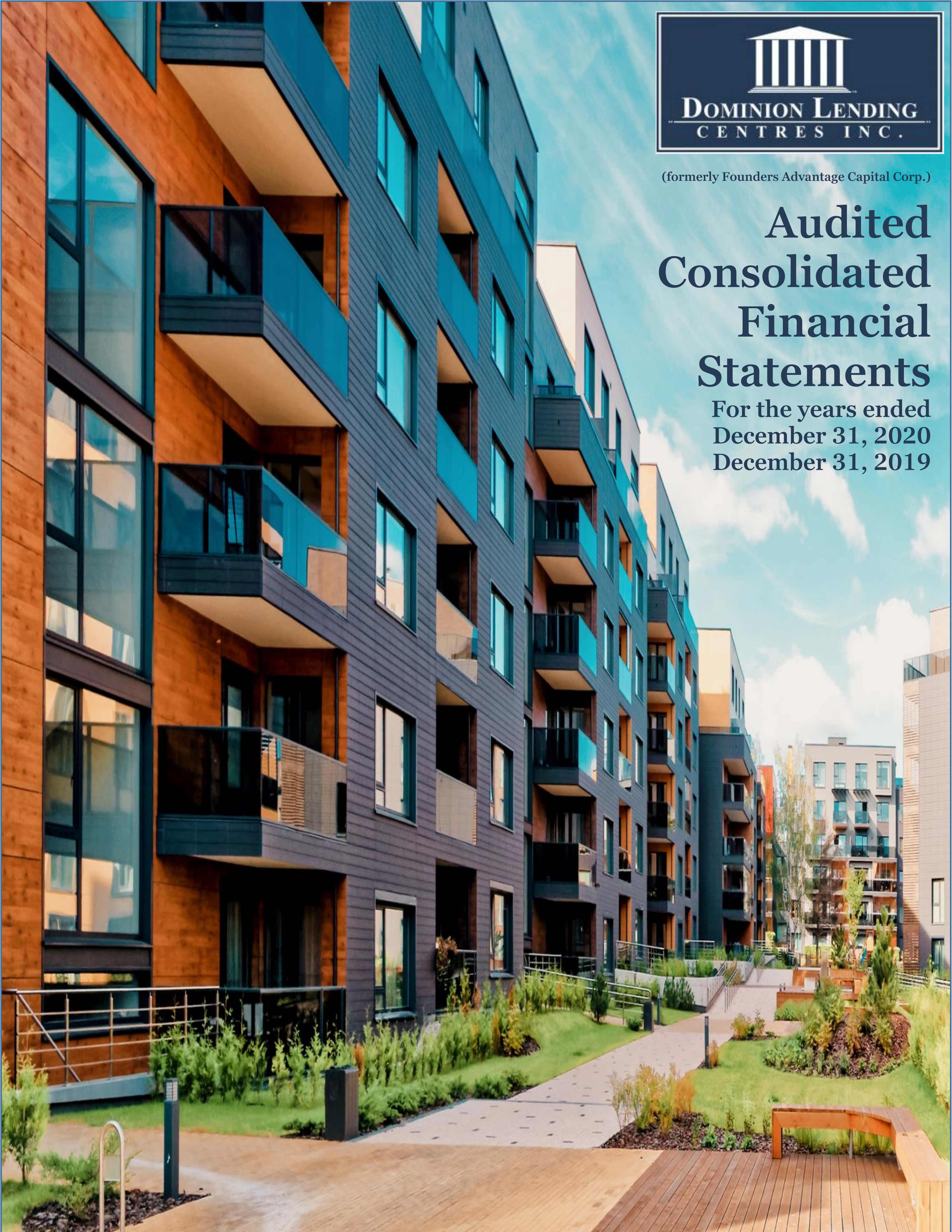

DOMINION LENDING
CENTRES INC.

(formerly Founders Advantage Capital Corp.)

Audited Consolidated Financial Statements

For the years ended
December 31, 2020
December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dominion Lending Centres Inc. (formerly Founders Advantage Capital Corp.)

Opinion

We have audited the consolidated financial statements of Dominion Lending Centres Inc. (formerly Founders Advantage Capital Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 IFRS, 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 Kim Wiggins.

Ernst & Young LLP

Calgary, Alberta
April 22, 2021

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

		As at December 31, 2020		As at December 31, 2019
Assets				
Current assets				
Cash and cash equivalents	$	**10,316**	$	5,458
Trade and other receivables (note 6)		**13,977**		16,270
Prepaid expenses and deposits		**1,651**		2,087
Notes receivable		**531**		410
Inventories (note 7)		**-**		3,563
Total current assets		**26,475**		27,788
Non-current assets				
Trade, other receivables and other assets (note 6)		**1,010**		556
Investments		**246**		557
Equity accounted investments (note 8)		**29,786**		1,229
Capital assets (note 9)		**321**		18,994
Right-of-use assets (note 10)		**2,177**		45,379
Intangible assets (note 11)		**123,088**		138,395
Goodwill (note 11)		**60,437**		88,922
Deferred tax asset (note 25)		**16,654**		-
Total assets	$	**260,194**	$	321,820
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	**24,128**	$	17,101
Loans and borrowings (note 16)		**7,410**		22,201
Deferred contract liabilities (note 13)		**900**		674
Lease obligations (note 17)		**417**		2,449
Preferred share liability (notes 4 and 30)		**9,164**		-
Total current liabilities		**42,019**		42,425
Non-current liabilities				
Loans and borrowings (note 16)		**33,368**		38,972
Deferred contract liabilities (note 13)		**1,712**		2,053
Foreign exchange forward contract liabilities (note 28)		**2,623**		365
Other long-term liabilities (note 14)		**4,504**		1,775
Lease obligations (note 17)		**2,296**		47,410
Deferred tax liabilities (note 25)		**26,261**		30,978
Preferred share liability (notes 4 and 30)		**96,521**		-
Total liabilities		**209,304**		163,978
Equity				
Share capital (note 18)		**130,216**		115,390
Contributed surplus		**15,573**		15,296
Accumulated other comprehensive loss		**-**		(223)
Deficit		**(96,322)**		(56,752)
Total equity attributable to shareholders		**49,467**		73,711
Non-controlling interest (note 15)		**1,423**		84,131
Total liabilities and equity	$	**260,194**	$	321,820

Commitments and contingencies (note 29)
Subsequent events (note 31)
The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

For the years ended December 31,		2020		2019
Revenue (note 21)	$	**52,413**	$	44,843
Direct costs		**6,615**		5,712
Gross profit		**45,798**		39,131
General and administrative (note 22)		**21,583**		21,516
Share-based payments (note 19)		**1,655**		439
Depreciation and amortization (notes 9, 10 and 11)		**4,312**		5,035
		27,550		26,990
Income from operations	$	**18,248**	$	12,141
Other (expense) income				
Finance expense (note 23)		**(5,700)**		(11,074)
Foreign exchange gain		**621**		2,455
Change in fair value of foreign exchange forward contracts (note 28)		**(562)**		(365)
Income from equity accounted investment (note 8)		**535**		104
Loss on contract settlement (note 29)		**(137)**		(404)
Other income (note 24)		**57**		88
		(5,186)		(9,196)
Income before tax from continuing operations	$	**13,062**	$	2,945
Income tax (expense) recovery (note 25)				
Current tax expense		**(6,517)**		(4,595)
Deferred tax recovery		**17,326**		240
		10,809		(4,355)
Income (loss) from continuing operations	$	**23,871**	$	(1,410)
Discontinued operations				
Income (loss) after tax from discontinued operations (note 5)		**1,688**		(3,001)
Net income (loss)	$	**25,559**	$	(4,411)
Attributable to (notes 5 and 26)**:**				
Common shareholders	$	**20,037**	$	(6,747)
Non-controlling interest	$	**5,522**	$	2,336
Earnings (loss) per Common Share attributable to common shareholders (notes 5 and 26)				
Basic	$	**0.53**	$	(0.18)
Diluted	$	**0.53**	$	(0.18)
Earnings (loss) per Common Share from continuing operations attributable to common shareholders (note 26)				
Basic	$	**0.44**	$	(0.16)
Diluted	$	**0.44**	$	(0.16)

The accompanying notes form an integral part of these financial statements.
Prior year information in the consolidated statements of income (loss) has been restated to conform to current year presentation, see note 5.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands of Canadian dollars)

For the years ended December 31,		**2020**		2019
Net income (loss)	**$**	**25,559**	$	(4,411)
Other comprehensive loss				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation loss (net of tax) (note 5)		**-**		(1,067)
Total other comprehensive loss		**-**		(1,067)
Comprehensive income (loss)	**$**	**25,559**	$	(5,478)
Attributable to:				
Common shareholders	**$**	**20,037**	$	(7,302)
Non-controlling interest	**$**	**5,522**	$	1,824

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

CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of Canadian dollars)

	Attributable to Shareholders of Dominion Lending Centres Inc. *(formerly Founders Advantage Capital Corp.)*						
	Share capital	**Contributed surplus**	**AOCL [1]**	**Deficit**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
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 – discontinued operations (note 5)	-	-	-	520	520	(4,486)	(3,966)
Balance at December 31, 2019	$ 115,390	$ 15,296	$ (223)	$ (56,752)	$ 73,711	$ 84,131	$ 157,842
Share cancellation (note 18)	**(174)**	**-**	**-**	**-**	**(174)**	**-**	**(174)**
Capital contribution from non-controlling interest (note 30)	**-**	**-**	**-**	**-**	**-**	**999**	**999**
DLC [2] reorganization transactions (notes 4 and 18)	**15,000**	**-**	**-**	**(59,607)**	**(44,607)**	**(61,365)**	**(105,972)**
Lender warrants (note 19)	**-**	**277**	**-**	**-**	**277**	**-**	**277**
Net income and comprehensive income	**-**	**-**	**-**	**20,037**	**20,037**	**5,522**	**25,559**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(6,112)**	**(6,112)**
Disposal of non-controlling interest – discontinued operations (note 5)	**-**	**-**	**223**	**-**	**223**	**(21,752)**	**(21,529)**
Balance at December 31, 2020	**$ 130,216**	**$ 15,573**	**$ -**	**$ (96,322)**	**$ 49,467**	**$ 1,423**	**$ 50,890**

(1) Accumulated other comprehensive loss.
(2) Dominion Lending Centres ("DLC").

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,		**2020**		2019
Operating Activities				
Net income (loss)	**$**	**25,559**	$	(4,411)
Items not affecting cash:				
Share-based payments (note 19)		**1,662**		375
Net loss on disposal of capital and intangible assets		**-**		220
Depreciation and amortization (notes 9, 10 and 11)		**14,362**		19,637
Amortization of debt issuance costs (note 23)		**793**		1,448
Depreciation and amortization of franchise renewals (note 11)		**2,001**		1,481
Lease abatements (note 17)		**(468)**		-
Realized foreign exchange loss – reclassification from AOCL (note 5)		**416**		-
Unrealized foreign exchange gain		**(678)**		(2,389)
Change in fair value of foreign exchange forward contract (note 28)		**562**		365
Non-cash write down/impairment (note 5)		**-**		6,832
Gain on equity accounted valuation / disposal of discontinued operations (note 5)		**(5,945)**		(440)
Change in fair value of non-controlling interest liability		**-**		132
Deferred tax recovery (note 25)		**(17,849)**		(2,026)
Income from equity accounted investment (note 8)		**(535)**		(104)
Interest on lease liabilities (note 17)		**2,712**		2,581
Other non-cash items		**403**		787
Changes in non-cash working capital (note 27)		**10,195**		2,987
Cash provided by operating activities		**33,190**		27,475
Investing Activities				
Expenditures on capital assets (note 9)		**(3,529)**		(7,266)
Investment in intangible assets (note 11)		**(5,206)**		(4,043)
Proceeds on disposal of capital and intangible assets		**3**		297
Distribution from (investment in) equity accounted investee (note 8)		**600**		(1,125)
Proceeds on disposal of investments, net of cash disposed (note 5)		**(532)**		13,468
Capital contribution from non-controlling interest (notes 15 and 30)		**999**		-
Distributions to non-controlling interests		**(6,112)**		(8,073)
Cash used in investing activities		**(13,777)**		(6,742)
Financing Activities				
Proceeds from debt financing, net of transaction costs (note 16)		**1,550**		5,750
Proceeds from settlement of foreign exchange forward contract (note 28)		**1,469**		-
Repayment of debt (note 16)		**(12,586)**		(20,120)
Net lease payments (note 17)		**(4,893)**		(5,519)
Capital contribution from the Private Placement (note 4)		**7,500**		-
Inversion rights termination (note 4)		**(7,500)**		-
Dividends paid to common shareholders (note 18)		**-**		(477)
Cash used in financing activities		**(14,460)**		(20,366)
Increase in cash and cash equivalents		**4,953**		367
Impact of foreign exchange on cash and cash equivalents		**(95)**		(4)
Cash and cash equivalents, beginning of year		**5,458**		5,095
Cash and cash equivalents, end of year	**$**	**10,316**	$	5,458
Cash flows include the following amounts:				
Interest paid	**$**	**4,790**	$	9,720
Interest received	**$**	**20**	$	74
Income taxes paid	**$**	**5,910**	$	6,628

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. ("we", "our", or the "Corporation") (formerly, Founders Advantage Capital Corp. or "FAC") is a Canadian mortgage brokerage and data connectivity provider with operations across Canada. It is listed on the TSX Venture Exchange under the symbol "DLCG" (formerly "FCF"). The head office of the Corporation is located at Suite 400, 2207 4th Street S.W., Calgary, Alberta, T2S 1X1. The Corporation was formed under the *Business Corporation Act* (Alberta) on October 1, 1998 and Founders Advantage Capital Corp. and Dominion Lending Centres Inc. ("DLC Inc.") were amalgamated under the *Business Corporation Act* (Alberta) on January 1, 2021.

DLC Acquisition

On December 31, 2020, the Corporation completed a purchase transaction (the "DLC Acquisition") whereby the Corporation acquired all of the remaining limited partnership units of Dominion Lending Centres LP ("DLC LP") in exchange for 26,774,054 non-voting and non-convertible Series 1, class B preferred shares (the "Preferred Shares") of the Corporation. Concurrent with the closing of the DLC Acquisition, the Corporation also completed a private placement. See note 4 for additional details.

Change in Club16 and Impact board composition and equity accounting

Following completion of the DLC Acquisition, the Corporation continues to hold its ownership interests in Club16 Limited Partnership ("Club16") and Cape Communications International Inc. ("Impact"). However, effective December 31, 2020, the Corporation entered into amended governance agreements, with each Club16 and Impact, to amend the number of board representatives, resulting in joint control. See note 8 for further details.

Entity overview

At December 31, 2020, the Corporation was operating as FAC. As a result of the DLC Acquisition and the change in board composition at Club16 and Impact, the Corporation had one consolidated subsidiary at December 31, 2020: Dominion Lending Centres Limited Partnership and its respective consolidated subsidiaries herein referred to as "Core Business Operations". On January 1, 2021, the Corporation commenced operating as Dominion Lending Centres Inc.

The following summarizes the Corporation's investments in subsidiaries and associates:

	Ownership interest	
	December 31, 2020	December 31, 2019
Core Business Operations		
DLC LP (1)	**100.0%**	60.0%
Non-Core Assets (2)		
Club16	**58.4%**	60.0%
Impact	**52.0%**	52.0%

(1) DLC LP includes its four main subsidiaries: DLC Inc., MCC Mortgage Centre Canada Inc. ("MCC"), MA Mortgage Architects Inc. ("MA") and Newton Connectivity Systems Inc. ("Newton") (collectively the "DLC Group"). DLC LP owns 100% of DLC Inc., MCC and MA and 70% of Newton.
(2) Club16 and Impact are herein referred to collectively as "Non-Core Assets".

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 22, 2021.

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

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. All intercompany balances and transactions have been eliminated on consolidation.

Non-controlling interests represent 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. Discontinued operations

The Corporation classifies a disposal group as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is party of a single co-ordinated plan to dispose or a separate major line of business or geographical area of operations
- Or is a subsidiary acquired exclusively with a view to resell

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of net income (loss) after tax from discontinued operations on the consolidated statements of income (loss) (see note 5).

d. COVID-19 Related Rent Concessions – Amendment to IFRS 16

In May 2020, the IASB released the COVID-19-Related Rent Concessions an amendment to IFRS 16 ("the amendment"), to provide relief to lessees when applying IFRS 16 to COVID-19 related rent concessions. The amendment allows a lessee to elect a practical expedient to not assess whether COVID-19 related rent concessions are a lease modification. When the practical expedient is elected, a lessee accounts for any change in lease payments resulting from COVID-19 rent concessions in the same way it would account for the change if the change was not a lease modification. These changes are related to Club16 and are included within discontinued operations on the consolidated statements of income (loss).

The Corporation first applied the amendment effective for the quarter-ended June 30, 2020. The amendment is applied retrospectively with the cumulative effect of adopting the amendment recognized as an adjustment to the opening balance of retained earnings at January 1, 2020, with no restatement of comparative information.

In accordance with the amendment, the Corporation is not required to present for the current and comparative periods, the amount of the adjustment for each financial statement line affected and for basic and diluted earnings (loss) per share.

The Corporation has elected to apply the practical expedient available under the amendment to all amended leases that meet the required conditions. The leases applicable for the amendment are building leases for Club16's gyms. Changes in lease payments that arose from COVID-19 related rent concessions are recognized in the consolidated statements of income (loss), within net income (loss) from discontinued operations. As the Corporation's rent concessions were not effective until April 2020, the Corporation did not incur any adjustments to the opening balance of retained earnings at January 1, 2020.

e. Government subsidies

A government grant is recognized when there is reasonable assurance that the grant will be received, and that the Corporation will comply with any conditions attached to the grant. When the grants relate to an expense item, they are recognized within Other Income on a systematic basis consistent with the recognition of the related costs that they are intended to compensate.

f. 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.

g. 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 and joint ventures 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 income (loss).

h. 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
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.

i. 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 includes 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 Core Business 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.

Intangible assets acquired on acquisition of Newton by the Core Business Operations 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 of Club16 include customer relationships with Club16's customer base and a brand name licensing agreement. The customer relationships have a five-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 of Impact include customer relationships, non-compete agreements 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 twenty-years, and the non-compete agreements over two-years. The brand name has an indefinite life.

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.

j. 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 income (loss).

k. Share-based payments

Share options
The Corporation issues share option 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 income (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 income (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 income (loss) within Discontinued Operations.

Phantom share options ("PSO")

PSOs are cash settled share-based payments awarded to employees. The fair value of the PSOs 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 PSOs expected to vest, which are in-the-money. PSOs are in-the-money when the Corporation's share price exceeds the exercise price of the PSOs. PSOs are measured at their fair value at each reporting period, which is determined using the share price at the closing date, less the exercise price and estimate for forfeited PSOs.

Restricted share units ("RSU")

RSUs are cash settled share-based payments awarded to directors and employees. The fair value of 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.

l. Inventories

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.

m. Warranty provision

The Corporation's warranty provision relates to expected warranty claims on products sold to Impact's customers and includes the incremental costs related to handling the estimated warranty claims. The provision is estimated based on historical claims and is accrued 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.

n. Leases

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.

Accounting for lease arrangements

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 statements of income (loss) and comprehensive income (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.

o. 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 income (loss) and comprehensive income (loss). Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated into Canadian dollars at the period end exchange rate, and the results of their operations are translated at the average rates for the period. The resulting translation adjustments are included in accumulated other comprehensive income (loss).

When the Corporation loses control of its subsidiary, it reclassifies the foreign currency gain or loss previously recognized within other comprehensive income (loss) to the consolidated statements of income (loss) or equity in the same manner in which it would reclassify other comprehensive income (loss) if the asset was disposed of.

p. Current and deferred taxes

Current taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates enacted at the end of the reporting period. Deferred tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated 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 income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the income tax is also recognized in other comprehensive income (loss) or equity, respectively.

q. Earnings (loss) per Common Share

Basic earnings (loss) per Common Share is calculated by dividing the earnings or (loss) for the year attributable to the ordinary equity holders, otherwise known as common shareholders, of the Corporation by the weighted average number of ordinary shares, otherwise known as common shares, outstanding during the year.

Diluted earnings (loss) per Common Share is calculated by dividing the earnings or (loss) attributable to ordinary equity holders, otherwise known as common shareholders, of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares, otherwise known as Common Shares, that would be issued on conversion of all the dilutive potential ordinary shares or lender warrants into ordinary shares.

r. 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:

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.

COVID-19 impact
Management has used the best available information in making well-reasoned judgements and estimates of the impact of COVID-19 on its financial statements. The ultimate impact of the pandemic on the Corporation's future operations and financial performance is currently unknown and will be dependent on a number of unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by management in making judgments, estimates and assumptions used in the preparation of these financial statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

Valuation of the Preferred Share liability
Management applies significant judgement to assess the fair value of the Preferred Share liability. Significant assumptions used in determining the fair value of the investment in the Preferred Shares liability include determination of future revenues and cash flows, and the discount rate. The estimates and assumptions used in determining the Preferred Share liability are subject to uncertainty, and if changed, they could significantly differ from those recognized in the financial statements.

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. As the non-core assets were discontinued operations at December 31, 2020, these lease liabilities have been removed from the consolidated statements of financial position at December 31, 2020.

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

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

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

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 income (loss).

Management has concluded that the DLC brand names and the Impact brand name 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 income (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. 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.

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.).

s. 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"). All of the Corporation's financial assets are measured at amortized cost other than its investments, which are measured at FVTPL.

For those financial assets measured at amortized cost, an 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 trade and other receivables, under which the lifetime ECLs 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.

On initial recognition, a financial liability is classified as measured at: amortized cost or FVTPL. All of the Corporation's financial liabilities are measured at amortized cost other than its foreign exchange forward contract liabilities, which are derivatives required to be measured at FVTPL.

The Preferred Shares were initially measured at their fair value net of any directly attributable transaction costs and will be subsequently recognized at amortized cost. The Preferred Share liability will be revised for any changes in cash flow estimates at the end of each reporting period using an income approach based on the initial discount rate applied. The adjustments to the carrying value of the Preferred Shares are recognized as a revaluation gain or loss within finance expense on the consolidated statements of income (loss).

t. 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.

Core Business Operations—franchising revenue, mortgage brokerage services
Mortgage brokerage franchising revenue is earned for providing franchisees the nonexclusive right to operate a DLC Group 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 and agreements with suppliers and vendors to earn income based on transactions of their services. Connectivity fee revenue is comprised of two streams: lender and supplier bonus revenues and Newton's revenues. Lender bonuses are agreements made with certain preferred lenders to earn income based on volume of mortgage funded. Newton's revenues are earned through three channels: fees paid by Canadian lenders based on funded volumes of mortgages, monthly subscription fees from non-DLC Group brokers and third-party supplier fees on a transaction basis. 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.

Core Business Operations—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. The 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.

u. Recent accounting pronouncements

Effective January 2020, IASB issued *Classification of Liabilities as Current or Non-Current (amendments to IAS 1 – Presentation of Financial Statements)*. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights which existed at the end of the reporting period. The classification is not affected by expectations about whether an entity will exercise its right to defer settlement of a liability and clarify that settlement refers to the transfer to the counter party of cash, equity instruments or other assets or services. The amendment is effective for calendar periods beginning on or after January 1, 2023 and are applied retrospectively. The amendment may be early adopted. The Corporation does not anticipate that the adoption of the amendment will have any effect onto its classification of current and non-current liabilities within its consolidated statements of financial position. The Corporation will adopt the amendment on the effective date of January 1, 2023.

(in thousands of Canadian dollars)

4. ACQUISITION OF THE NON-CONTROLLING INTEREST IN DLC LP

On December 31, 2020, the Corporation completed the DLC Acquisition with KayMaur Holdings Ltd. ("KayMaur") and certain minority holders, whereby the Corporation acquired all of the limited partnership units of DLC LP that it did not already own in exchange for the Preferred Shares. KayMaur is a related party (see note 30).

On December 31, 2020, the Corporation also completed a private placement of 4,285,714 class A common shares ("Common Shares") at $1.75 per share for aggregate gross proceeds of $7,500 (the "Private Placement") concurrent with the closing of the DLC Acquisition. Upon completion of the Private Placement, the Corporation paid the DLC LP vendors an aggregate of $15,000 (the "Inversion Rights Termination Transaction"), consisting of $7,500 in cash and 4,285,714 Common Shares (valued at a deemed price of $1.75 per share), to terminate the vendors' contractual right to a disproportionate share of future cash distributions above a defined threshold amount (referred to as the "Inversion Rights").

On December 31, 2020, the Corporation recognized a deferred tax asset of $16,654 for non-capital losses that are expected to be utilized by offsetting income in the new amalgamated entity (see note 25). The deferred tax asset is recognized on the consolidated statements of financial position.

The Preferred Shares issued were recognized as a liability on the consolidated statement of financial position. The Preferred Shares are a liability as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares into perpetuity. The holders of the Preferred Shares (the "Preferred Shareholders") are entitled to dividends equal to 40% of Core Business Distributable Cash ("CDC"), as defined in the Preferred Share terms, which represents cash generated by Core Business Operations after spending what is required to maintain or expand the current asset base. Any adjustments to the calculation of CDC are required to be approved by the Board of the Corporation and the Preferred Shareholders. The Preferred Shareholders are entitled to be paid their 40% portion of CDC within 120 days of the end of each fiscal year ("Annual Preferred Share Dividend"). The Corporation shall declare and pay interim monthly cash dividends ("Interim Dividends") to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good faith estimate of the monthly instalment of the Annual Preferred Share Dividend. If the Interim Dividends declared and paid in respect of any particular fiscal year exceed the Annual Preferred Share Dividend for that same fiscal year, then the difference will be deducted and withheld from the Interim Dividends otherwise payable for the next following fiscal year, until offset in full.

The Preferred Shareholders are further entitled, in the event of a liquidation or winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, to receive the amount equal to any accrued but unpaid Annual Preferred Share Dividend plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations. The Preferred Shareholders will not be entitled, upon liquidation, dissolution or winding up of the Corporation or on the sale of any part of the Non-Core Assets, to share in any proceeds received by the Corporation from the disposition of the Non-Core Assets.

The fair value of the Preferred Shares was determined using an income approach based on the estimated future cash flows to which the Preferred Shareholders are entitled. The Preferred Share liability is a level three fair value estimate based on forecasted CDC applying a discount rate of 15.2%, net of directly attributable transaction costs.

Changes in the Corporation's interest in a subsidiary that does not result in a change in control are accounted for within shareholders' equity. The following summarizes the change to the Corporation's deficit as a result of the DLC Acquisition:

		December 31, 2020
Preferred Share liability	**$**	**(105,685)**
Add back transaction costs		**(287)**
Issuance of Preferred Shares		**(105,972)**
Issuance of Common Shares (see note 18)		**(15,000)**
Elimination of non-controlling interest		**61,365**
Net increase to deficit	**$**	**(59,607)**

(in thousands of Canadian dollars)

5. DISCONTINUED OPERATIONS

Following completion of the DLC Acquisition, on December 31, 2020, the Corporation amended its shareholder agreements with the minority shareholders of Club16 and Impact (see note 8). Our ownership interest remains the same in Club16 and Impact at 58.4% and 52.0%, respectively.

As a result of the disposal of the previous parent-subsidiary relationship, the Corporation reclassified the results of Club16 and Impact for the years ended December 31, 2020 and 2019 as discontinued operations in the Corporation's consolidated statements of net income (loss).

At December 31, 2020, the Corporation recognized its equity accounted investment in the joint ventures of Club16 and Impact at their fair values of $18,279 and $10,343, resulting in a gain recognized within discontinued operations of $2,803 and $3,142, respectively. In addition, the Corporation reclassified $416 of foreign exchange translation loss from Impact related to the shareholders of the Corporation from other comprehensive income (loss) to the consolidated statements of income (loss) as an offset within foreign exchange gain (December 31, 2019 – $nil).

On September 30, 2019, the Corporation sold its 50% interest in Astley Gilbert Limited ("AG") for proceeds of $16,987. As a result of the transaction, the Corporation has presented the results of AG as discontinued operations for the comparative periods in the Corporation's consolidated statements of income (loss).

The following summarizes the results of these discontinued operations in the current year ended December 31, 2020 and the comparative year ended December 31, 2019.

For the year ended December 31, 2020		**Club16**		**Impact**		**Total**
Revenue	$	**23,801**	$	**8,644**	$	**32,445**
Expenses [(1)]		**28,281**		**8,618**		**36,899**
(Loss) income before tax from discontinued operations		**(4,480)**		**26**		**(4,454)**
Current tax expense		**-**		**(326)**		**(326)**
Deferred tax recovery		**251**		**272**		**523**
		251		**(54)**		**197**
Gain on valuation of equity accounted investments		**2,803**		**3,142**		**5,945**
(Loss) income from discontinued operations	$	**(1,426)**	$	**3,114**	$	**1,688**
Attributable to:						
Shareholders	$	**371**	$	**2,928**	$	**3,299**
Non-controlling interest	$	**(1,797)**	$	**186**	$	**(1,611)**
Earnings from discontinued operations per Common Share attributable to shareholders:						
Basic earnings per share	$	**0.01**	$	**0.08**	$	**0.09**
Diluted earnings per share	$	**0.01**	$	**0.08**	$	**0.09**

(1) Included in expenses is other income, which includes wage subsidies of $1,353 and $260 for Club16 and Impact, respectively. Club16's expenses also include other income from lease abatements of $468.

(in thousands of Canadian dollars)

For the year ended December 31, 2019	Club16	Impact	AG (1)	Total
Revenue	$ 30,260	$ 15,219	$ 38,224	$ 83,703
Expenses (2)	29,830	11,602	45,560	86,992
Income (loss) before tax from discontinued operations	430	3,617	(7,336)	(3,289)
Current tax expense	-	(1,232)	(706)	(1,938)
Deferred tax recovery	787	276	723	1,786
	787	(956)	17	(152)
Gain on disposal of discontinued operations	-	-	440	440
Income (loss) from discontinued operations	$ 1,217	$ 2,661	$ (6,879)	$ (3,001)
Attributable to:				
Shareholders	$ 1,044	$ 1,385	$ (3,220)	$ (791)
Non-controlling interest	$ 173	$ 1,276	$ (3,659)	$ (2,210)
Net earnings (loss) from discontinued operations per Common Share attributable to shareholders:				
Basic earnings (loss) per share	$ 0.03	$ 0.04	$ (0.08)	$ (0.02)
Diluted earnings (loss) per share	$ 0.03	$ 0.04	$ (0.08)	$ (0.02)

(1) AG was disposed of on September 30, 2019; therefore, its results are for the nine months ended September 30, 2019.
(2) Included in AG's expenses is non-cash impairment of $6,832 for the nine months ended September 30, 2019.

The cash flows of the Corporation include discontinued operations up to the date they are classified as discontinued operations. The following are the cash flows from the Corporation's discontinued operations for the year ended December 31, 2020 and the year ended December 31, 2019.

For the year ended December 31, 2020	Club16	Impact	Total
Cash from operating activities	**$ 8,801**	**$ 1,191**	**$ 9,992**
Cash used in investing activities	**(4,465)**	**(1,680)**	**(6,145)**
Cash used in financing activities	**(4,732)**	**(80)**	**(4,812)**
Cash flows used in discontinued operations	**$ (396)**	**$ (569)**	**$ (965)**
Impact of foreign exchange on cash and cash equivalents	**$ -**	**$ 16**	**$ 16**

At December 31, 2020, Club16 and Impact had cash balances of $390 and $142, respectively.

For the year ended December 31, 2019	Club16	Impact	AG (1)	Total
Cash from operating activities	$ 9,545	$ 4,590	$ 5,948	$ 20,083
Cash used in investing activities	(8,876)	(4,204)	(1,466)	(14,546)
Cash used in financing activities	(887)	(80)	(4,199)	(5,166)
Cash flows (used in) from discontinued operations	$ (218)	$ 306	$ 283	$ 371
Impact of foreign exchange on cash and cash equivalents	$ -	$ 6	$ -	$ 6

(1) AG's cash flows are for the nine months ended September 30, 2019 as it was disposed of on September 30, 2019.

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

6. TRADE AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Trade accounts receivable		
Franchise fees and mortgage brokerage services	**$ 12,191**	$ 11,020
Radio and radio accessories	**-**	1,234
Other trade receivables (1)	**1,213**	252
	13,404	12,506
Other receivables and assets	**1,583**	4,320
Total trade and other receivables	**14,987**	16,826
Less long-term portion	**(1,010)**	(556)
	$ 13,977	$ 16,270

(1) Other trade receivables primarily relate to receivables from Newton revenues.

(in thousands of Canadian dollars)

At December 31, 2020, the Non-Core Assets have been accounted in accordance with equity accounting and have been deconsolidated from the consolidated statements of financial position at December 31, 2020 (see note 8).

Franchise fees and mortgage brokerage services receivables also include connectivity fee receivables, which are recognized on an accrual basis as the volume or activity thresholds are fulfilled and are primarily collected in the first four months of the following fiscal year.

Other receivables and assets, as at December 31, 2020 include $341 (December 31, 2019—$341) due to the Corporation from related parties (see note 30). Other receivables also include current amounts due from related parties (see note 30) of $nil (December 31, 2019—$2,380), and other non-trade receivables and assets of $1,242 (December 31, 2019—$1,599).

		December 31, 2020		December 31, 2019
Current	**$**	**13,314**	$	11,178
31-60 days		**68**		894
61-90 days		**58**		34
Past due > 90 days		**340**		537
Allowance for doubtful accounts		**(376)**		(137)
	$	**13,404**	$	12,506

The Corporation has an allowance for doubtful accounts as at December 31, 2020 of $376 (December 31, 2019—$137) for our outstanding trade and other receivables. The Corporation considers all amounts greater than 90 days as past due.

7. INVENTORIES

		December 31, 2020		December 31, 2019
Radio and radio accessories	**$**	**-**	$	3,530
Other		**-**		33
	$	**-**	$	3,563

At December 31, 2020, the Non-Core Assets have been accounted in accordance with equity accounting and have been deconsolidated from the consolidated statements of financial position at December 31, 2020 (see note 8).

For the year ended December 31, 2020, there were no amounts included in direct costs for continuing operations related to inventories (December 31, 2019—$6,394) as the results of the Non-Core Assets have been reclassified within discontinued operations.

8. EQUITY ACCOUNTED INVESTMENTS

Club16

The Corporation owns a 58.4% interest in Club16. The principal place of business is Surrey, British Columbia, Canada.

Effective December 31, 2020, the Corporation and the principals of Club16 entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's Club16 board nominees from three (3) representatives to two (2) representatives. As such, the Club16 principals will now have two (2) board representatives and the Corporation will now have two (2) board representatives.

Though the Corporation has maintained its ownership interest, as of December 31, 2020, the Corporation no longer has the ability to unilaterally determine matters requiring approval by the Board of Directors. Given that the shareholders' agreement requires all decisions of shareholders to be unanimous, the loss of control of Board decisions was determined to result in a loss of control of Club16 by the Corporation; at December 31, 2020, the Corporation was determined to have joint control of Club16 with the minority interest holders. The Corporation is entitled to the net assets of Club16, and therefore, this joint arrangement is considered a joint venture and accounted for using the equity method.

As a result of the disposal of the previous parent-subsidiary relationship, the Corporation recognized its investment in Club16 on December 31, 2020 at its estimated fair value on that date of $18,279. The fair value was determined based on management's estimate of the total expected future cash flows that will be generated by Club16 and is a level three fair value estimate. Significant assumptions used in determining the fair value of the Corporation's investment in Club16 include estimates of future revenues and cash flows, discount rate and market conditions at December 31, 2020.

(in thousands of Canadian dollars)

The following table summarises the statement of financial position information of Club16 at December 31, 2020:

		December 31, 2020
Current assets	$	**5,897**
Non-current assets		**86,207**
Current liabilities		**(15,969)**
Non-current liabilities		**(57,882)**
Net assets		**18,253**
% of ownership		**58.4%**
		10,660
Goodwill		**7,619**
Corporation share of net assets	$	**18,279**

Impact

The Corporation owns a 52.0% interest in Impact. The principal place of business is Kelowna, British Columbia, Canada.

Effective December 31, 2020, the Corporation and the principal of Impact entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's board nominees from two (2) representatives to one (1) representative. As such, the Impact principal will now have one (1) board representative and the Corporation will now have one (1) board representative.

Though the Corporation has maintained its ownership interest, as of December 31, 2020, the Corporation no longer has the ability to unilaterally determine matters requiring approval by the Board of Directors. Given that the shareholders' agreement requires all decisions of shareholders to be unanimous, the loss of control of board decisions was determined to result in a loss of control of Impact by the Corporation; at December 31, 2020, the Corporation was determined to have joint control of Impact with the minority interest holder. The Corporation is entitled to the net assets of Impact, and therefore, the joint arrangement is considered a joint venture and accounted for using the equity method.

As a result of the disposal of the previous parent-subsidiary relationship, the Corporation recognized its investment in Impact on December 31, 2020 at its estimated fair value on that date of $10,343. The fair value was determined based on management's estimate of the total expected future cash flows that will be generated by Impact and is a level three fair value estimate. Significant assumptions used in determining the fair value of the Corporation's investment in Impact include estimates of future revenues and cash flows, discount rate and market conditions at December 31, 2020.

The following table summarises the statement of financial position information of Impact:

		December 31, 2020
Current assets	$	**4,106**
Non-current assets		**11,662**
Current liabilities		**(534)**
Non-current liabilities		**(3,378)**
Net assets		**11,856**
% of ownership		**52.0%**
		6,165
Goodwill		**4,178**
Corporation share of net assets	$	**10,343**

(in thousands of Canadian dollars)

Real Estate and Mortgage Institute of Canada Inc.

On April 1, 2019, the Core Business Operations acquired a 50.0% equity interest in Real Estate and Mortgage Institute of Canada Inc. and Conversational Artificial Intelligence Technologies Inc. (herein collectively referred to as "REMIC"). The principal place of business of REMIC is Toronto, Ontario, Canada.

The Corporation holds joint control of REMIC as each shareholder of REMIC holds a 50.0% voting interest in the entity. The Corporation is entitled to the net assets of REMIC, and therefore, the joint control arrangement is considered a joint venture and accounted for using the equity method.

During the year ended December 31, 2020, the Corporation recognized distributions received from REMIC totaling $600 (December 31, 2019 - $nil).

The following table summaries the financial information of REMIC:

		December 31, 2020		December 31, 2019
Current assets	**$**	**442**	$	302
Non-current assets		**114**		88
Current liabilities		**(294)**		(35)
Non-current liabilities		**(60)**		(23)
Net assets		**202**		332
% of ownership		**50.0%**		50.0%
		101		166
Goodwill		**1,063**		1,063
Corporation share of net assets	**$**	**1,164**	$	1,229

For the years ended December 31,		**2020**		2019
Revenue	**$**	**3,726**	$	1,785
Expenses (including income tax)		**(2,656)**		(1,577)
Net income		**1,070**		208
% of ownership		**50.0%**		50.0%
Corporation share of net income	**$**	**535**	$	104

(in thousands of Canadian dollars)

9. CAPITAL ASSETS

	Machinery and equipment	Leasehold improvements	Fitness equipment	Other	Total capital assets
Cost					
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	(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
Additions	**-**	**1,645**	**1,614**	**270**	**3,529**
Disposals [1]	**-**	**(14,958)**	**(12,428)**	**(1,424)**	**(28,810)**
Balance at December 31, 2020	**$ -**	**$ 116**	**$ -**	**$ 492**	**$ 608**
Accumulated amortization					
Balance at December 31, 2018	$ (4,299)	$ (2,496)	$ (1,880)	$ (846)	$ (9,521)
Disposals	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)
Disposals [1]	**-**	**4,893**	**4,135**	**920**	**9,948**
Depreciation and amortization expense	**-**	**(1,636)**	**(1,305)**	**(399)**	**(3,340)**
Balance at December 31, 2020	**$ -**	**$ (93)**	**$ -**	**$ (194)**	**$ (287)**
Carrying value					
December 31, 2019	$ -	$ 10,079	$ 7,984	$ 931	$ 18,994
December 31, 2020	**$ -**	**$ 23**	**$ -**	**$ 298**	**$ 321**

(1) As at December 31, 2020 the capital assets relating to the operations of the Non-Core Assets were included in the equity accounted investments (see note 8).

(in thousands of Canadian dollars)

10. RIGHT-OF-USE ASSETS

	Office & Buildings	Machinery & 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	(9,273)	(2,262)	(23)	(11,558)
Change in fair value	(43)	-	-	(43)
Balance at December 31, 2019	$ 49,295	$ -	$ 121	$ 49,416
Additions	**12,966**	**-**	**74**	**13,040**
Disposals	**(59,502)**	**-**	**(195)**	**(59,697)**
Lease modifications	**(41)**	**-**	**-**	**(41)**
Balance at December 31, 2020	**$ 2,718**	**$ -**	**$ -**	**$ 2,718**
Accumulated amortization				
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Transfer from capital assets	-	(521)	-	(521)
Disposals	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)
Disposals [(1)]	**8,212**	**-**	**86**	**8,298**
Depreciation and amortization expense	**(4,756)**	**-**	**(46)**	**(4,802)**
Balance at December 31, 2020	**$ (541)**	**$ -**	**$ -**	**$ (541)**
Carrying value				
December 31, 2019	$ 45,298	$ -	$ 81	$ 45,379
December 31, 2020	**$ 2,177**	**$ -**	**$ -**	**$ 2,177**

(1) As at December 31, 2020 the right-of-use assets relating to the operations of the Non-Core Assets were included in the equity accounted investments (see note 8).

(in thousands of Canadian dollars)

11. INTANGIBLE ASSETS AND GOODWILL

		Franchise rights, relationships and agreements		Brand names		Customer relationships		Other (1)		Total intangible assets
Cost										
Balance at December 31, 2018	$	89,057	$	50,585	$	34,513	$	6,241	$	180,396
Additions		4,006		-		-		37		4,043
Disposals		-		(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
Additions		**4,974**		**-**		**-**		**232**		**5,206**
Disposals (2)		**-**		**(2,078)**		**(18,719)**		**(1,078)**		**(21,875)**
Effect of movements in exchange rates		**-**		**-**		**152**		**-**		**152**
Balance at December 31, 2020	**$**	**98,037**	**$**	**45,700**	**$**	**-**	**$**	**5,214**	**$**	**148,951**
Accumulated amortization										
Balance at December 31, 2018	$	(11,212)	$	(1,125)	$	(5,552)	$	(3,127)	$	(21,016)
Disposals		-		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)
Disposals (2)		**-**		**947**		**7,627**		**857**		**9,431**
Depreciation and amortization recognized as a charge against revenue		**(2,001)**		**-**		**-**				**(2,001)**
Depreciation and amortization expense		**(3,480)**		**(237)**		**(1,937)**		**(566)**		**(6,220)**
Balance at December 31, 2020	**$**	**(21,817)**	**$**	**-**	**$**	**-**	**$**	**(4,046)**	**$**	**(25,863)**
Carrying value										
December 31, 2019	$	76,727	$	47,068	$	12,877	$	1,723	$	138,395
December 31, 2020	**$**	**76,220**	**$**	**45,700**	**$**	**-**	**$**	**1,168**	**$**	**123,088**

(1) Other intangible assets comprise software acquired on the initial acquisition of the Core Business Operations (including Newton) and intellectual property rights purchased by the Core Business Operations.
(2) As at December 31, 2020, the intangible assets relating to the operations of the Non-Core Assets were included in equity accounted investments (see note 8).

Intangible assets with indefinite lives:

		December 31, 2020		December 31, 2019
DLC Group Franchise brand names	**$**	**45,700**	$	45,700

(in thousands of Canadian dollars)

For the purposes of impairment testing, the Corporation has two groups of CGUs, to which goodwill is allocated: the DLC Group Franchises and Newton.

The following table shows the carrying amount of goodwill by CGU:

Goodwill by CGU		**December 31, 2020**		December 31, 2019
DLC Group Franchises	**$**	**57,097**	$	57,097
Newton		**3,340**		3,340
Club16 (1)		**-**		22,431
Impact (1)		**-**		6,054
	$	**60,437**	$	88,922

(1) As at December 31, 2020, the goodwill relating to the operations of the Non-Core Assets were included within equity accounted investments (see note 8).

The Corporation completed its annual impairment test for goodwill and indefinite life intangible assets as at December 31, 2020. The recoverable amounts were based on the fair value less cost of disposal, an income-based approach whereby a present value technique is employed that takes into account estimated future cash flows based on 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 its Board of Directors. The key assumptions used in performing the impairment tests were as follows:

	DLC Group Franchises	Newton
Perpetual growth rate	2.0%	2.0%
Tax rate	26.8%	26.8%
Discount rate	9.8%	25.5%

Based on management's assessment, no impairment was recognized on continuing operations during the year ended December 31, 2020 (2019—$nil). Non-cash impairment of $6,832 was recognized within discontinued operations for the year ended December 31, 2019 (see note 5).

As the Non-Core Assets were recognized within equity accounted investments at their respective fair values at December 31, 2020. The fair value exceeded the carrying value of the net assets of the Non-Core Assets; therefore, no impairment was recognized for the equity accounted investments during the year ended December 31, 2020.

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 reasonable 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.

(in thousands of Canadian dollars)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2020		December 31, 2019
Accrued liabilities				
Commissions payable	$	**13,216**	$	7,098
Operational lender credit		**1,921**		881
Other accrued liabilities		**5,199**		3,971
		20,336		11,950
Trade payables		**799**		2,237
Income tax payable		**2,020**		1,015
Government agencies payable		**931**		746
Other		**42**		1,153
	$	**24,128**	$	17,101

As at December 31, 2020, the liabilities relating to the operations of the Non-Core Assets were included in equity accounted investments (see note 8).

13. DEFERRED CONTRACT LIABILITIES

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

		December 31, 2020		December 31, 2019
Balance at January 1	$	2,727	$	2,726
Additions		9,581		10,949
Revenue recognized from deferred contract liabilities		(8,908)		(10,948)
Disposal [(1)]		(788)		-
Balance at December 31	$	2,612	$	2,727
Current	$	**900**	$	**674**
Non-current	$	**1,712**	$	**2,053**

(1) As at December 31, 2020, the liabilities relating to the operations of the Non-Core Assets were included in equity accounted investments (see note 8).

14. OTHER LONG-TERM LIABILITIES

		December 31, 2020		December 31, 2019
RSU liability	$	**1,602**	$	353
Impact contingent liability (see note 30)		**1,000**		972
Constructive obligation (see note 29)		**1,036**		-
Franchise renewal incentives		**555**		-
Other		**311**		450
	$	**4,504**	$	1,775

15. NON-CONTROLLING INTEREST

Non-controlling interests represent third-party equity interests in subsidiaries controlled by the Corporation. On December 31, 2020, the Corporation completed the DLC Acquisition (see note 4) resulting in the Corporation owning 100% of the Core Business Operations. Within the Core Business Operations is the Corporation's interest in Newton, of which the Corporation owns 70%. The remaining non-controlling interest recognized as at December 31, 2020 represents the minority interest investment in Newton.

Effective December 31, 2020, the Corporation also had a change in board composition for Club16 and Impact (see note 8). As a result, Club16 and Impact were determined to be jointly controlled by the Corporation and their minority interest owners as of that date and accounted for following equity accounting at December 31, 2020. As such, at December 31, 2020, the Corporation no longer has a non-controlling interest recognized on the statement of financial position. Refer to note 5 for the revenues, net loss, net loss attributable to non-controlling interest, and the cash flows up to the date of disposal.

(in thousands of Canadian dollars)

Club16 Private Placement

On June 29, 2020, Club16 completed a private placement of 273 class A Limited Partnership Units to the founder and operating partner of Club16 for proceeds of $999. As a result, the Corporation's ownership interest in Club16 decreased from 60.0% to 58.4%. The allocation of net income and earnings (loss) per Common Share, between the common shareholders of the Corporation and non-controlling interest are allocated based on the Corporation's 58.4% ownership interest in Club16, effective July 1, 2020. The proceeds from the Club16 offering were used to fund the opening of two new clubs.

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, 2020		December 31, 2019
Newton	**$**	**1,423**	$	1,075
Core Business Operations (excluding Newton)		**-**		59,338
Club16 (1)		**-**		14,210
Impact (1)		**-**		9,508
	$	**1,423**	$	84,131

(1) The Corporation has deconsolidated of all NCI relating to the operations of the Non-Core assets, as these investments are now equity accounted investments (see note 8).

As at and for the year ended December 31, 2020		Newton
Non-controlling interest ownership percentage		30.0%
Current assets	**$**	**3,832**
Non-current assets		**3,909**
Current liabilities		**(3,334)**
Non-current liabilities		**(141)**
Revenues		**7,147**
Net income		**2,184**
Net income attributable to non-controlling interest		**655**
Cash flow provided by operating activities		**2,701**
Cash flow used by investing activities		**(232)**
Cash flow used by financing activities		**(1,549)**
Increase in net cash and cash equivalents	**$**	**920**

(in thousands of Canadian dollars)

As at and for the year ended December 31,2019 (1)		Core Business Operations (2)		Newton		Club16		Impact
Non-controlling interest ownership percentage		40.0%		30.0%		40.0%		48.0%
Current assets	$	14,814	$	2,446	$	3,498	$	5,590
Non-current assets		182,251		3,781		90,233		16,678
Current liabilities		(20,473)		(2,564)		(13,498)		(1,622)
Non-current liabilities		(32,608)		(82)		(47,754)		(3,168)
Revenues		39,164		5,679		30,260		15,219
Net income		10,474		590		1,217		2,661
Net income attributable to non-controlling interest		4,369		177		173		1,276
Cash flow provided by operating activities		18,097		1,008		9,545		4,595
Cash flow used by investing activities		(16,639)		-		(8,877)		(4,204)
Cash flow used by financing activities		(237)		(1,049)		(886)		(80)
Increase (decrease) in net cash and cash equivalents	$	1,221	$	(41)	$	(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 5 for the revenues, net loss, net loss attributable to non-controlling interest, and the cash flows up to the date of disposal.
(2) Core Business Operations excludes Newton.

16. LOANS AND BORROWINGS

		December 31, 2020		December 31, 2019
Core Business Operations				
DLC Group term loan facilities	**$**	**3,263**	$	4,385
DLC Group operating facility		**-**		6,950
Non-Core Business Asset Management				
Sagard credit facility (1)		**37,515**		40,228
Club16 facilities (2)		**-**		9,610
Total loans and borrowings		**40,778**		61,173
Less current portion		**(7,410)**		(22,201)
	$	**33,368**	$	38,972

(1) Net of debt issuance costs. At December 31, 2020, the Sagard credit facility's principal balance owing was USD $30,735 (CAD $39,132) (December 31, 2019—USD $32,621 (CAD $42,368)).
(2) As at December 31, 2020, all liabilities relating to the operations of the Non-Core Assets are included within equity accounted investments (see note 8).

Core Business Operations

Term loans

The term loan is made up of two facilities: a $1,100 non-revolving term loan facility and a $10,300 non-revolving term loan facility.

The $1,100 non-revolving term loan was used to refinance the acquisition of REMIC on July 23, 2019 (see note 8). The term loan matures 60 months from the date of drawdown. This facility has $943 outstanding as of December 31, 2020 (December 31, 2019—$1,030).

The $10,300 non-revolving term loan facility matures on December 30, 2021. This facility has $2,320 outstanding as of December 31, 2020 (December 31, 2019—$3,355).

On March 27, 2020, DLC Inc. (now, the Corporation) amended its existing term loans. The amendment suspended principal payments effective April 2020 for six months, in order to increase liquidity.

Operating facility

The $9,500 revolving operating facility is held as an operating demand loan to finance working capital requirements and fund acquisitions. This facility has no amounts drawn as of December 31, 2020 (December 31, 2019—$6,950).

On December 3, 2020, DLC Inc. (now, the Corporation) amended its credit facility to restate the general security agreement from a first charge over the assets of DLC Inc. to a first charge over the Core Business Operations' assets of the Corporation (and a second priority charge on the Non-Core Assets) and stating that the debt service charge ratio covenant test is calculated based on the consolidated financial statements of the Core Business Operations and the debt-to-EBITDA ratio is calculated based on the consolidated financial statements of the Core and Non-Core Business. Borrowings under the term loan facilities and operating facility bear interest at a rate equal to prime rate plus 1.0% per annum. Annual financial covenants for the term loans and the operating facility 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 3.75:1.00. As at December 31, 2020, the Corporation was in compliance with all such covenants.

Non-Core Asset Management

The Corporation is obligated to make quarterly repayments on our Sagard credit facility based on non-core business asset management free cash flow. At December 31, 2020, the Corporation had $4,921 classified as current debt based on forecasted free cash flows (December 31, 2019—$3,775). The Sagard credit facility matures on June 14, 2022, unless the one-year extension option is exercised by the Corporation (see note 31). Quarterly financial covenants in the Sagard 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 not greater than 3.75:1.00. As at December 31, 2020, the Corporation was in compliance with all such covenants.

Effective December 30, 2020, FAC (now, the Corporation) amended its Sagard credit facility to restate the general security agreement from a first charge over the assets of FAC to a first charge over the Non-Core Assets of the Corporation (and a second priority charge on the Core Business Operations' assets) and effective December 31, 2020, amended the Sagard credit facility to extend the expiry date of the existing lender warrants for an additional twelve months from June 14, 2022 to June 14, 2023 (see note 19).

On June 24, 2020, FAC (now, the Corporation) amended its Sagard credit facility to permit Club16 to issue 273 class A LP units for $999 and use these proceeds to open two new fitness clubs in British Columbia (see note 30).

On March 25, 2020, FAC (now, the Corporation) amended its Sagard credit facility to permit the Corporation to unwind its USD $15,000 foreign currency forward contract and retain the proceeds to enhance liquidity (see note 28).

(in thousands of Canadian dollars)

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		(9,615)
Balance at December 31, 2019		49,859
Additions of new leases		**13,040**
Lease payments		**(5,223)**
Lease abatements		**(468)**
Tenant allowances		**330**
Lease modifications		**(41)**
Change in fair value		**(43)**
Interest on lease obligations (1)		**2,712**
Disposals (2)		**(57,453)**
Balance at December 31, 2020		**2,713**
Less current portion		**(417)**
	$	**2,296**

(1) Interest on lease obligations includes interest expense from discontinued operations.
(2) As at December 31, 2020, all liabilities relating to the operations of the Non-Core Assets are included within equity accounted investments (see note 8).

The Corporation has commitments under leases for buildings, office space and vehicles with varying terms that expire between 2021 and 2025, captured in the below value. The approximate undiscounted lease payments remaining are as follows:

Year		**Lease payments**
2021	$	551
2022		542
2023		499
2024		341
2025		130
Balance at December 31, 2020	**$**	**2,063**

18. SHARE CAPITAL

Authorized share capital

The Corporation is authorized to issue an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares.

A summary of changes in Common Share capital in the period is as follows:

	Number of Common Shares		Amount
Balance at December 31, 2019	38,182,513	$	115,390
Cancelled shares	**(100,000)**		**(174)**
Issued shares	**8,571,428**		**15,000**
Balance at December 31, 2020	**46,653,941**	**$**	**130,216**

On December 31, 2020, the Corporation completed a Private Placement of 4,285,714 Common Shares at $1.75 per share for aggregate gross proceeds of $7,500. Upon completion of the Private Placement, the Corporation completed the Inversion Rights Termination Transaction and paid an aggregate $15,000, consisting of $7,500 in cash and 4,285,714 in Common Shares at $1.75 per share for the Inversion Rights Termination Transaction (see note 4). The Private Placement and

(in thousands of Canadian dollars)

Inversion Rights Termination Transaction are related party transactions (see note 30).

On March 12, 2020, the Corporation entered into an agreement with a former employee to acquire an aggregate of 100,000 Common Shares valued at $1.74 per share, as partial payment for a loan owed by the former employee. These 100,000 Common Shares were pledged security for the loan owed by the former employee. As the former employee was unable to repay the loan, the Corporation seized the 100,000 Common Shares that were held as security for the loan. In late February 2020 and early March 2020, two large trades of Common Shares were completed by significant shareholders at a price approximating $1.75 per share. As such, the $1.74 per share price of the seized Common Shares was reflective of the fair market value at the time. These Common Shares have been cancelled and returned to treasury. This transaction was not a related party transaction, as the Corporation does not have any relationship to the former employee.

Dividends

On March 12, 2019, the Corporation suspended its quarterly dividends of $0.0125 per share. The Corporation did not declare any dividends during the year ended December 31, 2020 or December 31, 2019. The $477 dividends paid during the year ended December 31, 2019, relate to dividends declared during the year ended December 31, 2018.

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, 2019	1,165,578	$ 3.49
Expired	**(745,019)**	**3.56**
Cancelled	**(96,666)**	**2.40**
Outstanding share options, December 31, 2020	**323,893**	**$ 3.65**

The following table summarizes the share options outstanding and exercisable under the Plan as at December 31, 2020:

Grant date	Share options outstanding	Years to Maturity	Share options exercisable	Weighted average exercise price
February 23, 2016	98,893	0.1	98,893	$ 3.00
July 7, 2016	150,000	0.5	150,000	4.40
July 3, 2017	75,000	1.5	75,000	3.00
	323,893		323,893	$ 3.65

The Corporation recorded total share-based payment expense of $1,655 for the year ended December 31, 2020 (December 31, 2019—$439) for continuing operations. These amounts include share-based payment expense related to the Corporation's RSU expense of $1,548 (December 31, 2019—$352), and $107 expense related to the Corporation's PSOs for the year ended December 31, 2020 (December 31, 2019 — $nil). During the year ended December 31, 2020, the Corporation did not incur any share-based payment expense related to the Corporation's share options (December 31, 2019—$87).

Included within discontinued operations is share-based payment expense of $7 for the year ended December 31, 2020 (December 31, 2019 – ($64) recovery).

PSO plan

The Corporation's PSOs were issued to employees with an exercise price of $2.75. Each PSO entitles the holder thereof to cash payments equal to the difference between the PSO price and the market price upon the exercise date. The PSOs have a five-year term and vest one-third on the first, second and third anniversary from the date of grant. At December 31, 2020, the PSOs have fully vested.

(in thousands of Canadian dollars)

At December 31, 2020 and December 31, 2019, the Corporation had 295,000 PSOs outstanding. At December 31, 2020, the PSOs were in-the-money and the Corporation recognized a liability of $107 (December 31, 2019 — $nil).

RSU plan

The Corporation's RSUs were issued to corporate directors and employees. The Corporation's RSU plan provides RSUs to be 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, 2019	331,333
Settled	**(68,333)**
Granted	**484,040**
Outstanding RSUs, December 31, 2020	**747,040**

The following table summarizes the outstanding RSUs as at December 31, 2020:

Grant date	Issued to	Vesting date	Outstanding RSUs	Liability at December 31, 2020	
May 1, 2019	Directors	Immediately (1)	173,000	$	531
May 1, 2019	Employees	May 1, 2021	90,000		231
June 11, 2020	Directors	Immediately (1)	292,174		897
June 11, 2020	Employees	May 1, 2022	191,866		174
			747,040	$	1,833

(1) The payment date for the RSUs granted on May 1, 2019 and June 11, 2020 to Directors is December 15, 2022 and December 15, 2023, respectively.

Warrants

The following table summarizes the warrants outstanding:

	Years to Maturity	Warrants Outstanding		Exercise price
Outstanding lender warrants, December 31, 2019	2.45	2,078,568	$	1.44
Outstanding lender warrants, December 31, 2020	**2.45**	**2,078,568**	**$**	**1.44**

During the year ended December 31, 2020 the Corporation extended the expiry date of the outstanding warrants by twelve months from June 14, 2022 to June 14, 2023, as consideration for amending our Sagard credit facility (see note 16). Using the Black-Scholes pricing model, the warrants have been valued at $1.93 per warrant, which resulted in an increase in the fair value of the lender warrants of $277. 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 Corporation's consolidated 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, who are comprised of the Corporation's senior management. At December 31, 2020, the Corporation has two operating segments: the Core Business Operations segment and the Non-Core Business Asset Management segment.

The Core Business Operations segment represents the core operations of the Corporation. These core operations are the business of mortgage brokerage and connectivity services across Canada.

The Non-Core Business Asset Management segment includes the Corporation's interest in the Non-Core Assets and the expenses, assets and liabilities associated with management the Non-Core Assets, the Sagard credit facility, public company costs and consolidating accounting entries.

Effective December 31, 2020, Club16 and Impact are equity accounted investments (see note 8). As a result, Club16 and

(in thousands of Canadian dollars)

Impact are no longer consolidated operating segments at December 31, 2020. The results of Club16 and Impact have been excluded from the segmented information for the current and comparative consolidated statements of income (loss) (see note 5). Club16 and Impact are included within the Non-Core Business Asset Management segment for the comparative consolidated statement of financial position results below.

The results of AG are presented as discontinued operations and have been excluded from the segmented information for the comparative consolidated statements of income (loss) information (see note 5). AG was previously included in the "Impact" operating segment.

As at December 31, 2020		Core Business Operations		Non-Core Business Asset Management		Consolidated
Cash and cash equivalents	$	9,819	$	497	$	10,316
Trade, other receivables and other assets		14,502		485		14,987
Right-of-use assets		2,177		-		2,177
Intangible assets		123,088		-		123,088
Goodwill		60,437		-		60,437
Deferred tax		-		16,654		16,654
Capital and other assets		3,389		29,146		32,535
Total assets	$	213,412	$	46,782	$	260,194
Accounts payable and accrued liabilities	$	23,455	$	673	$	24,128
Capital lease obligation		2,234		479		2,713
Loans and borrowings		3,263		37,515		40,778
Foreign exchange forward contract liability		-		2,623		2,623
Deferred tax		27,135		(874)		26,261
Preferred share liability		105,685		-		105,685
Other liabilities		4,203		2,913		7,116
Total liabilities	$	165,975	$	43,329	$	209,304

For the year ended December 31, 2020		Core Business Operations		Non-Core Business Asset Management		Consolidated
Revenue	$	52,413	$	-	$	52,413
Direct costs		6,615		-		6,615
General and administrative		19,508		2,075		21,583
Share-based payments		-		1,655		1,655
Depreciation and amortization		4,295		17		4,312
Finance expense		391		5,309		5,700
Other (income) expense		(1,120)		606		(514)
Income (loss) before tax from continuing operations	$	22,724	$	(9,662)	$	13,062

(in thousands of Canadian dollars)

As at December 31, 2019	Core Business Operations	Non-Core Business Asset Management	Consolidated
Cash and cash equivalents	$ 3,632	$ 1,826	$ 5,458
Trade, other receivables and other assets	12,290	4,536	16,826
Right-of-use assets	243	45,136	45,379
Intangible assets	123,729	14,666	138,395
Goodwill	60,437	28,485	88,922
Capital and other assets	2,961	23,879	26,840
Total assets	$ 203,292	$ 118,528	$ 321,820
Accounts payable and accrued liabilities	$ 13,530	$ 3,571	$ 17,101
Lease obligation	249	49,610	49,859
Loans and borrowings	11,335	49,838	61,173
Foreign exchange forward contract liability	-	365	365
Deferred tax	27,732	3,246	30,978
Other liabilities	2,881	1,621	4,502
Total liabilities	$ 55,727	$ 108,251	$ 163,978

For the year ended December 31, 2019	Core Business Operations	Non-Core Business Asset Management	Consolidated
Revenue	$ 44,843	$ -	$ 44,843
Direct costs	5,712	-	5,712
General and administrative	18,464	3,052	21,516
Share-based payments	-	439	439
Depreciation and amortization	5,002	33	5,035
Finance expense	667	10,407	11,074
Other expense (income)	108	(1,986)	(1,878)
Income (loss) before tax from continuing operations	$ 14,890	$ (11,945)	$ 2,945

The following tables are the cash flows for the Non-Core Business Asset Management segment for the years ended December 31, 2020 and December 31, 2019. Refer to note 5 for detailed cash flows from discontinued operations.

For the year ended December 31, 2020	Core Business Operations	Non-Core Business Asset Management	Discontinued Operations	Consolidated
Cash flows provided by / (used in) operating activities	**$ 30,499**	**$ (7,301)**	**$ 9,992**	**$ 33,190**
Cash flows (used in) / provided by investing activities	**(15,856)**	**8,224**	**(6,145)**	**(13,777)**
Cash flows used in financing activities	**(8,456)**	**(1,192)**	**(4,812)**	**(14,460)**
Increase (decrease) in cash and cash equivalents	**$ 6,187**	**$ (269)**	**$ (965)**	**$ 4,953**

For the year ended December 31, 2019	Core Business Operations	Non-Core Business Asset Management	Discontinued Operations	Consolidated
Cash flows provided by / (used in) operating activities	$ 19,105	$ (11,713)	$ 20,083	$ 27,475
Cash flows (used in) / provided by investing activities	(16,639)	24,443	(14,546)	(6,742)
Cash flows used in financing activities	(1,286)	(13,914)	(5,166)	(20,366)
Increase (decrease) in cash and cash equivalents	$ 1,180	$ (1,184)	$ 371	$ 367

(in thousands of Canadian dollars)

21. REVENUE

For the years ended December 31,		2020		2019
Franchising revenue, mortgage brokerage services	$	44,761	$	38,670
Newton revenues		7,147		5,679
Brokering of mortgages		505		494
	$	52,413	$	44,843

Revenue earned from contracts with customers earned over time included in the above for the Core Business Operations is $54,261 for the year ended December 31, 2020 (December 31, 2019—$46,133).

22. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,		2020		2019
Salary and salary-related	$	12,557	$	11,437
Office, administration and property costs		3,304		3,446
Advertising, promotion and travel		2,143		2,535
Professional fees		874		1,144
Management and consulting fees		2,100		2,061
Other expenses		605		893
	$	21,583	$	21,516

23. FINANCE EXPENSE

For the years ended December 31,		2020		2019
Interest expense on debt obligations	$	4,742	$	9,378
Interest on lease obligations		137		76
Amortization of debt issuance costs		793		1,448
Accretion expense		28		172
	$	5,700	$	11,074

24. OTHER INCOME

For the years ended December 31,		2020		2019
Government wage subsidies	$	113	$	-
Other		(56)		88
	$	57	$	88

Government wage subsidies for the year-ended December 31, 2020 consist of Government of Canada grants received under the Canada Emergency Wage Subsidy ("CEWS") program. The Core Business Operations and the Non-Core Assets were eligible to receive the grants during the year-ended December 31, 2020. Government subsidies received by the Non-Core Assets were recognized within discontinued operations (see note 5).

(in thousands of Canadian dollars)

25. INCOME TAXES

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.7% (2019—26.8%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2020 and 2019:

For the years ended December 31,		**2020**		2019
Income before income tax from continuing operations	**$**	**13,062**	$	2,945
Income before income tax multiplied by the statutory rate of 26.7% (2019—26.8%)		**(3,488)**		(789)
Effect of:				
Permanent differences		**(575)**		1,717
Change in tax rates and rate differences		**100**		56
Change in unrecognized temporary differences		**(695)**		(1,002)
Recognized prior period non-capital losses		**14,059**		-
Reserve for capital loss carry forward		**(258)**		-
Reserve for non-capital loss carry forward		**-**		(4,031)
Other		**1,666**		(306)
Total tax recovery (expense) from continuing operations	**$**	**10,809**	$	(4,355)

Deferred tax assets and liabilities as at December 31, 2020 and 2019, consist of the following:

		December 31, 2020		December 31, 2019
Deferred tax liabilities				
Intangible assets	**$**	**(26,948)**	$	(32,555)
Capital assets		**-**		(782)
Right-of-use assets		**(582)**		(7,438)
Goodwill		**-**		(393)
		(27,530)		(41,168)
Deferred tax assets				
Recognized non-capital loss		**64**		-
Capital assets		**39**		1,406
Warranty provisions		**-**		41
Share issuance costs		**-**		121
RSUs		**518**		92
Debt issuance costs		**99**		164
Lease liabilities, net of lease receivable		**686**		8,164
Unrealized foreign exchange		**-**		(51)
Investments		**-**		323
Other		**(137)**		(70)
		1,269		10,190
Net deferred tax liability	**$**	**(26,261)**	$	(30,978)

		December 31, 2020		December 31, 2019
Deferred tax assets				
Recognized non-capital loss	**$**	**16,654**	$	-
Deferred tax asset	**$**	**16,654**	**$**	**-**

As a result of the change in board composition at the Non-Core Assets, and the change to equity accounting, the Corporation has deconsolidated the net assets of these entities at December 31, 2020 (see note 5).

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.

(in thousands of Canadian dollars)

As at December 31, 2020, the Corporation has recognized its non-capital loss carry-forwards of $62,320 (December 31, 2019—$56,664), as a deferred tax asset of $16,654 (December 31, 2019—$nil). The deferred tax asset is recognized on the statements of financial position. These Canadian tax losses expire between 2026 and 2039.

The deferred tax liability movement is as comprised of:

		December 31, 2020		December 31, 2019
Balance, beginning of year	**$**	**(30,978)**	$	(39,553)
Deferred tax recovery recognized in net income from continuing operations		**672**		1,303
Deferred tax recovery recognized in net income (loss) from discontinued operations		**523**		723
Deferred tax derecognized on discontinued operations		**3,522**		6,549
Net deferred tax liability	**$**	**(26,261)**	$	(30,978)

(1) As at December 31, 2020, the net assets of the Non-Core Assets are included within equity accounted investments (see note 8).

The deferred tax asset movement is as comprised of:

		December 31, 2020		December 31, 2019
Balance, beginning of year	**$**	**-**	$	-
Deferred tax recovery recognized in net income from continuing operations		**16,654**		-
Deferred tax asset	**$**	**16,654**	$	-

26. EARNINGS (LOSS) PER COMMON SHARE

For the years ended December 31,		**2020**		2019
Net earnings (loss) attributable to common shareholders	**$**	**20,037**	$	(6,747)
Net earnings (loss) attributable to common shareholders from continuing operations		**16,738**		(5,956)
Basic and diluted weighted average number of Common Shares		**38,101,965**		38,182,540
Basic earnings (loss) per Common Share	**$**	**0.53**	$	(0.18)
Diluted earnings (loss) per Common Share	**$**	**0.53**	$	(0.18)
Continuing operations:				
Basic earnings (loss) per Common Share	**$**	**0.44**	$	(0.16)
Diluted earnings (loss) per Common Share	**$**	**0.44**	$	(0.16)

As at December 31, 2020, there were 323,893 share options (December 31, 2019—1,165,578) and 2,078,568 lender warrants outstanding (December 31, 2019—2,078,568) that were considered anti-dilutive (see note 19).

27. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,		**2020**		2019
Trade and other receivables	**$**	**(1,117)**	$	2,207
Prepaid expenses and deposits		**(62)**		94
Notes receivable		**(121)**		(132)
Inventories		**802**		428
Accounts payable and accrued liabilities		**9,869**		48
Deferred contract liability		**1,014**		24
Other current liabilities		**(190)**		318
	$	**10,195**	$	2,987

(in thousands of Canadian dollars)

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has 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, investments, trade payables and accrued liabilities, loans and borrowings, preferred share liabilities and foreign exchange forward contract 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 risks are comprised of 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; and USD interest expense. At December 31, 2020, the cash balance is USD $267 (CAD $340), compared to USD $155 (CAD $201) at December 31, 2019. At December 31, 2020, the USD loans and borrowing balance is USD $30,735 (CAD $39,132); at December 31, 2019, it was USD $32,621 (CAD $42,368). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $1,170 decrease in income before tax for the year ended December 31, 2020 (December 31, 2019—$2,409 decrease).

To manage the Corporation's foreign exchange exposure on its USD loan, FAC (now the Corporation) entered into both an amendment of its Sagard 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 (Sagard) and the counterparty, which allows the counterparty security up to CAD $7,000.

During the year-ended December 31, 2020, to mitigate exposure to foreign exchange risk, the Corporation entered into the following foreign exchange forward contracts that can be settled at any time (at the Corporation's option) within a period of six months from December 14, 2021 to June 14, 2022, as follows:

Date entered	Forward contract value (in USD)	Forward rate
April 27, 2020	$ 2,500	$ 1.406
April 29, 2020	2,500	1.390
April 30, 2020	4,000	1.393
May 7, 2020	6,000	1.400
June 1, 2020	3,000	1.367
June 2, 2020	3,000	1.354
June 4, 2020	3,000	1.353
Total value and blended forward rate (1)	$ 24,000	$ 1.383

(1) The blended forward rate at December 31, 2020 was $1.273.

During the year-ended December 31, 2020, the Corporation unwound its USD $15,000 foreign exchange forward contract, which was entered into in December 2019, at a forward rate of $1.442 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 recognized a net realized gain on the change in fair value of the foreign exchange forward contract from inception of $1,696, and during the year-ended December 31, 2020 of $2,061 (December 31, 2019—$nil).

(in thousands of Canadian dollars)

The Corporation's change in fair value of the foreign exchange contracts consists of unrealized losses and realized gains as follows:

		December 31, 2020		December 31, 2019
Unrealized (loss)	**$**	**(2,623)**	$	(365)
Realized gain		**2,061**		-
Change in the fair value of foreign exchange contracts	**$**	**(562)**	$	(365)

Foreign exchange and USD LIBOR rates may be significantly affected by COVID-19, depending on the scale and duration of the pandemic.

Interest rate risk

The Corporation is exposed to interest rate risk on its variable rate loans and borrowings. A 1% increase in interest rates on variable rate loans and borrowings would have resulted in an $666 decrease of income before tax for the year ended December 31, 2020 (December 31, 2019—$779 decrease).

Credit risk

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

The Corporation has determined that its exposure to credit risk on its cash and cash equivalents 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. Receivables due from DLC Inc. founders are believed to possess minimal risk as such parties maintain strong credit worthiness.

Our primary source of credit risk relates to the Core Business Operations franchisees and agents not paying receivables. The Core Business Operations manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. As at December 31, 2020, $340 (December 31, 2019—$536) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at December 31, 2020 are $376 (December 31, 2019—$137). A decline in economic conditions, or other adverse conditions experienced by franchisees and agents, could impact the collectability of the Corporation's accounts receivable.

The Corporation's maximum exposure to credit risk approximates the carrying value of the assets on the Corporation's consolidated statements of financial position.

		December 31, 2020		December 31, 2019
Cash and cash equivalents	**$**	**10,316**	$	5,458
Trade, other receivables and other assets		**14,987**		16,826
Notes receivable		**531**		410
	$	**25,834**	$	22,694

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.

(in thousands of Canadian dollars)

As at December 31, 2020, 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	$	24,128	$	24,128	$	-	$	-
Lease obligations (1)		2,063		551		1,512		-
Loans and borrowings (2)		42,394		7,410		34,984		-
Foreign exchange forward contract liability		2,623		-		2,623		-
Preferred share liability (3)		105,972		9,164		35,096		61,712
Long-term liabilities		3,397		-		3,397		-
	$	180,577	$	41,253	$	77,612	$	61,712

(1) Undiscounted lease payments.
(2) Gross of debt issuance costs.
(3) Gross of transaction costs.

Capital management

The Corporation's capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes the carrying value of the Corporation's capital at December 31, 2020, and December 31, 2019.

		December 31, 2020		December 31, 2019
Loans and borrowings	**$**	**40,778**	$	61,173
Less: cash and cash equivalents		**(10,316)**		(5,458)
Net loans and borrowings	**$**	**30,462**	$	55,715
Shareholders' equity	**$**	**49,467**	$	73,711

The Corporation's objectives when managing capital include maintaining an optimal capital base to support the capital requirements of the Corporation, including opportunities to grow the number of DLC Group franchises.

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, 2020 (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).

(in thousands of Canadian dollars)

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.

	Carrying value as at December 31, 2020	**Fair value as at December 31, 2020** Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments	**$ 246**	**$ -**	**$ -**	**$ 246**
Financial liabilities				
Foreign exchange forward contract liability	**(2,623)**	**-**	**(2,623)**	**-**
Loans and borrowings	**(40,778)**	**-**	**(40,778)**	**-**

	Carrying value as at December 31, 2019	Fair 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
Financial liabilities				
Foreign exchange forward contract liability	(365)	-	(365)	-
Loans and borrowings	(61,173)	-	(61,173)	-

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, 2020 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.

29. COMMITMENTS AND CONTINGENCIES

Consulting agreement

In February 2020, the Core Business Operations renewed a consulting agreement whereby the Corporation 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.

Service agreement

In March 2018, the Core Business Operations 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 the Corporation and the service provider (see note 30). The service agreement expires in March 2023.

The Core Business Operations has contracts with external dealers to recruit franchises. The Core Business Operations 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 $137 for the year ended December 31, 2020 (December 31, 2019—$404). As of December 31, 2020, no amounts are outstanding related to the settlement of the contract (December 31, 2019—$730).

Constructive obligation

In response to COVID-19, the Core Business Operations cancelled its annual Manulife Protection Plan Retreat ("MPPR") in

2020. The MPPR is a reward for the Core Business Operations' top performing brokers. The cancelled event represents a constructive obligation, whereby the Core Business Operations is obligated to provide a future event to qualified individuals in lieu of cancelled retreats. During the year-ended December 31, 2020, the total provision recognized for this constructive obligation was $1,036 (December 31, 2019—$nil).

Contingencies

In the normal course of operations, the Company and its investees may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. As the outcomes of the claims are not determinable, no provision for settlement has been made in the consolidated financial statements. The Corporation does not anticipate that these claims will have a material impact on its financial position.

In February 2019, the Core Business Operations received a statement of claim (the "Claim") filed in the Ontario Superior Court of Justice by two individual plaintiffs (the "Plaintiffs"). The Plaintiffs are seeking certification of the Claim under the Class Proceedings Act (Ontario) and are seeking an order for damages of $800 million. The Claim relates to a product called Mortgage Protection Plan ("MPP"), mortgage creditor insurance underwritten by The Manufacturers Life Insurance Company ("Manulife"), formerly administered by Benesure Canada Inc. ("Benesure"), and offered through Credit Security Insurance Agency Inc. ("CSIA"). The Claim alleges that Benesure is an unlicensed insurer and that the Core Business Operations is liable for distributing the MPP product through the DLC Group's network. The Corporation is contractually indemnified from Benesure, Manulife and CSIA for any costs, expenses, damages or liability arising from the offering of MPP through the DLC Group's network of brokers. It is the Corporation's assessment that the Claim is without merit (and includes an indemnification) and as a result, no provision has been recorded in the Corporation's financial statements for the year ended December 31, 2020 (December 31, 2019—$nil). We note that Benesure, Manulife and other parties were subject to a BC class action lawsuit commenced in 2013 relating to the MPP product which failed to be certified in 2016. In November, 2020, the Supreme Court of British Columbia did certify the class (as all residents of Canada that purchased the MPP product, except for residents of Quebec) and ordered that the settlement agreement reached by the parties was binding on the class (the "November 2020 Decision"). The November 2020 Decision is being appealed as a nominal number of plaintiffs are opposed to the settlement. Since serving the Corporation with the original claim in February 2019, the Plaintiffs have not taken any further actions to advance their claim against the Corporation.

30. RELATED PARTY TRANSACTIONS

Core Business Operations

DLC Acquisition and related transactions

On December 31, 2020, the Corporation completed the DLC Acquisition, the Private Placement and the Inversion Rights Termination Transaction.

The Corporation acquired all of the limited partnership units of DLC LP, that it did not already own, for 26,774,054 Preferred Shares. The Preferred Shares are recognized as a $105,685 liability, net of transaction costs, on the consolidated balance sheet at December 31, 2020 (December 31, 2019— $nil). As part of the DLC Acquisition, the Corporation completed the Inversion Rights Termination Transaction and paid an aggregate of $15,000, consisting of $7,500 in cash and 4,285,714 Common Shares (at $1.75 per share). The DLC Acquisition and the Inversion Rights Termination were completed with KayMaur. KayMaur is controlled by Gary Mauris and Chris Kayat, who are the principals of DLC LP and beneficially own or, exercise control or direction over, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation. The Corporation obtained shareholder approval for the DLC Acquisition, the Private Placement and the Inversion Rights Termination Transaction on December 15, 2020.

The Corporation completed the Private Placement and issued 4,285,714 Common Shares for gross proceeds of $7,500 ($1.75 per Common Share) with a shareholder of the Corporation, Belkorp Industries Inc.

Property leases

Core Business Operations' leases and rents office space from a related company controlled by Chris Kayat and Gary Mauris. The original lease was for a five-year term ending September 16, 2020 at a rate of $5 per month. This lease has been extended for an additional five-year term at a rate of $6 per month. During the year ended December 31, 2020, the total costs incurred under this lease was $291 (December 31, 2019—$286). The extended lease term matures in 2025.

Core Business Operations' leases a two-bedroom condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris. The original lease was for a five-year term ending September 16, 2020 at a rate of $5 per month. This lease has been extended for an additional five-year term at the same monthly rate. During the year ended December 31, 2020, the total costs incurred under this lease was $84 (December 31, 2019—$84). The extended lease term matures in 2025.

The 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 initial acquisition of the Core Business Operations in 2016, the Corporation was indemnified against any sales tax amounts assessed prior to our acquisition. As at December 31, 2020, the Corporation has recorded a receivable due from key management of the Corporation (Gary Mauris and Chris Kayat) in the amount of $341 for the sales tax amounts payable recorded by the Core Business Operations (December 31, 2019—$341). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statement of financial position.

Administrative services

The Core Business Operations has entered into an agreement with a software development company to develop and support a customized mortgage app which is owned by key management of the Core Business Operations (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the year ended December 31, 2020 was $932 (December 31, 2019—$932).

Non-Core Business Asset Management

Property leases

Impact leases and rent office space from a company that is controlled by minority partners within the subsidiaries (Keith Kostek). During the year ended December 31, 2020, the total costs incurred under this lease was $115 (December 31, 2019—$115). The lease term matures in 2022.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by key management personnel (Chuck Lawson). The total costs incurred under these leases for the year ended December 31, 2020, was $249 (December 31, 2019—$398). The lease term maturities range from 2020—2021. The fitness club space lease matured on March 31, 2020.

The expenses related to these leases are recognized in discontinued operations and are paid monthly.

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. The balance is included in trade and other receivables in the Corporation's financial statements. The advancements are unsecured and non-interest bearing. The $1,986 balance outstanding at December 31, 2020, for these loans and advances due from related parties, were included within equity accounted investments.

Club16 private placement

On June 29, 2020, Club16 completed a private placement of 273 class A LP units to its founder/operating partner (Chuck Lawson) for proceeds of $999. As a result, the Corporation's ownership interest in Club16 has decreased from 60.0% to 58.4%.

Other

The Corporation has entered into an agreement with the non-controlling shareholders of Impact (Keith Kostek). 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, 2020, a liability has been recognized for the current fair value of the liability of $1,000 (December 31, 2019—$972).

Key management compensation

The Board of Directors receive RSUs as compensation. During the years-ended December 31, 2020 and December 31, 2019, there were no amounts paid to the Board of Directors included with general and administrative expense.

(in thousands of Canadian dollars)

Key management personnel comprise of members of key management of the Corporation. For the year ended December 31, 2019, key management included members of key management of FAC. For the year ended December 31, 2020, key management included members of key management of the Corporation's two operating segments: Core Business Operations and Non-Core Business Asset Management. Their compensation is as follows:

For the years ended December 31,		**2020**		2019
Salaries and benefits	**$**	**4,487**	$	1,512
Share-based payments		**1,381**		342
	$	**5,868**	$	1,854

31. SUBSEQUENT EVENTS

Wind-up of DLC LP and amalgamations

On January 1, 2021, the Corporation, as the sole partner, wound-up DLC LP. The Corporation then amalgamated with Dominion Lending Centres GP Inc. and then subsequently amalgamated with Dominion Lending Centres Inc. The combined entity now operates as Dominion Lending Centres Inc.

Sagard credit facility amendments

On January 1, 2021, the Corporation amended its Sagard credit facility agreement which provides the Corporation with the option, at any time after June 14, 2021 but prior to December 14, 2021, to extend the maturity of the facility by an additional twelve months until June 14, 2023.

On March 10, 2021, the Corporation amended its Sagard credit facility to restate the definition of a covenant breach, to exclude Club16 from the cross-default provision for Q4 2020 and the fiscal year 2021, while Club16 navigates COVID-19.

Normal course issuer bid

The Corporation implemented a normal course issuer bid on January 13, 2021 (the "NCIB"). The NCIB has a twelve-month duration, commencing on January 18, 2021 and ending on January 17, 2022. Under the NCIB, the Corporation may purchase up to 2,332,697 Common Shares, representing 5% of the Corporation's issued and outstanding Common Shares. The Corporation intends to cancel any Common Shares purchased pursuant to the NCIB. The actual number of Common Shares that may be purchased and the timing of any such purchases will be determined by the Corporation and will be made in accordance with the requirements of the Exchange. Purchases of Common Shares under the normal course issuer bid will be completed using available working capital from time to time. To date, the Corporation has not purchased any Common Shares under the NCIB.