Founders Advantage Capital Corp.

Audited Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audits 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, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$ 5,458**	$ 5,492
Trade and other receivables (note 6)	**16,270**	27,627
Prepaid expenses and deposits	**2,087**	2,758
Notes receivable	**410**	299
Inventories (note 7)	**3,563**	5,847
Total current assets	**27,788**	42,023
Non-current assets		
Trade, other receivables and other assets (note 6)	**556**	599
Investments (note 8)	**557**	557
Equity accounted investment (note 9)	**1,229**	-
Capital assets (note 10)	**18,994**	33,805
Right-of-use assets (note 11)	**45,379**	-
Intangible assets (note 12)	**138,395**	159,380
Goodwill (note 12)	**88,922**	110,257
TOTAL ASSETS	**$ 321,820**	$ 346,621
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness (note 5)	**$ -**	$ 397
Accounts payable and accrued liabilities (note 13)	**16,775**	22,970
Loans and borrowings (note 16)	**22,201**	25,698
Deferred contract liability (note 14)	**674**	650
Other current liabilities	**326**	788
Lease obligations (note 17)	**2,449**	573
Non-controlling interest liability (note 15)	**-**	2,000
Total current liabilities	**42,425**	53,076
Non-current liabilities		
Loans and borrowings (note 16)	**38,972**	61,007
Deferred contract liability (note 14)	**2,053**	2,076
Foreign exchange forward contract liability (note 27)	**365**	-
Other long-term liabilities	**1,775**	3,293
Lease obligation (note 17)	**47,410**	1,173
Deferred tax liabilities (note 24)	**30,978**	39,553
Non-controlling interest liabilities (note 15)	**-**	11,621
TOTAL LIABILITIES	**163,978**	171,799
Equity		
Share capital (note 18)	**115,390**	115,390
Contributed surplus	**15,296**	14,759
Accumulated other comprehensive (loss) income	**(223)**	332
Deficit	**(56,752)**	(50,525)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	**73,711**	79,956
NON-CONTROLLING INTEREST (note 15)	**84,131**	94,866
TOTAL LIABILITIES AND EQUITY	**$ 321,820**	$ 346,621

Discontinued operations (note 4)
Commitments and contingencies (note 28).
Subsequent events (note 30).
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,		2019		2018
CONTINUING OPERATIONS				
Revenue (note 21)	**$**	**90,322**	$	79,816
Direct costs		**16,376**		14,056
GROSS PROFIT		**73,946**		65,760
General and administrative (note 22)		**40,457**		42,039
Share-based payments (note 19)		**375**		408
Depreciation and amortization (notes 10, 11 and 12)		**13,933**		10,762
		54,765		53,209
INCOME FROM CONTINUING OPERATIONS		**19,181**		12,551
OTHER (EXPENSES) INCOME				
Finance expense (note 23)		**(13,690)**		(8,124)
Foreign exchange gain (loss)		**2,449**		(4,647)
Change in fair value of foreign exchange forward contract (note 27)		**(365)**		-
Income from equity accounted investment (note 9)		**104**		-
Net loss on sale of capital and intangible assets		**(301)**		(51)
Loss on contract settlement (note 28)		**(404)**		(1,463)
Other income		**18**		414
		(12,189)		(13,871)
INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**6,992**		(1,320)
INCOME TAX (EXPENSE) RECOVERY (note 24)				
Current tax expense		**(5,827)**		(5,017)
Deferred tax recovery (expense)		**1,303**		(6,783)
		(4,524)		(11,800)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**2,468**		(13,120)
DISCONTINUED OPERATIONS				
Net loss after tax from discontinued operations (note 4)		**(6,879)**		(7,257)
NET LOSS	**$**	**(4,411)**	$	(20,377)
ATTRIBUTABLE TO (note 4, note 25)**:**				
Shareholders of Founders Advantage Capital Corp.	**$**	**(6,747)**	$	(21,062)
Non-controlling interest	**$**	**2,336**	$	685
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS (note 4, note 25)				
Basic	**$**	**(0.18)**	$	(0.55)
Diluted	**$**	**(0.18)**	$	(0.55)
NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS (note 25)				
Basic	**$**	**(0.09)**	$	(0.48)
Diluted	**$**	**(0.09)**	$	(0.48)

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

Prior year information in the consolidated statements of loss has been restated to conform to current year presentation, see notes 3 and 4.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

For the years ended December 31,		**2019**		2018
NET LOSS	**$**	**(4,411)**	$	(20,377)
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will be subsequently reclassified to comprehensive income:				
Foreign exchange translation (loss) gain (net of tax)		**(1,067)**		1,951
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(1,067)**		1,951
COMPREHENSIVE LOSS	**$**	**(5,478)**	$	(18,426)
ATTRIBUTABLE TO:				
Shareholders of Founders Advantage Capital Corp.	**$**	**(7,302)**	$	(20,047)
Non-controlling interest	**$**	**1,824**	$	1,621

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, 2017	$ 115,055	$ 14,569	$ (683)	$ (27,555)	$ 101,386	$ 101,862	$ 203,248
Share-based payments (note 19)	-	412	-	-	412	-	412
Exercise of broker warrants (note 19)	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 15)	-	-	-	-	-	(941)	(941)
Distributions to non-controlling interest	-	-	-	-	-	(7,676)	(7,676)
Dividends declared (note 18)	-	-	-	(1,908)	(1,908)	-	(1,908)
Balance at December 31, 2018	$ 115,390	$ 14,759	$ 332	$ (50,525)	$ 79,956	$ 94,866	$ 174,822
Share-based payments (note 19)	**-**	**87**	**-**	**-**	**87**	**-**	**87**
Lender warrants (note 19)	**-**	**450**	**-**	**-**	**450**	**-**	**450**
Net (loss) income and comprehensive loss	**-**	**-**	**(555)**	**(6,747)**	**(7,302)**	**1,824**	**(5,478)**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(8,073)**	**(8,073)**
Disposal of non-controlling interest (note 4)	**-**	**-**	**-**	**520**	**520**	**(4,486)**	**(3,966)**
Balance at December 31, 2019	**$ 115,390**	**$ 15,296**	**$ (223)**	**$ (56,752)**	**$ 73,711**	**$ 84,131**	**$ 157,842**

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,		2019		2018
OPERATING ACTIVITIES				
Net loss	**$**	**(4,411)**	$	(20,377)
Items not affecting cash:				
Share-based payments (note 19)		**375**		408
Depreciation and amortization (notes 10, 11 and 12)		**19,637**		17,267
Net loss on disposal of capital and intangible assets		**220**		12
Change in fair value of non-controlling interest liability (note 15)		**132**		180
Amortization of debt issuance costs		**1,448**		1,028
Dividends paid to non-controlling interest shareholders		**-**		1,500
Non-cash write down/impairment (note 4)		**6,832**		6,163
Gain on disposal of discontinued operations (note 4)		**(440)**		-
Unrealized foreign exchange (gain) loss		**(2,389)**		4,554
Change in fair value of foreign exchange forward contract		**365**		-
Deferred tax (recovery) expense (note 24)		**(2,026)**		5,957
Income from equity accounted investment (note 9)		**(104)**		-
Other non-cash items		**4,849**		3,491
Changes in non-cash working capital (note 26)		**2,987**		(5,535)
CASH PROVIDED BY OPERATING ACTIVITIES		**27,475**		14,648
INVESTING ACTIVITIES				
Expenditures on capital assets (note 10)		**(7,266)**		(7,474)
Investment in intangible assets (note 12)		**(4,043)**		(5,352)
Proceeds on disposal of capital and intangible assets		**297**		229
Purchase of investments (note 8)		**-**		(200)
Investment in equity accounted investee (note 9)		**(1,125)**		-
Proceeds on disposal of investments, net of cash disposed (note 4)		**13,468**		-
Dividends paid to non-controlling interest shareholders		**-**		(1,500)
Distributions to non-controlling interests		**(8,073)**		(7,676)
Changes in other non-cash items		**-**		386
Changes in non-cash investing capital (note 26)		**-**		75
CASH USED IN INVESTING ACTIVITIES		**(6,742)**		(21,512)
FINANCING ACTIVITIES				
Proceeds from debt financing, net of transaction costs (note 16)		**5,750**		8,402
Proceeds from capital lease financing		**-**		1,253
Repayment of debt (note 16)		**(20,120)**		(5,040)
Net lease payments (note 17)		**(5,519)**		(465)
Dividends paid to common shareholders (note 18)		**(477)**		(1,908)
Exercise of warrants (note 19)		**-**		113
CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES		**(20,366)**		2,355
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS		**367**		(4,509)
Impact of foreign exchange on cash and cash equivalents		**(4)**		54
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (note 5)		**5,095**		9,550
NET CASH AND CASH EQUIVALENTS, END OF YEAR (note 5)	**$**	**5,458**	$	5,095
Cash flows include the following amounts:				
Interest paid	**$**	**9,720**	$	7,059
Interest received	**$**	**74**	$	40
Income taxes paid	**$**	**6,628**	$	5,058

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

1. NATURE OF OPERATIONS

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

The Corporation's 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, 2019	December 31, 2018
Dominion Lending Centres Limited Partnership ("DLC")	**60%**	60%
Club16 Limited Partnership ("Club16")	**60%**	60%
Cape Communications International Inc. (operating as Impact Radio Accessories; "Impact")	**52%**	52%
Astley Gilbert Limited ("AG") (1)	**-%**	50%

(1) On September 30, 2019 the Corporation sold its 50% interest in AG, see note 4 for additional details.

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, 2020.

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, and Impact from their respective acquisition dates. On September 30, 2019 the Corporation sold its 50% interest in AG (note 4). 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 represents the interests in subsidiaries owned by outside parties. Non-controlling interests are measured at the fair value on the date acquired plus their proportionate share of subsequent changes in equity, less distributions made to minority partners in those entities.

c. New standard and interpretations

i. Adoption of IFRS 16 Leases

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

ii. Definition of a lease

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

iii. Accounting for lease arrangements

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

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

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

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

iv. Leases in which the Corporation is Lessee

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

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

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

v. Impact on the financial statements

On adoption of IFRS 16, the Corporation recognized an addition of $51,214 of right-of-use assets and $53,168 of lease obligations.

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

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

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

In accordance with IFRS 16, the Corporation elected to recognise a right-of-use asset at adoption of IFRS 16 at January 1, 2019; equal to the lease liability, adjusted by the accrued lease payments recognized on the statement of financial position as at December 31, 2018. The Corporation did not recognize an impact to opening retained earnings at January 1, 2019 from the adoption of IFRS 16.

Under IFRS 16, the cash payments for the interest portion of the lease liability are classified as either operating or financing activities, in accordance with the Corporation's accounting policy regarding the presentation of interest payments. The Corporation has classified the interest portion of its lease liabilities as a financing activity.

d. Classifications changes

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

e. 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.

f. Equity accounted investments

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

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

g. 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.

h. 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 is comprised 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 and are fully amortized as of December 31, 2019.

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 and is fully amortized as of December 31, 2019.

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, at which goodwill is monitored for impairment. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

i. 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 CGUs’ 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.

j. Share-based payments

Share options

The Corporation issues share-based payment awards to directors and employees. 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.

Restricted share units ("RSU")

RSUs are cash settled share-based payments awarded to directors and employees. The fair value of the RSUs are recognized as share-based payments expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimated number of RSUs expected to vest. RSUs are measured at their fair value at each reporting period, which is determined using the share price at the closing date, plus any dividends paid, less an estimate for expected forfeited RSUs.

k. 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 close 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. AG was sold on September 30, 2019 and its inventories are removed from the December 31, 2019 consolidated statement of financial position (see note 4).

l. 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 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. Any change is accounted for prospectively as a change in accounting estimate. Actual warranty costs are charged against the provision for warranty, which is included in other current liabilities on the consolidated statements of financial position.

m. 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 exchange gains and losses resulting from the settlement of transactions denominated in a currency other than an entity's functional currency 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 (loss) income.

n. 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 loss 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.

o. 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:

Lease term

Management applies significant judgement to assess the term of a lease when there are options to extend or terminate. The Corporation has elected to use hindsight for determining the lease term for leases that contain options to extend or terminate. Where the Corporation's leases include multiple renewal options, management has determined whether those options are likely to be exercised. For Club16, renewal options related to fitness clubs have been assumed to be exercised to extend between 2030 and 2040. Management's assessment of a lease term could have an impact on the amounts recognized for a leases' right-of-use asset and liability; depreciation and amortization charge recorded on the right-of-use asset; and interest expense recorded on the liability.

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 have 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 CGU'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 taxable 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 deferred tax assets.

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 16) 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.).

p. Financial instruments: Classification and Measurement

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").

Under IFRS 9, allowance for doubtful accounts is required to be determined using a forward-looking expected credit loss ("ECL") model. The Corporation applies the simplified approach in estimating the ECL for all of its receivables, under which the lifetime ECL's are measured and recognized upon initial recognition of the receivable. Credit losses are measured at the present value of all expected cash shortfalls over the life of the asset.

Investments include the Corporation's investment in Vital Alert Communications Inc. ("Vital Alert") and Waldo Technologies ("Waldo"). Under IFRS 9, investments in equity instruments are financial assets which are measured at FVTPL, unless an entity elects to designate the investment as FVOCI. The Corporation did not elect to designate its equity investments as FVOCI; therefore, Vital Alert and Waldo are measured under FVTPL.

Foreign exchange forward contract assets and liabilities on the consolidated statement of financial position include the Corporation's forward contract to hedge USD exchange risk (see note 27). Under IFRS 9, the financial asset is a self standing derivative financial asset and is measured under FVTPL. Under IFRS 9, a financial liability may be recognized as FVTPL if doing so eliminates or significantly reduces a measurement or recognition of inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; or the liability is part of a group of financial liabilities or assets that are managed and its performance is evaluated on a fair value basis. As the financial liability of the foreign exchange forward contract is evaluated on a fair value basis and recognition of the liability at FVTPL would decrease measurement inconsistency, the Corporation has elected to measure the financial liability at FVTPL. In accordance with IFRS 7, as the Corporation has an International Swaps and Derivatives Association ("ISDA") agreement which allows the Corporation to settle the amounts net, the Corporation has presented the net liability arising from the foreign exchange forward contract.

Our financial instrument classifications as at December 31, 2019 is as follows:

Financial instruments	Classification
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Notes receivable	Amortized cost
Investments	Fair value through profit or loss
Equity accounted investments	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Other current liabilities	Amortized cost
Other long-term liabilities	Amortized cost
Foreign exchange forward contract liability	Fair value through profit or loss
Capital lease obligation	Amortized cost

q. Revenue

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, and revenues from sale of radio accessories. 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

AG was sold on September 30, 2019 and its revenues are included within discontinued operations (see note 4). 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.

r. 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 loss. The dividend liability was disposed of as part of the AG sale on September 30, 2019 (see note 4).

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. The non-controlling interest – put liability was disposed of as part of the AG sale on September 30, 2019 (see note 4).

4. DISCONTINUED OPERATIONS

On September 30, 2019 ("date of disposal") the Corporation sold its 50% interest in AG for proceeds of $16,987 ("the Purchase Price"). The purchase price was comprised of: (i) a cash payment of $14,200; and (ii) the cancellation of the interest-bearing promissory note, which had a principal balance owing of $2,500 and accrued interest of $287. The Corporation used $11,429 of the cash proceeds from the transaction to repay Corporate debt and applied $2,771 of the cash proceeds against the make-whole payments for the early debt repayment (see note 23). No income tax was incurred from the gain on the sale of AG. The Corporation incurred transaction costs of $64 for the sale.

As a result of the transaction, the Corporation has presented the results of AG as discontinued operations for both current and comparative periods in the Corporation's consolidated statements of loss. The assets and liabilities of AG have been removed from the Corporation's consolidated balance sheet at December 31, 2019 as a result of the sale; however, are still included in the 2018 comparative. As AG is classified as a discontinued operation, AG is no longer presented as a component of the Impact segment (previously "Business Products and Services") within the segment note (see note 20).

During the nine months ended September 30, 2019 the Corporation recognized a non-cash impairment loss of $6,832 (year ended December 31, 2018—$6,163) to reflect the fair value of AG based on the Purchase Price. The non-cash impairment was recognized as the difference between the carrying amount of the AG CGU and the recoverable amount. The Corporation used the AG Purchase Price of the AG CGU to determine the recoverable amount. AG's goodwill has been derecognized from the balance sheet for the year ended December 31, 2019 (see note 12).

Considering the previously recognized impairment loss, a net gain on sale included within income from discontinued operations of $440 was recognized when the Corporation completed the sale of its 50% interest in AG.

AG was not previously classified as an asset held for sale.

The following are the results of discontinued operations (AG) up to the date of disposal, for the nine months ended September 30, 2019 and the year ended December 31, 2018:

		September 30, 2019		December 31, 2018
Revenue	**$**	**38,224**	$	53,725
Expenses [1]		**45,560**		60,751
Loss before tax from discontinued operations		**(7,336)**		(7,026)
Current tax expense		**(706)**		(1,057)
Deferred tax recovery		**723**		826
		17		(231)
Gain on sale of discontinued operations		**440**		-
Net loss from discontinued operations	**$**	**(6,879)**	$	(7,257)
Attributable to:				
Shareholders	**$**	**(3,220)**	$	(2,839)
Non-controlling interest	**$**	**(3,659)**	$	(4,418)
Net loss from discontinued operations per common share attributable to shareholders				
Basic loss per share	**$**	**(0.08)**	$	(0.07)
Diluted loss per share	**$**	**(0.08)**	$	(0.07)

(1) Included in expenses is non-cash impairment of $6,832 for the nine months ended September 30, 2019 (year ended December 31, 2018—$6,163).

The cash flows of the Corporation include AG for all periods up to the date of disposal. The following are the cash flows from the Corporation's discontinued operations for the nine months ended September 30, 2019 and the year ended December 31, 2018.

		September 30, 2019		December 31, 2018
Net cash from operating activities	**$**	**5,948**	$	5,886
Net cash used in investing activities		**(1,466)**		(7,214)
Net cash (used in)/from financing activities		**(4,199)**		1,359
Cash flows from discontinued operations	**$**	**283**	$	31

As at September 30, 2019 AG had a cash balance of $668 which was disposed of as part of the sale.

5. CASH AND CASH EQUIVALENTS

		December 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**5,458**	$	5,492
Bank indebtedness		**-**		(397)
Net cash and cash equivalents	**$**	**5,458**	$	5,095

6. TRADE AND OTHER RECEIVABLES

		December 31, 2019		December 31, 2018
Trade accounts receivable				
DLC franchise fees and mortgage brokerage services	**$**	**11,020**	$	9,695
Radio and radio accessories		**1,234**		2,486
Print and print services		**-**		10,093
Other trade receivables		**252**		1,591
		12,506		23,865
Other receivables and assets		**4,320**		4,361
Total trade and other receivables		**16,826**		28,226
Less current portion		**(16,270)**		(27,627)
	$	**556**	$	599

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, 2019 include $341 (December 31, 2018—$418) due to the Corporation from the vendors in DLC transactions (see note 29). Other receivables also include current amounts due from related parties (see note 29) of $2,380 (December 31, 2018—$2,192), and other non-trade receivables and assets of $1,599 (December 31, 2018—$1,751).

		December 31, 2019		December 31, 2018
Current	**$**	**11,178**	$	15,053
31-60 days		**894**		4,185
61-90 days		**34**		2,546
Past due > 90 days		**537**		2,100
Allowance for doubtful accounts		**(137)**		(19)
	$	**12,506**	$	23,865

The Corporation has an allowance for doubtful accounts as at December 31, 2019 of $137 (December 31, 2018—$19) for our outstanding trade and other 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 collectible at December 31, 2019. They consist of amounts due 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. Further, the Corporation's historical ECL has not been significant.

7. INVENTORIES

		December 31, 2019		December 31, 2018
Radio and radio accessories	**$**	**3,530**	$	3,948
Print and print services raw materials		**-**		1,868
Other		**33**		31
	$	**3,563**	$	5,847

For the year ended December 31, 2019, included in direct costs for continuing operations are amounts related to inventories of $6,394 (December 31, 2018—$5,715). The total inventory obsolescence provision and non-cash write-downs recorded during the year ended December 31, 2019 for continuing operations was $8 and $80 (December 31, 2018—$61 and $nil).

8. INVESTMENTS

		December 31, 2019		December 31, 2018
Vital Alert Communications Inc.	**$**	**557**	$	557

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") during the year ended December 31, 2017, 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 the parent company of both entities. An additional debenture offering was completed during the year ended December 31, 2018.

Management has determined that there has been no change in the carrying value of the investment during the year ended December 31, 2019.

9. EQUITY ACCOUNTED INVESTMENT

The Corporation owns a 60% interest in DLC. On April 1, 2019, DLC acquired a 50% equity interest in Real Estate and Mortgage Institute of Canada Inc. and Conversational Artificial Intelligence Technologies Inc., herein collectively referred to as "REMIC". DLC holds joint control of REMIC as each shareholder of REMIC holds a 50% voting interest in the entity. DLC is entitled to the net assets of the REMIC corporation, and therefore, the joint control arrangement is considered a joint venture and accounted for using the equity method. On April 1, 2019, the Corporation recognized an initial cost of $1,125 and for the twelve months ended December 31, 2019 recorded its share of net income in the amount of $104. The carrying value of the investment at December 31, 2019 is $1,229. The principal place of business of REMIC is Toronto, Ontario, Canada.

The following table summaries the financial information of REMIC:

		December 31, 2019		December 31, 2018
Assets	**$**	**390**	$	-
Liabilities		**(58)**		-
Net Assets		**332**		-
% of ownership		**50%**		-
		166		-
Goodwill		**1,063**		-
Corporation share of net assets	**$**	**1,229**	$	-

For the years ended December 31,		**2019**		2018
Revenue	**$**	**1,785**	$	-
Expenses (including income tax)		**(1,577)**		-
Net income		**208**		-
% of ownership		**50%**		-
Corporation share of net income	**$**	**104**	$	-

10. CAPITAL ASSETS

	Machinery and equipment	Leasehold improvements	Fitness equipment	Other	Total capital assets
Cost					
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
Additions	**542**	**2,899**	**2,788**	**1,037**	**7,266**
Disposals [(1)]	**(18,774)**	**(1,125)**	**(418)**	**(2,120)**	**(22,437)**
Effect of movements in exchange rates	**-**	**-**	**-**	**(4)**	**(4)**
Transfer to right-of-use assets	**(2,262)**	**-**	**-**	**-**	**(2,262)**
Balance at December 31, 2019	**$ -**	**$ 13,429**	**$ 10,814**	**$ 1,646**	**$ 25,889**
Accumulated amortization					
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)
Disposals [(1)]	**5,921**	**641**	**182**	**726**	**7,470**
Depreciation and amortization expense	**(2,143)**	**(1,495)**	**(1,132)**	**(595)**	**(5,365)**
Transfer to right-of-use assets	**521**	**-**	**-**	**-**	**521**
Balance at December 31, 2019	**$ -**	**$ (3,350)**	**$ (2,830)**	**$ (715)**	**$ (6,895)**
Carrying value					
December 31, 2018	$ 16,195	$ 9,159	$ 6,564	$ 1,887	$ 33,805
December 31, 2019	**$ -**	**$ 10,079**	**$ 7,984**	**$ 931**	**$ 18,994**

(1) As a result of the sale of AG, the Corporation disposed of all capital assets relating to the operations of AG (see note 4). The sale of these capital assets have been included in the disposals line above.

11. RIGHT-OF-USE ASSET

	Office and Buildings	Machinery and equipment	Vehicles	Total
Cost				
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Adoption of IFRS 16	**51,088**	**-**	**126**	**51,214**
Transfer from capital assets	**-**	**2,262**	**-**	**2,262**
Additions	**7,523**	**-**	**18**	**7,541**
Disposals [(1)]	**(9,273)**	**(2,262)**	**(23)**	**(11,558)**
Change in fair value	**(43)**	**-**	**-**	**(43)**
Balance at December 31, 2019	**$ 49,295**	**$ -**	**$ 121**	**$ 49,416**
Accumulated amortization				
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Transfer from capital assets	**-**	**(521)**	**-**	**(521)**
Disposals [(1)]	**982**	**969**	**10**	**1,961**
Depreciation and amortization expense	**(4,979)**	**(448)**	**(50)**	**(5,477)**
Balance at December 31, 2019	**$ (3,997)**	**$ -**	**$ (40)**	**$ (4,037)**
Carrying value				
December 31, 2018	$ -	$ -	$ -	$ -
December 31, 2019	**$ 45,298**	**$ -**	**$ 81**	**$ 45,379**

(1) As a result of the sale of AG, the Corporation disposed of all right-of-use assets relating to the operations of AG (see note 4). The sale of these right-of-use assets have been included in the disposals line above.

12. INTANGIBLE ASSETS AND GOODWILL

		Franchise rights, relationships and agreements		Brand names		Customer relationships		Other [(1)]		Total intangible assets
Cost										
Balance at December 31, 2017	$	83,980	$	50,466	$	33,499	$	5,946	$	173,891
Additions		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
Additions		**4,006**		**-**		**-**		**37**		**4,043**
Disposals [(2)]		**-**		**(2,800)**		**(15,450)**		**(192)**		**(18,442)**
Effect of movements in exchange rates		**-**		**(7)**		**(496)**		**(26)**		**(529)**
Balance at December 31, 2019	**$**	**93,063**	**$**	**47,778**	**$**	**18,567**	**$**	**6,060**	**$**	**165,468**
Accumulated amortization										
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)
Disposals [(2)]		**-**		**1,074**		**2,961**		**184**		**4,219**
Depreciation and amortization recognized as a charge against revenue		**(1,481)**		**-**		**-**		**-**		**(1,481)**
Depreciation and amortization expense		**(3,643)**		**(659)**		**(3,099)**		**(1,394)**		**(8,795)**
Balance at December 31, 2019	**$**	**(16,336)**	**$**	**(710)**	**$**	**(5,690)**	**$**	**(4,337)**	**$**	**(27,073)**
Carrying value										
December 31, 2018	$	77,845	$	49,460	$	28,961	$	3,114	$	159,380
December 31, 2019	**$**	**76,727**	**$**	**47,068**	**$**	**12,877**	**$**	**1,723**	**$**	**138,395**

(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.
(2) As a result of the sale of AG, the Corporation disposed of all intangible assets relating to the operations of AG (see note 4). The disposal of these intangible assets have been included in the disposals line above.

Intangible assets with indefinite lives:

		December 31, 2019		December 31, 2018
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, 2019**		December 31, 2018
DLC Franchise	**$**	**57,097**	$	57,097
NCS		**3,340**		3,340
Club16		**22,431**		22,431
Impact [(1)]		**6,054**		6,359
AG [(2)]		**-**		21,030
	$	**88,922**	$	110,257

(1) Goodwill acquired upon acquisition of Impact is adjusted for foreign exchange translation differences at the end of each reporting period.
(2) As a result of the sale of AG, the Corporation disposed of all goodwill relating to the operations of AG (see note 4).

The Corporation completed its annual impairment test for goodwill and indefinite life intangible assets as at December 31, 2019. 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
Perpetual growth rate	2%	2%	2%	2%
Tax rate	26.8%	26.4%	27%	27%
Discount rate	9.9%	22.6%	12.9%	18.4%

Based on management's assessment, no impairment was recognized on continuing operations (2018—$nil). Non-cash impairment of $6,832 was recognized against discontinued operations for the year ended December 31, 2019 (2018—$6,163) (see note 4).

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, we do not believe there are any reasonably possible changes in key assumptions that would cause the recoverable amount of any CGU of group or CGUs to have a significant change from its current valuation. As part of our sensitivity analysis, we have determined the break-even discount rates for each CGU or group of CGUs:

	DLC Franchise	NCS	Club16	Impact
Break-even discount rate	12.5 %	50.0%	19.4%	22.1%

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Trade payables	**$ 2,237**	$ 6,318
Accrued liabilities	**11,950**	13,712
Income tax payable	**1,015**	937
Government agencies payable	**746**	1,241
Other	**827**	762
	$ 16,775	$ 22,970

14. DEFERRED CONTRACT LIABILITIES

The following table provides information about deferred contract liabilities from contracts with customers.

	December 31, 2019	December 31, 2018
Balance at January 1	**$** 2,726	$ 1,523
Additions	10,949	8,559
Revenue recognized from deferred contract liabilities	(10,948)	(7,356)
Balance at December 31	**$** 2,727	$ 2,726
Current	**$ 674**	$ **650**
Non-current	**$ 2,053**	$ **2,076**

15. NON-CONTROLLING INTEREST

Non-controlling interest liability

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

	December 31, 2019 [(1)]	December 31, 2018
Non-controlling interest—dividend liability	**$ -**	$ 12,500
Non-controlling interest—put liability	**-**	1,121
Total	**-**	13,621
Less: Current portion	**-**	(2,000)
	$ -	$ 11,621

(1) As a result of the sale of AG, the Corporation disposed of the net assets relating to the operations of AG (see note 4).

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, 2019	December 31, 2018
DLC	**$ 60,413**	$ 60,506
Club16	**14,210**	15,278
Impact	**9,508**	10,937
AG [(1)]	**-**	8,145
	$ 84,131	$ 94,866

(1) As a result of the sale of AG, the Corporation disposed of the net assets relating to the operations of AG (see note 4).

As at and for the year ended December 31, 2019 [(1)]	DLC	Club16	Impact
Non-controlling interest ownership percentage	40%	40%	48%
Current assets	**$ 17,260**	**$ 3,498**	**$ 5,590**
Non-current assets	**186,032**	**90,233**	**16,678**
Current liabilities	**(23,037)**	**(13,498)**	**(1,622)**
Non-current liabilities	**(32,690)**	**(47,754)**	**(3,168)**
Revenues	**44,843**	**30,260**	**15,219**
Net income	**11,064**	**1,217**	**2,661**
Net income attributable to non-controlling interest	**4,546**	**173**	**1,276**
Cash flow provided by operating activities	**19,105**	**9,545**	**4,595**
Cash flow used by investing activities	**(16,639)**	**(8,877)**	**(4,204)**
Cash flow used by financing activities	**(1,286)**	**(886)**	**(80)**
Increase (decrease) in net cash and cash equivalents	**$ 1,180**	**$ (218)**	**$ 311**

(1) The Corporation sold its 50% interest in AG and has disposed of the net assets relating to the operations of AG. See note 4 for the revenues, net loss, net loss attributable to non-controlling interest, and the cash flows up to the date of disposal.

As at and for the year ended December 31, 2018	DLC	Club16	Impact	AG
Non-controlling interest ownership percentage	40%	40%	48%	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

16. LOANS AND BORROWINGS

	December 31, 2019	December 31, 2018
Corporate		
Term credit facility (1)	**$ 40,228**	$ 54,927
Promissory note (2)	**-**	2,500
Subsidiaries		
DLC term loan facilities	**4,385**	5,095
DLC operating facility	**6,950**	7,340
Club16 demand credit facility	**8,702**	6,108
Club16 operating facility	**908**	989
AG term loan facilities (2)	**-**	3,677
AG operating facility (2)	**-**	5,500
AG vehicle and equipment loans (2)	**-**	569
Total loans and borrowings	**61,173**	86,705
Less current portion	**(22,201)**	(25,698)
	$ 38,972	$ 61,007

(1) Net of debt issuance costs. At December 31, 2019, the Corporate term credit facility's principal balance owing was USD $32,621 (CAD $42,368) (December 31, 2018 —USD $42,000 (CAD $57,296))

(2) Upon the sale of AG, the Corporation disposed of all facilities relating to the operations of AG and the Corporate promissory note was cancelled (see note 4).

Corporate credit facility

Corporate term credit facility

On March 12, 2019, the Corporation amended its term credit facility ("Corporate Credit Facility") to require the Corporation to repay debt at par with all excess free cashflow as defined in the agreement and to increase the total leverage ratio. At December 31, 2019, the Corporation had $3,775 classified as current debt. In consideration for the amendments, the Corporation agreed to pay a cash fee of 1.5% ($630 USD, $816 CAD) of the principal loan balance and reprice the existing 2,078,568 lender warrants to $1.4375 per share (half of which were previously exercisable at $3.508 per share and half were exercisable at $3.965 per share). Financial covenants in the Corporate Credit Facility include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of:

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

- 3.75:1.00 for the fiscal quarters ending thereafter.

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

On December 6, 2019 the Corporation amended its Corporate Credit Facility to allow the Corporation to enter into a foreign currency forward contracts to partially mitigate foreign currency exchange risk in connection with its USD denominated Corporate Credit Facility. The foreign currency forward contracts are secured through an intercreditor agreement between the Corporation, its lender and the counterparty, which allows the counterparty the right to security up to $7,000 (see note 27).

Subsidiaries credit facilities
DLC
Term Loan
The term loan is made up of two facilities: a $1,100 term loan facility and a $10,300 term loan facility.

DLC entered into a $1,100 term loan facility to refinance the acquisition of REMIC on July 23, 2019. The term loan matures 60 months from the date of drawdown and bears interest at prime + 1.00%. This facility is held at the DLC subsidiary level and has $1,030 outstanding as of December 31, 2019 (December 31, 2018—$nil).

DLC's $10,300 term loan facility matures on December 30, 2021. This facility is held at the DLC subsidiary level and has $3,355 outstanding as of December 31, 2019 (December 31, 2018—$5,095).

Operating Facility
DLC's $9,500 revolving operating facility is a revolving operating demand loan to finance working capital requirements and fund acquisitions. This facility is held at the DLC subsidiary level and has $6,950 drawn as of December 31, 2019 (December 31, 2018—$7,340).

Borrowings under the term loans 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 for both facilities 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. On July 23, 2019 DLC amended its existing credit facilities to decrease the frequency of the financial covenants from quarterly to annually. As at December 31, 2019, DLC was in compliance with all such covenants. Subsequent to December 31, 2019, DLC amended its term loan facilities (see note 30).

Club16
Club16's $9,000 demand credit facility had $8,702 drawn at December 31, 2019 (December 31, 2018—$6,108). The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown.

Club16's $1,500 revolving operating facility has $908 drawn as at December 31, 2019 (December 31, 2018—$989). The facility is used to finance Club16's working capital requirements and is held at the Club16 level.

On August 12, 2019, Club16 amended its credit facilities, decreasing the frequency of the financial covenant for the debt service charge ratio from quarterly to annually and amended the interest rate. Borrowings under both facilities bear interest at prime rate plus 0.5 to 2.0% per annum (from prime plus 1.25% previously) and are secured by a general security agreement with first charge over the assets of Club16. At December 31, 2019 the facilities bore interest at prime plus 0.75% per annum. 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 December 31, 2019, Club16 was in compliance with all such covenants. Subsequent to December 31, 2019, Club16 amended its debt facilities (see note 30).

17. LEASE OBLIGATIONS

Balance at December 31, 2018	$	1,746
Adoption of IFRS 16		**53,168**
Additions of new leases		**7,541**
Lease payments		**(6,388)**
Tenant allowances		**869**
Change in fair value		**(43)**
Interest on lease obligations [(1)]		**2,581**
Disposals [(2)]		**(9,615)**
Balance at December 31, 2019		**49,859**
Less current portion		**(2,449)**
	$	**47,410**

(1) Interest on lease obligations includes interest expense from discontinued operations
(2) As a result of the sale of AG, the Corporation disposed of all lease obligations relating to the operations of AG (see note 4).

The Corporation and its subsidiaries have commitments under leases for buildings, office space and vehicles with varying terms that expire between 2020 and 2029, captured in the below value. The approximate undiscounted lease payments remaining are as follows:

Year		**Lease payments**
2020	$	5,328
2021		5,353
2022		4,537
2023		4,049
2024		3,695
Thereafter		9,755
Balance at December 31, 2019		**32,717**
Less: leases not yet commenced [(1)]		(1,015)
	$	31,702

(1) Included within the approximate lease payment schedule and excluded from lease labilities at December 31, 2019 is an office space lease at DLC. The lease agreement was entered into as of December 31, 2019 but does not commence until January 1, 2020, with a term of four-years.

18. SHARE CAPITAL

Authorized share capital

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

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

	Number of Class A common shares		Amount
Balance at December 31, 2017	38,128,606	$	115,055
Broker warrants exercised (note 19)	53,936		335
Balance at December 31, 2018	38,182,542		115,390
Cancelled shares	**(29)**		**-**
Balance at December 31, 2019	**38,182,513**	**$**	**115,390**

During the year ended December 31, 2019 the Corporation cancelled 29 common shares as an adjustment for fractional rounding for share consolidation which occurred in 2016. There were no common shares repurchased during the year ended December 31, 2019.

Dividends

On March 12, 2019, the Corporation suspended its quarterly dividends of $0.0125 per share. The Corporation declared no dividends during the year ended December 31, 2019 (December 31, 2018—$1,908).

		December 31, 2019		December 31, 2018
Dividend declared	**$**	**-**	$	1,908

19. 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, 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
Expired	**(133,333)**		**4.40**
Cancelled [(1)]	**(1,120,000)**		**4.08**
Outstanding share options, December 31, 2019	**1,165,578**	$	**3.49**

(1) On August 22, 2019, the Corporation entered into an agreement with a former employee to cancel 500,000 share options. On December 10, 2019, the Corporation entered into agreements with select option holders to cancel 620,000 share options, with no compensation made to these option holders, for the cancellation.

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

Grant date	Share options outstanding	Years to Maturity	Share options exercisable		Weighted average exercise price
July 15, 2015	96,666	5.5	96,666	$	2.40
February 23, 2016	543,912	1.2	543,912		3.00
July 7, 2016	450,000	1.5	450,000		4.40
July 3, 2017	75,000	2.5	75,000		3.00
	1,165,578		1,165,578	$	3.49

The Corporation recorded total share-based payment expense of $375 for the year ended December 31, 2019 (December 31, 2018—$408). These amounts include share-based payment expense related to the Corporation's share options for the year ended December 31, 2019 of $87 (December 31, 2018—$412), share-based recoveries related to Impact's SARs of $(64) (December 31, 2018—$55 expense), and RSU expense of $352 (December 31, 2018—$nil). The Corporation had no recoveries of the Corporation's phantom share options for the year ended December 31, 2019 (December 31, 2018—($59)).

RSU Plan

On May 1, 2019, the Corporation issued RSUs to directors and employees. The Corporation's RSU plan provides RSUs to be issued and settled in cash on the vesting date. The Corporation's directors determine at the time of the grant: the vesting period, the number of units issued, and the terms of the RSUs.

A summary of the RSU activity in the period is as follows:

Outstanding RSUs, December 31, 2018	-
Granted	371,333
Forfeited	(40,000)
Outstanding RSUs, December 31, 2019	**331,333**

Warrants

The following table summarizes the warrants outstanding:

	Years to Maturity	Warrants Outstanding		Exercise price
Outstanding broker and lender warrants, December 31, 2017	4.45	2,566,557	$	3.43
Broker warrants exercised	-	(53,936)		2.10
Broker warrants expired	-	(434,053)		2.10
Outstanding lender warrants, December 31, 2018	3.45	2,078,568		3.74
Outstanding lender warrants, December 31, 2019	**2.45**	**2,078,568**	**$**	**1.44**

During the year ended December 31, 2018 the Corporation had broker and lender warrants outstanding. The outstanding warrants issued to brokers were fully exercised or expired during the year ended December 31, 2018. At the year ended December 31, 2019 the Corporation's outstanding warrants are those issued to lenders. The Corporation repriced its outstanding lender warrants to $1.4375 per warrant from the weighted average of $3.7365 as consideration for amending our Corporate Credit Facility (see note 16). Using the Black-Scholes pricing model, the warrants have been valued at $0.24 per warrant, which resulted in an increase in the fair value of the lender warrants of $450. The increase in fair value was recognized as an increase to contributed surplus, with the offset to debt issuance costs, which are netted against loans and borrowings on the Corporations statements of financial position.

20. 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. Following the sale of AG, each subsidiary of the Corporation is its own operating segment; as a result, the Corporation has renamed its operating segments. The operating segments consist of business operations conducted through DLC (previously "Franchise"), Club16 (previously "Consumer Products and Services"), and Impact (previously "Business Products and Services"). DLC is engaged in the business of franchising mortgage brokerage services and operates in all ten Canadian provinces. The Club16 segment is engaged in the fitness business in the Lower Mainland area. Impact is engaged in the business of designing and retailing communication products and services and has sales throughout North America.

The results of AG are presented as discontinued operations and have been excluded from the segmented information for the current and comparative consolidated statements of loss information and the current period statement of financial position. AG is included within the "Impact" segment in the prior period statement of financial position (see note 4).

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

As at December 31, 2019	DLC	Club16	Impact	Corporate and Consolidated	Consolidated
Cash and cash equivalents	**$ 3,632**	**$ 395**	**$ 553**	**$ 878**	**$ 5,458**
Trade, other receivables and other assets	**12,290**	**2,415**	**1,304**	**817**	**16,826**
Right-of-use assets	**243**	**44,675**	**461**	**-**	**45,379**
Intangible assets	**123,729**	**4,646**	**10,020**	**-**	**138,395**
Goodwill	**60,437**	**22,432**	**6,053**	**-**	**88,922**
Capital and other assets	**2,961**	**19,168**	**3,877**	**834**	**26,840**
Total assets	**$ 203,292**	**$ 93,731**	**$ 22,268**	**$ 2,529**	**$ 321,820**
Accounts payable and accrued liabilities	**$ 13,356**	**$ 1,671**	**$ 1,390**	**$ 358**	**$ 16,775**
Capital lease obligation	**249**	**48,528**	**469**	**613**	**49,859**
Loans and borrowings	**11,335**	**9,610**	**-**	**40,228**	**61,173**
Foreign exchange forward contract liability	**-**	**-**	**-**	**365**	**365**
Deferred tax	**27,732**	**1,315**	**2,730**	**(799)**	**30,978**
Other liabilities	**3,055**	**128**	**201**	**1,444**	**4,828**
Total liabilities	**$ 55,727**	**$ 61,252**	**$ 4,790**	**$ 42,209**	**$ 163,978**

For the year ended December 31, 2019	DLC	Club16	Impact	Corporate and Consolidated	Consolidated
Revenue	**$ 44,843**	**$ 30,260**	**$ 15,219**	**$ -**	**$ 90,322**
Direct costs	**5,712**	**3,578**	**7,086**	**-**	**16,376**
General and administrative	**18,464**	**15,633**	**3,308**	**3,052**	**40,457**
Share-based payments	**-**	**-**	**(64)**	**439**	**375**
Depreciation and amortization	**5,002**	**7,723**	**1,175**	**33**	**13,933**
Finance expense	**667**	**2,598**	**18**	**10,407**	**13,690**
Other expenses	**108**	**298**	**79**	**(1,986)**	**(1,501)**
Income (loss) before tax from continuing operations	**$ 14,890**	**$ 430**	**$ 3,617**	**$ (11,945)**	**$ 6,992**

As at December 31, 2018	DLC	Club16	Impact	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		DLC		Club16		Impact		Corporate and Consolidated		Consolidated
Revenue	$	40,123	$	26,543	$	13,150	$	-	$	79,816
Direct costs		5,381		2,446		6,229		-		14,056
General and administrative		15,745		18,008		2,864		5,422		42,039
Share-based payments		-		-		55		353		408
Depreciation and amortization		6,110		3,474		1,146		32		10,762
Finance expense		714		306		-		7,104		8,124
Other expenses		1,124		30		128		4,465		5,747
Income (loss) before tax from continuing operations	$	11,049	$	2,279	$	2,728	$	(17,376)	$	(1,320)

21. REVENUE

For the years ended December 31,		2019		2018
Franchising revenue, mortgage brokerage services	**$**	**44,349**	$	39,158
Brokering of mortgages		**494**		436
Memberships and dues revenue		**22,713**		20,556
Radio and radio accessories		**14,553**		12,451
Supplementary services revenue and other revenue		**8,213**		7,215
	$	**90,322**	$	79,816

Revenue earned from contract with customers earned over time included in the above for the DLC and Club16 segments are $46,133 and $29,313 for the year ended December 31, 2019 (December 31, 2018—$39,534 and $25,472).

22. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,		2019		2018
Salary and salary-related	**$**	**20,304**	$	19,136
Office, administration and rent		**9,310**		13,817
Advertising, promotion and travel		**3,637**		2,430
Professional fees		**1,475**		1,989
Management and consulting fees		**2,514**		2,216
Other expenses		**3,217**		2,451
	$	**40,457**	$	42,039

23. FINANCE EXPENSE

For the years ended December 31,		2019		2018
Interest expense on debt obligations (1)	**$**	**9,750**	$	6,928
Interest on lease obligations		**2,320**		-
Amortization of debt issuance costs		**1,448**		1,028
Accretion expense		**172**		168
	$	**13,690**	$	8,124

(1) Included in interest expense is a $2,771 make-whole fee for the early partial repayment of the Corporate credit facility.

24. INCOME TAXES

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.8% (2018—27.0%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2019 and 2018:

For the years ended December 31,		**2019**		2018
Income (loss) before income tax from continuing operations	**$**	**6,992**	$	(1,320)
Income (loss) before income tax multiplied by the statutory rate of 26.8% (2018—27.0%)		**(1,874)**		356
Effect of:				
Permanent differences		**2,093**		(348)
Change in tax rates and rate differences		**(123)**		43
Change in unrecognized temporary differences		**(1,002)**		49
Reserve for non-capital loss carry forward		**(4,031)**		(10,439)
Other		**413**		(1,461)
Total tax expense from continuing operations	**$**	**(4,524)**	$	(11,800)

Deferred tax assets and liabilities as at December 31, 2019 and 2018, consist of the following:

		December 31, 2019		December 31, 2018
Deferred tax liabilities				
Intangible assets	**$**	**(32,555)**	$	(38,286)
Capital assets		**(782)**		(3,830)
Right-of-use assets		**(7,438)**		-
Goodwill		**(393)**		(388)
Inventory provision		**-**		(17)
		(41,168)		(42,521)
Deferred tax assets				
Capital assets		**1,406**		1,536
Warranty provisions		**41**		82
Share issuance costs		**121**		428
RSUs		**92**		-
Debt issuance costs		**164**		138
Lease liabilities, net of lease receivable		**8,164**		-
Unrealized foreign exchange		**(51)**		-
Investments		**323**		336
Other		**(70)**		448
		10,190		2,968
Net deferred tax liability	**$**	**(30,978)**	$	(39,553)

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.

During the year ended December 31, 2018, the Corporation recognized a reserve of $10,439 against previously recognized non-capital loss carry forwards given the uncertainty on the timing and ability to recognize the deferred tax asset in the future.

As at December 31, 2019, the Corporation has unrecognized non-capital loss carry-forwards of $56,664 (December 31, 2018—$41,990). These Canadian tax losses expire between 2024 and 2038.

Deferred tax liability movement is as comprised of:

		December 31, 2019		December 31, 2018
Balance, beginning of year	$	**(39,553)**	$	(33,519)
Deferred tax on acquisition of subsidiaries (1)		**-**		(77)
Deferred tax recovery (expense) recognized in net loss from continuing operations		**1,303**		(6,783)
Deferred tax recovery recognized in net loss from discontinued operations		**723**		826
Deferred tax derecognized on the sale of AG		**6,549**		-
Net deferred tax liability	$	**(30,978)**	$	(39,553)

(1) In 2018, upon finalization of AG's purchase price allocation, an adjustment was made between goodwill and deferred income tax liability of $77.

25. LOSS PER SHARE

For the years ended December 31,		2019		2018
Net loss attributable to shareholders	$	**(6,747)**	$	(21,062)
Net loss attributable to shareholders from continuing operations		**(3,527)**		(18,223)
Basic and diluted weighted average number of shares		**38,182,540**		38,161,143
Basic loss per share		**(0.18)**		(0.55)
Diluted loss per share		**(0.18)**		(0.55)
Continuing operations:				
Basic loss per share	$	**(0.09)**	$	(0.48)
Diluted loss per share	$	**(0.09)**	$	(0.48)

As at December 31, 2019, there were 1,165,578 share options (December 31, 2018—2,418,911) and 2,078,568 lender warrants outstanding (December 31, 2018—2,078,568) that were considered anti-dilutive (see note 19).

26. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,		2019		2018
Trade and other receivables	$	**2,207**	$	(5,267)
Prepaid expenses and deposits		**94**		(348)
Notes receivable		**(132)**		43
Inventories		**428**		(1,013)
Accounts payable and accrued liabilities		**48**		1,938
Deferred contract liability		**24**		(732)
Other current liabilities		**318**		(81)
	$	**2,987**	$	(5,460)
Changes in non-cash operating working capital		**2,987**		(5,535)
Changes in non-cash investing capital		**-**		75
	$	**2,987**	$	(5,460)

27. 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 cash balances in USD bank accounts; USD loans and borrowings; USD foreign exchange forward contract; USD interest expense; and Impact operations, as a significant portion of its business is conducted in USD. At December 31, 2019, the cash balance is USD $155 (CAD $201), compared to USD $242 (CAD $330) at December 31, 2018. At December 31, 2019, the USD loans and borrowing balance is USD $32,621 (CAD $42,368); at December 31, 2018, it was USD $42,000 (CAD $57,296). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $2,409 increase in net loss before tax for the year ended December 31, 2019 (December 31, 2018—$5,928 increase).

To manage the Corporation's foreign exchange exposure on its USD loan, the Corporation entered into both an amendment of its credit facility and an intercreditor agreement, which collectivity allows the Corporation to enter into foreign exchange forward contracts up to USD $25,000. The forward contracts are secured through the intercreditor agreement between the Corporation, its lender and the counterparty, which allows the counterparty security up to CAD $7,000. During the year ended December 31, 2019, the Corporation entered into a USD $15,000 foreign exchange forward contract at a forward rate of $1.329 with a settlement period of six months from December 14, 2021 to June 14, 2022.

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 $779 increase of net loss before tax for the year ended December 31, 2019 (December 31, 2018—$817 increase).

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, trade and other receivables, and foreign exchange forward contract asset.

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

The Corporation has assessed its exposure to credit risk on its receivables outstanding from related parties. Loans and advances due from Club16 related parties are temporary, related to dividends that are not declared, which poses no collection risk. Receivables due from DLC founders poses minimal risk as DLC founders maintain strong credit worthiness.

Our primary source of credit risk relates to 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. The management team of DLC establishes an allowance for doubtful accounts based on the specific credit risk of their customers (see note 6). DLC's exposure to credit risk from its other receivables is minimal considering its historical ECL has been insignificant. As at December 31, 2019, $536 (December 31, 2018—$2,100) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at December 31, 2019 is $137 (December 31, 2018—$19). A decline in economic conditions, or other adverse conditions by customers, 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. 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. Impact's exposure to credit risk from its trade receivables are minimal considering its historical ECL has been insignificant.

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, 2019		December 31, 2018
Cash and cash equivalents	**$**	**5,458**	$	5,492
Trade, other receivables and other assets		**16,826**		28,226
Notes receivable		**410**		299
	$	**22,694**	$	34,017

Liquidity risk

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

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

		Contractual cash flow		Within 1 year		Within 5 years		Thereafter
Accounts payable and accrued liabilities	$	16,775	$	16,775	$	-	$	-
Lease obligation		32,717		5,326		23,802		3,589
Loans and borrowings		63,314		22,201		41,113		-
Long-term liabilities		683		-		683		-
	$	113,489	$	44,302	$	65,598	$	3,589

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, 2019, and December 31, 2018.

		December 31, 2019		December 31, 2018
Loans and borrowings	**$**	**61,173**	$	86,705
Less: net cash and cash equivalents		**(5,458)**		(5,095)
Net loans and borrowings	**$**	**55,715**	$	81,610
Shareholders' equity	**$**	**73,711**	$	79,956

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

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its loans and borrowing agreements. The Corporation is in compliance with all externally imposed capital requirements as at December 31, 2019 (see note 16).

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, 2019		
	Carrying value as at December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments	**557**	**-**	**-**	**557**
Equity accounted investments	**1,229**	**-**	**-**	**1,229**
Financial liabilities				
Foreign exchange forward contract liability	**(365)**	**-**	**(365)**	**-**
Loans and borrowings	**(61,173)**	**-**	**(61,173)**	**-**

		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				
Investments	557	-	-	557
Financial liabilities				
Loans and borrowings	(86,705)	-	(86,705)	-
Capital lease obligation	(1,746)	-	(1,746)	-

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, 2019, management has determined that the fair value of its loans and borrowings approximate their carrying value. The majority of loans and borrowings are subject to floating interest rates, and the Corporation and its subsidiaries' credit risk profiles have not significantly changed since obtaining each of the facilities.

The foreign exchange forward contract asset and liability are recognized at fair value and are measured at FVTPL. The fair value of the foreign exchange forward contract asset at FVTPL is determined using the market rate method and is derived from the sum of the market balance sheet spot rate and the interest rate differential at the end of the reporting period. The financial liability's fair value is equal to its carrying value at the locked forward rate. The foreign exchange forward contract is presented as a net liability within the statement of financial position. Changes in the fair value of the financial asset are recognized in the consolidated statements of loss within "Change in fair value of foreign exchange forward contract". For the year ended December 31, 2019 the Corporation recognized an unrealized loss on the change in fair value of the foreign exchange forward contract of $365 (2018—$nil).

28. COMMITMENTS AND CONTINGENCIES

Consulting agreement

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

Service agreement

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

In March 2018, DLC entered into an agreement with a software development company to develop and support a customized mortgage application ("app") for an annual amount of $932. The agreement is a related party transaction due to common management between DLC and the service provider (see note 29). 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 $404 for the year ended December 31, 2019 (December 31, 2018—$1,463). As of December 31, 2019, $730 is outstanding (December 31, 2018—$2,300).

Contingencies

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

29. RELATED PARTY TRANSACTIONS

Property leases

DLC and Impact lease and rent office space from companies that are controlled by minority partners within the subsidiaries. During the year ended December 31, 2019, the total costs incurred under these leases was $485 (December 31, 2018—$485). 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, 2019, was $398 (December 31, 2018—$385). The lease term maturities range from 2020—2021.

Expenses related to these leases are recorded in interest and depreciation and amortization 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, 2019, 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, 2018—$341). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statements of financial position.

Loans and advances

Club16 has loans and advances due from companies that are controlled by key management personnel of Club16 in the amount of $2,380 as at December 31, 2019 (December 31, 2018—$2,192). The balance is included in trade and other receivables in the Corporation's financial statements. The advancements are unsecured and non-interest bearing.

Service agreements

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, 2019 was $932 (December 31, 2018—$275).

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, 2019, a liability has been recognized for the current fair value of the liability of $972 (December 31, 2018—$800).

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,		2019		2018
Directors fees	$	-	$	352
Salaries and benefits		1,512		1,621
Share-based payments		342		407
	$	1,854	$	2,380

30. SUBSEQUENT EVENTS

Expiration of Share Options

On January 30, 2020, an aggregate of 745,019 share options expired. The expired share options consist of 445,019 share options having an exercise price of $3.00 and 300,000 share options having an exercise price of $4.40.

DLC Consulting Agreement

On February 1, 2020, DLC renewed a consulting agreement whereby DLC has agreed to incur an annual amount of $150, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2022.

Corporate Debt Repayment

On February 26, 2020, the Corporation made an additional payment to its Corporate Credit Facility from excess cash flow in the amount of $847.

Cancelled Share Options and Class A Common Shares

On March 12, 2020, the Corporation entered into an agreement with a former employee to cancel 96,667 share options having and exercise price of $2.40. The Corporation also acquired an aggregate of 100,000 Class A common shares valued at $1.74 per share, as partial payment for a loan owed by the former employee. These Class A common shares have been cancelled and returned to treasury.

COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. As a result, all levels of government in Canada have implemented public health measures including isolation and social distancing. In response, Club16 has temporarily closed all clubs, effective March 17, 2020. During the temporary closure period, Club16 intends to seek rent abatements or deferrals from its various landlords and expects to reduce costs to increase liquidity.

The Corporation is working closely with Club16 and Impact management to maximize the current government subsidies (including the wage subsidy) available in response to COVID-19.

As required by IFRS, the Corporation has not reflected these subsequent conditions in the recoverable amount estimates of its groups of CGUs as at December 31, 2019.

The impact of COVID-19 on the Corporation's subsidiaries will impact earnings and could impact cash flows of the Corporation, as well as its ability to meet bank covenants; however, due to material uncertainties of the scale and duration of COVID-19, management cannot reasonably estimate the financial statement impact of COVID-19 and will work with its lenders to find satisfactory resolutions as necessary.

Foreign Exchange Forward Contract Unwind

On March 24, 2020, the Corporation unwound its foreign exchange forward contract for net proceeds of $1,469. In response to the uncertain scale and duration of the COVID-19 pandemic, the Corporation had unwound the hedge early to further strengthen its liquidity position. The Corporation amended its existing Corporate Credit Facility to permit the unwind on March 24, 2020. The net proceeds received from the subsequent increase in the foreign exchange rate from USD to Canadian dollars partly offsets the subsequent foreign exchange loss on the Corporation's corporate credit facility.

Club16 Debt Modification

On March 26, 2020, Club16 amended its existing debt facilities. The amendment increased the revolving operating facility limit from $1,500 to $3,000, waived principal payments for three months from March to May 2020 for Club16's demand credit

facility, and removed the covenant test for the quarter-ended June 30, 2020.

Club16 Lease Agreement

On March 20, 2020, Club16 entered into a new lease agreement. The lease agreement will commence in 2021 with a ten-year term.

DLC Debt Amendment

On March 27, 2020, DLC amended its existing term loans. The amendments have suspended principal payments effective April 2020 for six months, in order to increase liquidity.