Dominion Lending Centres Inc.

Audited Consolidated Financial Statements

For the years ended December 31, 2023 & December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dominion Lending Centres Inc.

Opinion

We have audited the consolidated financial statements of Dominion Lending Centres Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive (loss) income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2023 and 2022, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of equity-accounted investment (Impact)

As disclosed in Notes 3(c), 3(d), 3(e) and 5, the Company's statement of financial position includes $3,710 thousand as at December 31, 2023 related to its equity-accounted investment in Cape Communications International Inc. ("Impact"). Equity-accounted investments are tested for impairment at the end of each reporting period only when there is objective evidence that the carrying value of the investment may exceed the recoverable amount.

During 2023, management identified indicators of impairment on its investment in Impact and recorded $3,390 thousand of impairment.

Management estimated the recoverable amount of Impact based on its fair value less cost of disposal ("FVLCD"), which was determined using an income-based approach to calculate the present value of estimated future cash flows based on management's assumptions.

Determining the recoverable amount for Impact is a key audit matter given the subjective nature of the various management inputs and assumptions. Significant

To test impairment loss recorded, we performed the following audit procedures, amongst others:

- We involved our valuation specialists to assess the methodology applied and the various inputs utilised in determining the discount rate by referencing current industry, economic, and comparable company information, and company and cash-flow specific risk premiums;
- We assessed the historical accuracy of management's cash flow projections, including EBITDA, by comparing them to actual historical performance;
- We compared the terminal growth rate to current industry, market, and economic trends; and
- We assessed the adequacy of the Company's disclosures included in the notes to the consolidated financial statements in relation to this matter.

assumptions included the discount rate, the terminal growth rate, and projected earnings before income taxes, interest, depreciation, and amortization ("EBITDA"), which are affected by expectations about future market and economic conditions.	

Valuation of the preferred share liability

As disclosed in Notes 3(g), 3(h) and 13, the Company's statement of financial position includes a Preferred Share liability of $114,442 thousand. The carrying value of the Preferred Share liability is adjusted at each balance sheet date for any revisions in the estimated cash flows. The valuation of the preferred share liability is a key audit matter given the subjective nature of management's assumptions. Significant assumptions used in determining the carrying value of the preferred share liability include determination of future revenues and cash flows, which are subject to uncertainty with regards to forecasted mortgage volumes, and revenue growth through forecasted mortgage franchisee recruitments and renewals.	To test the carrying value of the Preferred Share liability, we performed the following audit procedures, amongst others: • We tested management's forecast revenue assumptions by comparing them to historical operating results and analyst reports; • We tested management's investing cash flow forecast by comparing forecasted additions of franchise rights, relationships, and agreements to historical results and expected timing of cash outflows based on anticipated expiration of existing agreements; • We tested management's financing cash flow forecast by comparing forecasted debt repayments to current outstanding debt agreements; • We assessed the accuracy of management's estimation process by comparing actual results to previous estimates; and • We assessed the adequacy of the Company's disclosures included in the notes to the consolidated financial statements in relation to this matter.

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 in this auditor's report. 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Alberta
March 19, 2024

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

	As at December 31, 2023	As at December 31, 2022
Assets		
Current assets		
Cash	**$ 5,614**	$ 9,214
Trade and other receivables (note 4)	**14,343**	14,063
Prepaid expenses and deposits	**2,003**	3,171
Notes receivable	**656**	110
Total current assets	**22,616**	26,558
Non-current assets		
Trade, other receivables and other assets (note 4)	**773**	1,409
Investments	**246**	246
Equity-accounted investments (note 5)	**5,401**	7,779
Capital assets	**141**	241
Right-of-use assets (note 6)	**1,581**	1,961
Intangible assets (note 7)	**126,912**	125,306
Goodwill (note 7)	**60,437**	60,437
Total assets	**$ 218,107**	$ 223,937
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 19,155**	$ 26,570
Loans and borrowings (note 11)	**5,902**	4,662
Deferred contract liabilities (note 9)	**620**	482
Lease obligations (note 12)	**373**	505
Preferred Share liability (note 13)	**7,182**	6,190
Total current liabilities	**33,232**	38,409
Non-current liabilities		
Loans and borrowings (note 11)	**34,008**	32,008
Deferred contract liabilities (note 9)	**148**	202
Other long-term liabilities (note 10)	**1,020**	1,069
Lease obligations (note 12)	**1,380**	1,753
Deferred tax liabilities (note 19)	**15,110**	14,337
Preferred Share liability (note 13)	**107,260**	103,970
Total liabilities	**192,158**	191,748
Equity		
Share capital (note 14)	**135,710**	136,019
Contributed surplus	**11,783**	11,783
Accumulated other comprehensive income	**592**	794
Deficit	**(122,388)**	(116,638)
Total equity attributable to shareholders	**25,697**	31,958
Non-controlling interest	**252**	231
Total liabilities and equity	**$ 218,107**	$ 223,937

Commitments and contingencies (note 23)
Subsequent events (note 25)
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
(in thousands of Canadian dollars, except per share amounts)

For the years ended December 31,		**2023**		2022
Revenue (note 16)	**$**	**62,517**	$	70,720
Direct costs		**10,429**		10,704
Gross profit		**52,088**		60,016
General and administrative expenses (note 17)		**30,060**		29,749
Share-based payments recovery (note 15)		**(70)**		(104)
Depreciation and amortization (notes 6 and 7)		**3,787**		3,985
		33,777		33,630
Income from operations	**$**	**18,311**	$	26,386
Other (expense) income				
Finance expense (note 18)		**(3,149)**		(2,355)
Finance expense on the Preferred Share liability (note 13)		**(9,922)**		(2,397)
Income from equity-accounted investments (note 5)		**1,611**		817
Gain on sale of equity-accounted investment (note 5)		**-**		525
Non-cash impairment of equity-accounted investments (note 5)		**(3,466)**		(4,778)
Other income		**802**		795
		(14,124)		(7,393)
Income before tax	**$**	**4,187**	$	18,993
Income tax expense (note 19)				
Current tax expense		**(3,350)**		(4,147)
Deferred tax expense		**(773)**		(2,560)
		(4,123)		(6,707)
Net income	**$**	**64**	$	12,286
Earnings per Common Share attributable to Common Shareholders (note 20)				
Basic and diluted	**$**	**-**	$	0.25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars)

For the years ended December 31,		2023		2022
Net income	**$**	**64**	$	12,286
Other comprehensive (loss) income				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation income (loss) from equity-accounted investments (net of tax) (note 5)		**(202)**		815
Total other comprehensive (loss) income		**(202)**		815
Comprehensive (loss) income	**$**	**(138)**	$	13,101
Attributable to:				
Common Shareholders	**$**	**(159)**	$	12,876
Non-controlling interest	**$**	**21**	$	225

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.						
	Share capital	Contributed surplus	AOC(L)I [1]	Deficit	Total shareholders' equity	Non-controlling interest	Total equity
Balance at December 31, 2021	$ 118,018	$ 15,573	$ (21)	$ (101,830)	$ 31,740	$ 2,081	$ 33,821
Substantial issuer bid ("SIB")	4,568	-	-	-	4,568	-	4,568
Acquisition of Newton Connectivity Systems Inc.	7,098	-	-	(22,507)	(15,409)	(1,475)	(16,884)
Warrants exercised	6,755	(3,767)	-	-	2,988	-	2,988
Share options exercised	248	(23)	-	-	225	-	225
Normal course issuer bid ("NCIB")	(668)	-	-	-	(668)	-	(668)
Net income and comprehensive income	-	-	815	12,061	12,876	225	13,101
Dividends declared (note 14)	-	-	-	(4,362)	(4,362)	-	(4,362)
Distributions to non-controlling interest	-	-	-	-	-	(600)	(600)
Balance at December 31, 2022	$ 136,019	$ 11,783	$ 794	$ (116,638)	$ 31,958	$ 231	$ 32,189
NCIB (note 14)	**(309)**	**-**	**-**	**-**	**(309)**	**-**	**(309)**
Net income and comprehensive loss	**-**	**-**	**(202)**	**43**	**(159)**	**21**	**(138)**
Dividends declared (note 14)	**-**	**-**	**-**	**(5,793)**	**(5,793)**	**-**	**(5,793)**
Balance at December 31, 2023	**$ 135,710**	**$ 11,783**	**$ 592**	**$ (122,388)**	**$ 25,697**	**$ 252**	**$ 25,949**

(1) Accumulated other comprehensive (loss) income.

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,		**2023**		2022
Operating Activities				
Net income	**$**	**64**	$	12,286
Items not affecting cash:				
Share-based payments recovery (note 15)		**(70)**		(104)
Depreciation and amortization (notes 6 and 7)		**3,787**		3,985
Amortization of debt issuance costs (note 18)		**168**		154
Amortization of franchise rights (note 7)		**4,868**		3,265
Finance expense on the Preferred Share liability (note 13)		**9,922**		2,397
Deferred tax expense (note 19)		**773**		2,560
Income from equity-accounted investments (note 5)		**(1,611)**		(817)
Gain on sale of equity-accounted investment (note 5)		**-**		(525)
Non-cash impairment of equity-accounted investment (note 5)		**3,466**		4,778
Interest on lease liabilities (note 12)		**97**		119
Other non-cash items		**2,487**		(5,169)
Changes in non-cash working (deficit) capital (note 21)		**(6,865)**		(7,056)
Cash provided by operating activities		**17,086**		15,873
Investing Activities				
Expenditures on capital assets		**-**		(1)
Investment in intangible assets (note 7)		**(11,804)**		(7,239)
Proceeds on disposal of capital and intangible assets		**69**		13
Distributions from equity-accounted investees (note 5)		**321**		677
Investment in equity-accounted investees (note 5)		**-**		(250)
Proceeds from the sale of equity-accounted investee		**-**		16,500
Distributions to non-controlling interests		**-**		(600)
Cash (used in)/provided by investing activities		**(11,414)**		9,100
Financing Activities				
Proceeds from debt financing, net of transaction costs (note 11)		**8,888**		31,475
Repayment of debt (note 11)		**(5,816)**		(31,425)
SIB shares repurchase		**-**		(6,682)
Acquisition of Newton Connectivity Systems Inc.		**-**		(16,884)
Warrants exercised		**-**		2,988
Share options exercised		**-**		225
NCIB share repurchase (note 14)		**(309)**		(668)
Lease payments (note 12)		**(602)**		(610)
Dividends paid to Common Shareholders (note 14)		**(5,793)**		(4,362)
Dividends paid to Preferred Shareholders (note 13)		**(5,640)**		(10,697)
Cash used in financing activities		**(9,272)**		(36,640)
Decrease in cash		**(3,600)**		(11,667)
Impact of foreign exchange on cash		**-**		(5)
Cash, beginning of year		**9,214**		20,886
Cash, end of year	**$**	**5,614**	$	9,214
Cash flows include the following amounts:				
Interest paid	**$**	**2,884**	$	2,082
Interest received	**$**	**282**	$	173
Income taxes paid	**$**	**2,241**	$	8,924

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. (the "Corporation") is a Canadian mortgage brokerage and data connectivity provider with operations across Canada. The Corporation is listed on the Toronto Stock Exchange (the "Exchange") under the symbol "DLCG". The head office of the Corporation is located at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6. The Corporation is governed by the Business Corporation Act (Alberta).

Entity overview

The DLC group of companies (the "DLC Group" or "DLCG") consists of the Corporation and its three main subsidiaries:

	Ownership interest	
	December 31, 2023	December 31, 2022
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**100%**	100%

At December 31, 2022, the Corporation had two operating segments, the Core Business Operations segment (the DLC Group) and the Non-Core Business Asset Management segment (public company costs, the Junior Credit Facility as defined herein, and the costs associated with the equity-accounted investment in Cape Communications International Ltd. ("Impact")).

As of January 1, 2023, the Corporation has integrated these two segments into one as the Corporation's chief operating decision makers view the operations of the entity as a whole. This has resulted in a single operating segment as at December 31, 2023, representing the Corporation's business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada.

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 March 19, 2024.

3. MATERIAL ACCOUNTING POLICIES

The following are the accounting policies that management considers material to the users of the consolidated financial statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions, other events or conditions in the consolidated financial statements.

a. 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 upon consolidation.

Non-controlling interests represent the minority 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 those entities.

b. Revenue

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

Franchising revenue, mortgage brokerage services

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

Corporation may incur franchise agreement expenses prior to or concurrent with entering into franchise agreements, including payments to the franchisees. These costs are capitalized on an agreement basis and amortized over the same term as the agreements to which they relate. The amortization of these franchise payments is recognized against revenue.

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 franchise agreements. 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 and supplier bonuses are agreements made with certain preferred lenders and suppliers to earn income based on volume of mortgages funded or on other broker-driven activities. Newton's revenues are earned through three channels: fees paid by 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.

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

c. 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 DLCG 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 estimates.

Intangible assets include renewable franchise rights, franchisee non-competition agreements and relationships, DLCG brand names, and software. Renewable franchise agreements acquired through business combinations are amortized on a straight-line basis over their estimated economic life of twenty-five years. Franchisee non-competition agreements and relationships consist of the cost of acquiring and renewing contracts with DLCG franchisees and are amortized on a straight-line basis over the life of the related non-competition agreement, which generally range from one to ten years. Software is amortized over its six-year useful life.

Intangible assets acquired upon initial acquisition of Newton relate to software products used in the mortgage brokerage industry. The software products are amortized on a straight-line basis over their respective useful lives, which ranges from three to eleven years.

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 estimates.

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 and monitored at each cash-generating unit ("CGU") or group of CGUs which represents the smallest identifiable group of assets that generate cash inflows. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

d. 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.

e. 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 amortization 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.

f. 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, if necessary, 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 and comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income, in which case the income tax is also recognized in other comprehensive income, respectively.

g. 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:

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 Preferred Share 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.

Valuations of equity-accounted investments

Equity-accounted investments are assessed for impairment when indicators of impairment are identified, by comparing the carrying amount of each investment 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. If impairment is identified, the Corporation's carrying value of the equity-accounted investment is reduced to its fair value. The reduction is first applied against the Corporation's goodwill with any remaining balance applied against the equity-accounted investments' intangible assets.

Intangible assets

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

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

Impairment of goodwill and intangible assets

Goodwill and indefinite-life intangible assets are not amortized. Goodwill and indefinite-life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of each 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 Corporation applies the fair value less cost of disposal method. 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 Corporation applies the fair value less cost of disposal method. 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.

h. Financial instruments: classification and measurement

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).

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.

Upon 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.

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.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs and are subsequently recognized at amortized cost. The Preferred Share liability is 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 expense or recovery within finance expense on the Preferred Share liability on the consolidated statements of income.

i. 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 or not an entity will exercise its right to defer settlement of a liability. The amendment also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments or other assets or services. The amendment is effective for calendar periods beginning on or after January 1, 2024 and is to be applied retrospectively. The Corporation does not anticipate that the adoption of the amendment will have any effect on 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, 2024.

(in thousands of Canadian dollars)

4. TRADE AND OTHER RECEIVABLES

		December 31, 2023		December 31, 2022
Trade accounts receivable				
Franchise fees and mortgage brokerage services	$	**10,317**	$	10,591
Other trade receivables [1]		**2,952**		1,124
		13,269		11,715
Government agencies receivables		**344**		2,226
Notes receivable		**670**		1,240
Other receivables and assets		**833**		291
Total trade and other receivables		**15,116**		15,472
Long-term portion		**(773)**		(1,409)
	$	**14,343**	$	14,063

(1) Other trade receivables primarily relate to receivables from Newton's customers.

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 with a significant portion collected in the first four months of the following fiscal year.

		December 31, 2023		December 31, 2022
Current	$	**12,907**	$	11,689
31-60 days		**248**		48
61-90 days		**125**		51
Past due > 90 days		**240**		257
Allowance for doubtful accounts		**(251)**		(330)
	$	**13,269**	$	11,715

5. EQUITY-ACCOUNTED INVESTMENTS

Impact

The Corporation owns a 52.0% interest in Impact. Given that the shareholders' agreement requires all decisions of shareholders to be unanimous, the Corporation was determined to have joint control of Impact alongside the minority interest holder. The principal place of business is Kelowna, British Columbia, Canada.

During the year ended December 31, 2023, the Corporation recognized a non-cash impairment loss of $3,390 (December 31, 2022—$4,778) within the consolidated statements of income representing the difference between the carrying value of Impact and its estimated recoverable amount.

The Corporation identified Impact's financial performance and its technological and market environments as indicators of impairment and determined the recoverable amount of the investment based on its 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 EBITDA, discount rates and perpetual growth 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. 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 key assumptions used to determine the recoverable amount were as follows:

Perpetual growth rate	2.0%
Discount rate	25.6%

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

(in thousands of Canadian dollars)

		December 31, 2023		December 31, 2022
Current assets	$	6,233	$	4,836
Non-current assets		3,106		10,465
Current liabilities		(1,042)		(492)
Non-current liabilities (including contributed surplus)		(1,163)		(3,166)
Net assets		7,134		11,643
% of ownership		52.0%		52.0%
Corporation share of net assets	$	3,710	$	6,054

For the years ended December 31,		2023		2022
Revenue	$	11,100	$	9,461
Expenses		10,377		9,187
Income before tax		723		274
Income tax recovery (expense)		1,672		(101)
Net income		2,395		173
% of ownership		52.0%		52.0%
Corporation share of net income	$	1,245	$	90

Other comprehensive (loss) income	$	(389)	$	1,567
% of ownership		52.0%		52.0%
Corporation share of other comprehensive (loss) income	$	(202)	$	815

Other equity-accounted investments

The following tables summarize the financial information of the Corporation's investments in its other joint arrangements. The Corporation's ownership interest in these entities is not significant, and ranges from 30%-50%. The Corporation is entitled to the net assets of these entities, and therefore, the joint control arrangements are considered joint ventures and accounted for using the equity method.

During the year ended December 31, 2023, the Corporation received distributions from its other joint arrangements of $321 (December 31, 2022—$400) and did not make any further investments in its other joint arrangements (December 31, 2022—$250). During the year ended December 31, 2023, the Corporation wrote off an equity-accounted investment and recognized a non-cash impairment loss of $76 within the consolidated statements of income.

		December 31, 2023		December 31, 2022
Current assets	$	1,377	$	1,375
Non-current assets		162		208
Current liabilities		(540)		(687)
Non-current liabilities		(81)		(1)
Net assets		918		895
% of ownership		30%-50%		30%-50%
		390		422
Goodwill		1,303		1,303
Corporation share of net assets	$	1,691	$	1,725

For the years ended December 31,		2023		2022
Revenue	$	7,371	$	5,948
Expenses (including income tax)		6,542		5,287
Net income		829		661
% of ownership		30%-50%		30%-50%
Corporation share of net income	$	366	$	347

(in thousands of Canadian dollars)

Club16

On August 31, 2022, the Corporation closed the sale of its 58.4% interest in Club16 (the "Sale of Club16") to Club16 management (the "Purchaser") for aggregate gross proceeds of $18,000 (the "Club16 Purchase Price"). The Club16 Purchase Price was comprised of: (i) a cash payment of $16,500; and (ii) a non-interest-bearing promissory note issued by the Purchaser for $1,500 (the "Promissory Note"). The Promissory Note is to be paid in 24 equal monthly payments of $62.5, with the first monthly payment commencing on August 31, 2023. The Corporation recognized a gain on the sale of the equity-accounted investment of $525 within the consolidated statements of income during the year ended December 31, 2022 for the difference between the carrying value of the Corporation's investment in Club16 and the Club16 Purchase Price. The principal place of Club16's business is Surrey, British Columbia, Canada. During the year ended December 31, 2022, the Corporation received distributions of $277 from Club16.

The following table summarizes the comparative financial information of Club16 up to the date of sale, on August 31, 2022:

For the year ended December 31,		2022
Revenue	$	24,156
Expenses (including income tax)		24,021
Income before tax		135
Income tax recovery		515
Net income		650
% of ownership		58.4%
Corporation share of net income	$	380

6. RIGHT OF USE ASSETS

		Office & buildings
Cost		
Balance at December 31, 2021	$	2,718
Additions		526
Disposals		(109)
Balance at December 31, 2022	$	3,135
Balance at December 31, 2023	**$**	**3,135**
Accumulated depreciation		
Balance at December 31, 2021	$	(859)
Disposals		48
Depreciation expense		(363)
Balance at December 31, 2022	$	(1,174)
Depreciation expense		**(380)**
Balance at December 31, 2023	**$**	**(1,554)**
Carrying value		
December 31, 2022	$	1,961
December 31, 2023	**$**	**1,581**

(in thousands of Canadian dollars)

7. INTANGIBLE ASSETS AND GOODWILL

	Franchise rights, relationships and agreements	Brand names	Software	Total intangible assets
Cost				
Balance at December 31, 2021	$ 101,398	$ 45,700	$ 5,297	$ 152,395
Additions (1)	10,663	-	-	10,663
Disposals	(954)	-	(1,255)	(2,209)
Balance at December 31, 2022	$ 111,107	$ 45,700	$ 4,042	$ 160,849
Additions (1)	**9,877**	**-**	**-**	**9,877**
Disposals	**(1,989)**	**-**	**-**	**(1,989)**
Balance at December 31, 2023	**$ 118,995**	**$ 45,700**	**$ 4,042**	**$ 168,737**
Accumulated amortization				
Balance at December 31, 2021	$ (26,520)	$ -	$ (4,446)	$ (30,966)
Disposals	943	-	1,255	2,198
Amortization recognized as a charge against revenue	(3,265)	-	-	(3,265)
Amortization expense	(3,235)	-	(275)	(3,510)
Balance at December 31, 2022	$ (32,077)	$ -	$ (3,466)	$ (35,543)
Disposals	**1,893**	**-**	**-**	**1,893**
Amortization recognized as a charge against revenue	**(4,868)**	**-**	**-**	**(4,868)**
Amortization expense	**(3,137)**	**-**	**(170)**	**(3,307)**
Balance at December 31, 2023	**$ (38,189)**	**$ -**	**$ (3,636)**	**$ (41,825)**
Carrying value				
December 31, 2022	$ 79,030	$ 45,700	$ 576	$ 125,306
December 31, 2023	**$ 80,806**	**$ 45,700**	**$ 406**	**$ 126,912**

(1) Additions includes franchise rights, relationships and agreements of $1,497 included within accrued liabilities as of December 31, 2023 (December 31, 2022 - $3,424).

Intangible assets with indefinite lives:

	December 31, 2023	December 31, 2022
DLC Group brand names	**$ 45,700**	$ 45,700

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, 2023**	December 31, 2022
DLC Group	**$ 57,097**	$ 57,097
Newton	**3,340**	3,340
	$ 60,437	$ 60,437

The Corporation completed its annual impairment test for goodwill and indefinite-life intangible assets as at December 31, 2023. 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 EBITDA, discount rates and perpetual growth rate (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.

(in thousands of Canadian dollars)

The Corporation's assumptions regarding EBITDA were based on each CGU's 5-year budget, which is approved by the 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%
Discount rate	11.5%	24.0%

Based on management's assessment, no impairment was recognized during the years ended December 31, 2023 or December 31, 2022.

Sensitivity analysis

Based on a sensitivity analysis, the Corporation does not believe there are any possible changes in key assumptions that would cause the recoverable amount of the DLC Group or Newton CGUs to fall below their carrying amounts.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2023		December 31, 2022
Accrued liabilities				
Commissions payable	**$**	**9,548**	$	11,305
Share-based compensation liability (note 15)		**-**		935
Other accrued liabilities		**6,521**		11,431
		16,069		23,671
Trade payables		**2,484**		1,520
Government agencies payable		**311**		-
Other		**291**		1,379
	$	**19,155**	$	26,570

9. DEFERRED CONTRACT LIABILITIES

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

		2023		2022
Balance at January 1	**$**	**684**	$	1,681
Additions		**2,856**		1,623
Revenue recognized from deferred contract liabilities		**(2,772)**		(2,620)
Balance at December 31	**$**	**768**	$	684
Current	**$**	**620**	$	482
Non-current	**$**	**148**	$	202

10. OTHER LONG-TERM LIABILITIES

		December 31, 2023		December 31, 2022
Impact contingent liability (see note 24)	**$**	**1,000**	$	1,000
Franchise renewal incentives		**20**		69
	$	**1,020**	$	1,069

(in thousands of Canadian dollars)

11. LOANS AND BORROWINGS

		December 31, 2023		December 31, 2022
Revolving Facility	**$**	**-**	$	-
Term Facility		**36,062**		-
Acquisition Facility		**-**		26,076
Non-Revolving Term Loan (“DDTL”) Facility		**-**		6,400
Junior Credit Facility		**4,200**		4,513
		40,262		36,989
Debt issuance costs (1)		**(352)**		(319)
Total loans and borrowings		**39,910**		36,670
Less: current portion		**(5,902)**		(4,662)
	$	**34,008**	$	32,008

(1) For the year ended December 31, 2023 the Corporation incurred $201 of debt issuance costs for amending and restating its credit facility (December 31, 2022 - $126).

On December 19, 2023, the Corporation amended and restated its credit facility agreement with Toronto-Dominion Bank (“TD”). The credit facility agreement is comprised of two senior term credit facilities (collectively, the “Senior Credit Facilities”) and a junior term credit facility (the “Junior Credit Facility”). The Senior Credit Facilities and the Junior Credit Facility have a term of three years and mature on December 19, 2026.

Quarterly financial covenants for all facilities include the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and a fixed charged coverage ratio greater than 1.10:1.00. At December 31, 2023, the Corporation’s adjusted total debt-to-EBITDA ratio and fixed charged coverage ratio were 1.31:1.00 and 1.61:1.00, respectively. At December 31, 2023, the Corporation was in compliance with all such covenants.

Senior Credit Facilities

The Senior Credit Facilities provides the Corporation with a $15,000 revolving working capital credit line (the “Revolving Facility”), and a $36,062 term loan (“Term Facility”). The proceeds from the Term Facility were used to replace the outstanding debt under the Corporation’s former revolving acquisition credit line (the “Acquisition Facility”) and former DDTL Facility. As at December 31, 2023, $5,152 of the Senior Credit Facilities is classified as current (December 31, 2022 - $4,662).

Borrowings under the Senior Credit Facilities are comprised of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 1.75% to 2.25%.

Previous facility

Prior to the amended and restated TD credit facility agreement, the Corporation’s Senior Credit Facilities consisted of three senior facilities, that provided the Corporation with a $5,000 Revolving Facility; a $34,000 Acquisition Facility; and a the DDTL Facility which was used to finance the SIB completed on January 11, 2022. Annual financial covenants for the facilities included the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and an interest coverage ratio greater than 3.00:1.00.

Junior Credit Facility

Borrowings under the Junior Credit Facility are due upon maturity and are comprised of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.75% to 1.25%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 2.50% to 3.00%.

The Corporation is required to utilize the proceeds received on the Club16 note receivable towards repayment of the Junior Credit Facility. As at December 31, 2023, this amount is classified as current debt of $750 (December 31, 2022 - $nil).

(in thousands of Canadian dollars)

12. LEASE OBLIGATIONS

The Corporation has lease commitments for buildings and office spaces with varying terms that expire between 2025 and 2029, captured in the below table:

Balance at December 31, 2021		2,296
Addition of new leases		526
Lease payments		(610)
Interest on lease obligations		119
Disposal		(73)
Balance at December 31, 2022		2,258
Lease payments		**(602)**
Interest on lease obligations		**97**
Balance at December 31, 2023		**1,753**
Current portion		**(373)**
	$	**1,380**

The approximate undiscounted contractual lease payments remaining are as follows:

Year		**Lease payments**
2024	$	448
2025		206
2026		109
2027		41
2028		36
Thereafter		30
		870

13. PREFERRED SHARE LIABILITY

The Corporation is authorized to issue an unlimited number of non-voting, non-convertible series 1, class "B" preferred shares (the "Preferred Shares"). The Preferred Shares are not publicly traded. The Preferred Shares are a liability as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares in perpetuity. The holders of the Preferred Shares (the "Preferred Shareholders") are entitled to dividends equal to 40% of Core Business Distributable Cash ("Dividend Entitlement"), 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. Core Business Operations for these purposes excludes certain public company costs and cash flows associated with the Junior Credit Facility and the equity-accounted investment in Impact. 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 Dividend Entitlement plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs and are subsequently recognized at amortized cost. The fair value of the Preferred Shares was determined using an income approach based on the estimated future Dividend Entitlement of the Preferred Shareholders. The Preferred Share liability is revised for any changes in the estimated future Dividend Entitlement at the end of each reporting period using an income approach based on the initial discount rate applied (15.2%), the change in the time-value of money, and dividends paid. The change in the time-value of money is reflected as accretion expense. The change in the estimated future Dividend Entitlement is reflected as revaluation recovery or expense. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the consolidated statements of income within finance expense on the Preferred Share liability.

The Corporation pays 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 Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows. During the year ended December 31, 2023, the Corporation paid Interim Dividends of $5,640 to the Preferred Shareholders

(in thousands of Canadian dollars)

(December 31, 2022—$10,160). The actual Dividend Entitlement attributable to Preferred Shareholders during the year ended December 31, 2023 was $5,977 (December 31, 2022—$10,351), resulting in an increase of the Dividend Entitlement to the Preferred Shareholders as at December 31, 2023 of $337 (December 31, 2022—$191), which is included in the Preferred Share liability.

A summary of activity during the year is as follows:

	Number of Preferred Shares		Amount
Balance at December 31, 2021 (1)	26,774,054	$	118,460
Dividends paid (2)	-		(10,697)
Finance expense on the Preferred Share liability	-		2,397
Balance at December 31, 2022 (1)	-		110,160
Dividends paid (2)	-		**(5,640)**
Finance expense on the Preferred Share liability	-		**9,922**
Balance at December 31, 2023 (1)	**26,774,054**	**$**	**114,442**
Current		**$**	**7,182**
Non-Current		**$**	**107,260**

(1) Net of transaction costs.
(2) During the years ended December 31, 2023, and December 31, 2022, the Board of Directors passed a resolution to reduce the Dividend Entitlement for the years ended December 31, 2022 and December 31, 2021, resulting in a reversal of $191 and $481 of the Dividend Entitlement payable as at December 31,2022 and December 31, 2021.

For the years ended December 31,		**2023**		2022
Accretion expense on the Preferred Share liability	**$**	**17,226**	$	19,454
Revaluation recovery of the Preferred Share liability		**(7,304)**		(17,057)
Finance expense on the Preferred Share liability	**$**	**9,922**	$	2,397

14. 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 (see note 13).

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

	Number of Common Shares		Amount
Balance at December 31, 2022	48,352,731	$	136,019
NCIB	**(125,493)**		**(309)**
Balance at December 31, 2023	**48,227,238**	**$**	**135,710**

NCIB

The Corporation implemented a NCIB on May 25, 2023. The NCIB has a twelve-month duration, which commenced on May 29, 2023 and ends the earlier of May 28, 2024 or the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Under the NCIB, the Corporation may purchase up to 1,000,000 Common Shares. The Corporation also had a NCIB effective May 27, 2022 to May 26, 2023. During the year ended December 31, 2023, the Corporation made repurchases under the NCIBs of 125,493 Common Shares at an average price of $2.46 per Common Share. The repurchased shares were cancelled and returned to treasury.

Dividends

During the year ended December 31, 2023, the Corporation declared four quarterly dividends of $0.03 per Common Share, resulting in dividend payments of $5,793 (December 31, 2022—$4,362).

15. SHARE-BASED PAYMENTS

The Corporation recorded a total share-based payment recovery of $70 for the year ended December 31, 2023 (December 31, 2022—$104 recovery). These amounts include share-based payment recovery related to the Corporation's RSUs of $70 (December 31, 2022—$93 recovery). The Corporation did not have any expenses related to the PSOs for the year ended December 31, 2023 (December 31, 2022— $11 recovery).

(in thousands of Canadian dollars)

PSO plan

The Corporation had issued PSOs to certain Newton executives with an exercise price of $3.85. 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 three-year term and vest one-half on the first and second anniversary from the date of grant. At December 31, 2023, none were in-the-money.

A summary of the PSO activity during the year is as follows:

Outstanding PSOs, December 31, 2022	250,000
Outstanding PSOs, December 31, 2023	**250,000**

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 the number of units issued, their term, and their vesting period at the time of the grant.

A summary of the RSU activity during the year is as follows:

Outstanding RSUs, December 31, 2022	292,174
Settled	**(292,174)**
Outstanding RSUs, December 31, 2023	**-**

16. REVENUE

For the years ended December 31,		**2023**		2022
Franchising revenue, mortgage brokerage services	**$**	**48,241**	$	58,884
Newton revenues		**13,419**		10,682
Brokering of mortgages		**857**		1,154
	$	**62,517**	$	70,720

The Corporation may incur franchise agreement expenses prior to or concurrent with entering into franchise agreements, including payments to the franchisees. These costs are capitalized on an agreement basis and amortized over the same term as the agreement to which they relate. The amortization of these franchise payments is recognized against revenue. Revenue earned from contracts with customers earned over time included in the above (gross of the amortization of franchise payments) is $66,820 for the year ended December 31, 2023 (December 31, 2022—$73,520).

17. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,		**2023**		2022
Salary and salary-related	**$**	**18,384**	$	17,586
Office, administration and property costs		**3,852**		3,647
Advertising, promotion and travel		**2,946**		2,521
Professional fees		**1,684**		2,552
Management and consulting fees		**2,794**		2,900
Other expenses		**400**		543
	$	**30,060**	$	29,749

18. FINANCE EXPENSE

For the years ended December 31,		**2023**		2022
Interest expense on debt obligations	**$**	**2,884**	$	2,082
Interest on lease obligations		**97**		119
Amortization of debt-issuance costs		**168**		154
	$	**3,149**	$	2,355

(in thousands of Canadian dollars)

19. INCOME TAXES

Total income tax expense differs from the amount that would arise using the combined Canadian federal and provincial tax rate of 26.4% (2022—26.7%). Below is a reconciliation of income taxes calculated at the combined statutory rates to the tax expense recorded for 2023 and 2022:

For the years ended December 31,		**2023**		2022
Income before income tax	**$**	**4,187**	$	18,993
Income before income tax multiplied by the statutory rate of 26.4% (2022—26.7%)		**(1,106)**		(5,071)
Effect of:				
Permanent differences		**(186)**		(24)
Non-deductible finance expense on the Preferred Share liability		**(2,639)**		(637)
Change in tax rates and rate differences		**(281)**		70
Change in unrecognized temporary differences		**(27)**		(206)
Changes in non-recognized equity-accounting		**85**		(766)
Reserve for capital loss carry forward		**(125)**		(209)
Other		**156**		136
Total tax expense	**$**	**(4,123)**	$	(6,707)

The Corporation's deferred tax assets are netted against its deferred tax liabilities. Net deferred tax liabilities as at December 31, 2023 and 2022, consist of the following:

		December 31, 2023		December 31, 2022
Deferred tax liabilities				
Intangible assets	**$**	**(24,365)**	$	(25,184)
Right-of-use assets		**(420)**		(521)
		(24,785)		(25,705)
Deferred tax assets				
Non-capital losses		**9,116**		10,454
Share capital issuance costs		**15**		279
Lease liabilities, net of lease receivable		**466**		588
Other		**78**		47
		9,675		11,368
Net deferred tax liability	**$**	**(15,110)**	$	(14,337)

The deferred tax liability movement is comprised of:

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**(14,337)**	$	(11,777)
Deferred tax expense recognized in net income		**(773)**		(2,560)
Net deferred tax liability	**$**	**(15,110)**	$	(14,337)

20. EARNINGS PER COMMON SHARE

For the years ended December 31,		**2023**		2022
Net earnings attributable to common shareholders	**$**	**43**	$	12,061
Basic weighted average number of Common Shares		**48,282,893**		47,458,420
Basic earnings per Common Share	**$**	**-**	$	0.25
Diluted earnings per Common Share	**$**	**-**	$	0.25

As at December 31, 2023 and December 31, 2022, the Corporation does not have any dilutive securities.

(in thousands of Canadian dollars)

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,		**2023**		2022
Trade and other receivables	**$**	**(280)**	$	3,927
Prepaid expenses and deposits		**1,168**		(1,607)
Notes receivable		**(546)**		233
Accounts payable and accrued liabilities		**(7,345)**		(8,962)
Deferred contract liabilities		**138**		(647)
	$	**(6,865)**	$	(7,056)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has the 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 its 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, trade and other receivables, investments, trade payables and accrued liabilities, loans and borrowings, and preferred share liabilities. Because of the use of these financial instruments, the Corporation and its subsidiaries are exposed to risks 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 is comprised of interest rate risk.

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 $409 decrease of income before tax for the year ended December 31, 2023 (December 31, 2022—$485 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, notes receivable and trade and other receivables.

The Corporation has determined that its exposure to credit risk on its cash is minimal as the Corporation's cash is held with financial institutions in Canada.

The Corporation's primary source of credit risk relates to the possibility of franchisees, agents, or other customers not paying receivables. The Corporation 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, 2023, $240 (December 31, 2022—$257) of trade receivables are greater than 90 days outstanding, and the provision for total expected credit losses as at December 31, 2023 is $251 (December 31, 2022—$330). 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 also has a source of credit risk related to its note receivable from the sale of Club16. The Corporation has managed its credit risk through mandatory monthly payments, which commenced on August 1, 2023. A decline in economic conditions, or other adverse conditions experienced by Club16, could impact the collectability of the Corporation's note receivable.

(in thousands of Canadian dollars)

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, 2023		December 31, 2022
Cash	$	5,614	$	9,214
Trade, other receivables and other assets		14,446		14,232
Notes receivable		1,326		1,350
	$	21,386	$	24,796

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.

As at December 31, 2023, 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	$	19,155	$	19,155	$	-	$	-
Lease obligations (1)		870		448		392		30
Loans and borrowings (2)		40,262		5,902		34,360		-
Preferred share liability (3)		114,729		7,182		38,452		69,095
Long-term liabilities		20		-		20		-
	$	175,036	$	32,687	$	73,224	$	69,125

(1) Undiscounted lease payments.
(2) Gross of debt issuance costs.
(3) Discounted estimated future Dividend Entitlements, gross of transaction costs.

Capital management

The Corporation's capital structure is comprised of total shareholders' equity, preferred shares, and loans and borrowings, less cash. The following table summarizes the carrying value of the Corporation's capital at December 31, 2023, and December 31, 2022.

		December 31, 2023		December 31, 2022
Loans and borrowings	$	39,910	$	36,670
Less: cash		5,614		9,214
Net loans and borrowings	$	34,296	$	27,456
Preferred share liability		114,442		110,160
Shareholders' equity	$	25,697	$	31,958

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 and to grow the capabilities and usage of Newton's technology platform.

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, 2023 (see note 11).

23. COMMITMENTS AND CONTINGENCIES

Service agreement

The Corporation entered into an agreement with a software development company to develop and support a customized mortgage application ("app"). The agreement is a related party transaction due to common management between the Corporation and the service provider (see note 24). The service agreement expires in March 2027.

Contingencies

In the normal course of operations, the Corporation 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. For claims where outcomes are not determinable, no provision for settlement has been made in the consolidated financial statements.

(in thousands of Canadian dollars)

24. RELATED PARTY TRANSACTIONS

Property leases

The Corporation leases office spaces from related companies controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the year ended December 31, 2023, the total costs incurred under these leases were $327 (December 31, 2022—$323). The lease terms mature in 2025.

The Corporation leases a two-bedroom condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the year ended December 31, 2023, the total costs incurred under this lease was $84 (December 31, 2022—$84). The lease term matures in 2025.

The expenses related to these leases are recorded in interest, depreciation and amortization expenses, and general and administrative expenses and are paid monthly. As such no amount remains payable within the Corporation's financial statements.

Administrative services

The Corporation 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 Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the year ended December 31, 2023 were $940 (December 31, 2022—$1,111).

Other

The Corporation has entered into an agreement with the non-controlling shareholder 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 this shareholder. As at December 31, 2023, a liability has been recognized for the current fair value of the liability of $1,000 (December 31, 2022—$1,000).

Key management compensation

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

For the years ended December 31,	**2023**	2022
Salaries and benefits	**$ 5,828**	$ 7,093
Share-based payments recovery	**(70)**	(189)
	$ 5,758	$ 6,904

25. SUBSEQUENT EVENTS

Dividend

On February 16, 2024, the Board of Directors of the Corporation declared a cash dividend of $0.03 per Common Share. The dividend was paid on March 15, 2024, to shareholders of record as of March 1, 2024, resulting in a dividend payment of $1,447.