax	$ 13,285	$ 2,556	$ 1,291	$ (18,545)	$ (1,413)

17. REVENUE

For the years ended December 31,	**2018**	2017
Franchising revenue, mortgage brokerage services	**$ 39,158**	$ 37,613
Brokering of mortgages	**436**	468
Memberships and dues revenue	**20,556**	18,455
Radio and radio accessories	**12,451**	9,395
Print and print services	**53,725**	10,143
Supplementary services revenue and other revenue	**7,215**	6,831
	$ 133,541	$ 82,905

Prior year revenue reflects amounts earned from the closing date of the Impact and AG acquisition (March 1, 2017 and October 31, 2017 respectively) to December 31, 2017.

Revenue earned from contract with customers included in the above for the Franchise and Customer Products and Service segment is $39,534 and $25,472 (December 31, 2017—$38,073 and $22,903).

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	**2018**	2017
Salary and salary-related	**$ 27,975**	$ 21,327
Office, administration and rent	**18,132**	12,700
Advertising, promotion and travel	**3,088**	3,800
Professional fees	**2,465**	2,872
Management and consulting fees	**2,216**	1,835
Other expenses	**6,397**	3,690
	$ 60,273	$ 46,224

Prior year general and administration expense reflect expenses incurred from the closing date of the Impact and AG acquisition (March 1, 2017 and October 31, 2017 respectively) to December 31, 2017.

19. FINANCE EXPENSE

For the years ended December 31,	**2018**	2017
Interest expense	**$ 7,367**	$ 4,165
Amortization of debt issuance costs	**1,036**	752
Accretion expense	**168**	-
	$ 8,571	$ 4,917

Prior year finance expense reflects expenses incurred from the closing date of the AG acquisition (October 31, 2017 respectively) to December 31, 2017.

(in thousands of Canadian dollars)

20. INCOME TAXES

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.7% (2017—26.1%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2018 and 2017:

For the years ended December 31,		2018		2017
Loss before income tax	$	(8,346)	$	1,413
Loss before income tax multiplied by the statutory rate of 26.7% (2017—26.1%)		2,228		369
Effect of:				
Permanent differences		(2,478)		78
Change in tax rates and rate differences		47		(987)
Change in unrecognized temporary differences		49		-
Reserve for non-capital loss carry forward		(10,439)		-
Other		(1,438)		1,296
Total tax (expense) recovery	$	(12,031)	$	756

Deferred tax assets and liabilities for the year ended December 31, 2018, and the year ended December 31, 2017, consist of the following:

		December 31, 2018		December 31, 2017
Deferred tax liabilities				
Intangible assets	$	(38,286)	$	(40,247)
Capital assets		(3,830)		(3,752)
Goodwill		(388)		(251)
Inventory provision		(17)		-
		(42,521)		(44,250)
Deferred tax assets				
Non-capital loss carry-forwards		23		8,063
Capital assets		1,536		1,628
Warranty provisions		82		104
Share issuance costs		428		460
Debt issuance costs		138		136
Investments		336		336
Other		425		4
		2,968		10,731
Net deferred tax liability	$	(39,553)	$	(33,519)

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.

The Corporation recognized a reserve against previous recognized non-capital loss carry forwards given the uncertainty on the timing and ability to recognize the deferred tax asset in the future. During the year ended December 31, 2018, the Corporation recognized deferred tax expense of $10,439 (December 31, 2017—$nil) related to the non-capital loss carry forward reserve.

As at December 31, 2018, the Corporation has unrecognized non-capital loss carry-forwards of $41,990 (December 31, 2017—$29,873). These Canadian tax losses expire between 2024 and 2038.

Deferred tax liability is as comprised of:

		December 31, 2018		December 31, 2017
Balance, beginning of year	$	(33,519)	$	(26,480)
Deferred tax on acquisition of subsidiaries (1)		(77)		(11,824)
Deferred tax recognized in equity		-		(421)
Deferred tax expense (recovery) recognized in net loss		(5,957)		4,917
Other		-		289
Net deferred tax liability	$	(39,553)	$	(33,519)

(1) Upon finalization of AG's purchase price allocation, an adjustment has been made between goodwill and deferred income tax liability of $77.

(in thousands of Canadian dollars)

21. LOSS PER SHARE

For the years ended December 31,		2018		2017
Net loss attributable to shareholders	**$**	**(21,062)**	$	(6,212)
Basic weighted average number of shares		**38,161,143**		37,523,300
Effect of dilutive securities		**-**		-
Diluted weighted average number of shares		**38,161,143**		37,523,300
Basic loss per share	**$**	**(0.55)**	$	(0.17)
Diluted loss per share	**$**	**(0.55)**	$	(0.17)

As at December 31, 2018, there were 2,418,911 share options and 2,078,568 lender warrants outstanding that were considered anti-dilutive (see note 15).

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,		2018		2017
Trade and other receivables	**$**	**(5,267)**	$	836
Prepaid expenses and deposits		**(348)**		(446)
Notes receivable		**43**		(32)
Inventories		**(1,013)**		1,198
Accounts payable and accrued liabilities		**1,938**		(3,543)
Deferred contract liability		**(732)**		166
Other current liabilities		**(81)**		(250)
	$	**(5,460)**	$	(2,071)
Changes in non-cash operating working capital		**(5,535)**		(1,505)
Changes in non-cash investing capital		**75**		(566)
	$	**(5,460)**	$	(2,071)

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

The Corporation's exposure to foreign exchange fluctuations is limited to our balances in USD bank accounts; USD loans and borrowings; USD interest expense; and Impact operations, as a significant portion of its business is conducted in USD. At December 31, 2018, the cash balance is USD $242 (CAD $330), compared to USD $1,614 (CAD $2,024) at December 31, 2017. Our USD loans and borrowing balance is USD $42,000 (CAD $57,296); at December 31, 2017, it was USD $42,000 (CAD $52,689). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $5,928 increase of net loss before tax for the year ended December 31, 2018 (December 31, 2017—$5,297 increase).

(in thousands of Canadian dollars)

Interest rate risk

The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% change in interest rates on loans and borrowings would have an $817 increase of net loss for the year ended December 31, 2018 (December 31, 2017—$578).

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 (see note 6). As at December 31, 2018, $2,100 (December 31, 2017—$960) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at December 31, 2018 is $19 (December 31, 2017—$56). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

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

		December 31, 2018		December 31, 2017
Cash and cash equivalents	**$**	**5,492**	$	10,316
Trade, other receivables and other assets		**28,226**		23,498
Notes receivable		**299**		342
	$	**34,017**	$	34,156

Liquidity risk

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

As at December 31, 2018, contractual cash flow obligations and their maturities were as follows:

		Contractual cash flow		Within 1 year		Within 5 years		Thereafter
Bank indebtedness	$	397	$	397	$	-	$	-
Accounts payable and accrued liabilities		22,970		22,970		-		-
Capital lease obligation		1,746		573		1,173		-
Loans and borrowings		89,075		25,698		63,066		311
Long-term liabilities		886		-		886		-
Non-controlling interest liability		13,621		2,000		11,621		-
	$	128,695	$	51,638	$	76,746	$	311

(in thousands of Canadian dollars)

Capital management

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

		December 31, 2018		December 31, 2017
Loans and borrowings	**$**	**86,705**	$	77,700
Less: net cash and cash equivalents		**(5,095)**		(9,550)
Net loans and borrowings	**$**	**81,610**	$	68,150
Shareholders' equity	**$**	**79,956**	$	101,386

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

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at December 31, 2018 (see note 13).

Determination of fair value

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

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

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

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

(in thousands of Canadian dollars)

		Carrying value as at December 31, 2017		Fair 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, other receivables and other assets		22,498		-		-		-
Notes receivable		342		342		-		-
Investments		357		-		-		357
Financial liabilities								
Bank indebtedness		766		766		-		-
Accounts payable and accrued liabilities		21,032		-		-		-
Loans and borrowings		77,700		-		77,700		-
Other current liabilities		413		-		413		-
Other long-term liabilities		2,391		-		2,391		-
Capital lease obligation		958		-		958		-
Non-controlling interest liability		12,500		-		-		12,500

The fair value of trade, other receivables and other assets, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these financial instruments. As at December 31, 2018, management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of loans and borrowings are subject to floating interest rates, and the Corporation and its subsidiaries' credit risk profiles have not significantly changed since obtaining each of the facilities.

24. COMMITMENTS AND CONTINGENCIES

Service agreement

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

In March 2018, DLC entered into an agreement with a software development company to develop and support a customized mortgage application ("app") for an annual amount of $660. The agreement is a related party transaction due to common management between DLC and the service provider (see note 25). The service agreement expires in March 2023.

DLC has contracts with external dealers to recruit franchises. DLC has a commitment to pay these dealers a commission for the franchise royalties earned by such franchises. Commissions are earned based on a percentage of franchise revenue earned and are accrued at the date it is earned. During 2018, a contract with a dealer was terminated, resulting in a loss on contract settlement of $1,463 for the year ended December 31, 2018 (December 31, 2017—$nil). A gross amount of $3,067 will be paid to the dealer over two years related to this contract termination, as of December 31, 2018, $2,300 is outstanding (December 31, 2017—$nil).

Leases

The Corporation and its subsidiaries have commitments under operating leases for buildings, office space and vehicles with varying terms that expire between 2020 and 2029 and include renewal options not capture in the below value. The approximate lease payments remaining are as follows:

(in thousands of Canadian dollars)

Year		Lease payments
2019	$	**6,408**
2020		**6,888**
2021		**6,079**
2022		**4,700**
2023		**3,913**
Thereafter		**12,848**
	$	**40,836**

Contingencies

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

25. RELATED PARTY TRANSACTIONS

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, 2018, the total costs incurred under these leases was $1,164 (December 31, 2017—$571). 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, 2018, was $385 (December 31, 2017—$400). 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 financial statements.

Sales tax receivable

On acquisition of DLC, the Corporation was indemnified against any sales tax amounts assessed prior to our acquisition of DLC. As at December 31, 2018, the Corporation has recorded a receivable due from the DLC founders in the amount of $341 for the sales tax amounts payable recorded by DLC (December 31, 2017—$821). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statements 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, 2018, the Corporation has recorded a receivable due from the Impact founders in the amount of $77 (December 31, 2017—$234) 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 financial statements.

Loans and advances

Club16 has loans and advances due from companies that are controlled by key management personnel of Club16 in the amount of $2,192 as at December 31, 2018 (December 31, 2017—$1,800). The balance is included in accounts receivable in the Corporation's financial statements. The advancement is unsecured and non-interest bearing.

Service agreements

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, 2018, was $98 (December 31, 2017—$98). The agreement can be terminated by either party with six months' prior written notice.

DLC has entered into an agreement with a software development company to develop and support a customized mortgage app controlled by key management. Total fees charged for services under this agreement for the year ended December 31, 2018 was $275 (December 31, 2017—$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 to these shareholders. As at December 31, 2018, a liability has been recognized for the current fair value of the liability of $800 (December 31, 2017—$632).

(in thousands of Canadian dollars)

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:

For the years ended December 31,		2018		2017
Directors fees	**$**	**352**	$	213
Salaries and benefits		**1,621**		2,933
Share-based payments		**407**		2,873
	$	**2,380**	$	6,019

26. SUBSEQUENT EVENTS

DLC lawsuit

On February 20, 2019 DLC received a statement of claim filed in the Ontario Superior Court of Justice by two individual plaintiffs. The plaintiffs are seeking certification of the Claim under the Class Proceedings Act (Ontario) and are seeking an order for damages of $800,000. Management's assessment, based on its interpretation of the underlying contracts, is that the basis for the claim has no merit and it is not probable that an outflow will be required to settle the claim; no provision has been recognized.

Corporate Credit Facility amendment and dividend update

On March 12, 2019 the Corporation amended its Corporate Credit Facility and suspended its quarterly dividend of $0.0125 per share. The Amending Agreement provides the Corporation with the ability to repay debt at par with excess free cashflow and provides more flexibility under the total leverage ratio. The total leverage ratio was amended as follows:

- 4.25:1.00 for all fiscal quarters in 2019;
- 4.00:1.00 for the first two fiscal quarters in 2020; and
- 3.75:1.00 for the fiscal quarters ending thereafter.

In consideration for the amendments, the Corporation has agreed to pay a cash fee of 1.5% of the principal loan balance and reprice its existing 2,078,568 lender warrants to $1.4375 per share (half of which were previously exercisable at $3.508 per share and half were exercisable at $3.965 per share).

AG Debt amendment

On March 22, 2019 AG entered a $1,400 term loan facility to finance equipment purchases. The term loan matures in April 2024 and bears interest at a fixed rate of 4.61% per annum. The committed term debt is secured by the specific financed equipment assets.