Dominion Lending Centres Inc.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2024 & March 31, 2023

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

	As at March 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	$ **2,116**	$ 5,614
Trade and other receivables	**9,713**	14,343
Prepaid expenses and deposits	**2,403**	2,003
Notes receivable	**676**	656
Asset held for sale (note 4)	**3,710**	-
Total current assets	**18,618**	22,616
Non-current assets		
Trade, other receivables, and other assets	**608**	773
Investments	**246**	246
Equity-accounted investments (note 5)	**1,785**	5,401
Capital assets	**118**	141
Right-of-use assets	**1,485**	1,581
Intangible assets (note 6)	**128,447**	126,912
Goodwill	**60,437**	60,437
Total assets	$ **211,744**	$ 218,107
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ **14,851**	$ 19,155
Loans and borrowings (note 8)	**6,331**	5,902
Deferred contract liabilities	**670**	620
Lease obligations	**378**	373
Preferred Share liability (note 9)	**6,440**	7,182
Total current liabilities	**28,670**	33,232
Non-current liabilities		
Loans and borrowings (note 8)	**32,573**	34,008
Deferred contract liabilities	**128**	148
Other long-term liabilities	**1,030**	1,020
Lease obligations	**1,283**	1,380
Deferred tax liabilities	**15,007**	15,110
Preferred Share liability (note 9)	**105,831**	107,260
Total liabilities	**184,522**	192,158
Equity		
Share capital (note 10)	**135,710**	135,710
Contributed surplus	**11,783**	11,783
Accumulated other comprehensive income	**681**	592
Deficit	**(121,208)**	(122,388)
Total equity attributable to shareholders	**26,966**	25,697
Non-controlling interest	**256**	252
Total liabilities and equity	$ **211,744**	$ 218,107

Subsequent events (note 16)
The accompanying notes form an integral part of these interim financial statements.

Signed on behalf of the Board of Directors,

(signed)
Gary Mauris, Director

(signed)
Dennis Sykora, Director

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (unaudited)

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

For the three months ended March 31,		**2024**		2023
Revenue (note 11)	**$**	**13,636**	$	11,638
Direct costs		**1,965**		2,104
Gross profit		**11,671**		9,534
General and administrative expenses		**7,264**		7,336
Share-based payments recovery		**-**		(96)
Depreciation and amortization		**939**		964
		8,203		8,204
Income from operations	**$**	**3,468**	$	1,330
Other (expense) income				
Finance expense (note 12)		**(764)**		(678)
Finance recovery (expense) on the Preferred Share liability (note 9)		**154**		(890)
Income from equity-accounted investments (note 5)		**426**		231
Non-cash impairment of equity-accounted investment (note 4)		**(236)**		-
Other income		**166**		193
		(254)		(1,144)
Income before tax	**$**	**3,214**	$	186
Income tax expense				
Current tax expense		**(686)**		(284)
Deferred tax recovery		**103**		51
		(583)		(233)
Net income (loss)	**$**	**2,631**	$	(47)
Earnings per Common Share attributable to Common Shareholders (note 13)				
Basic and diluted	**$**	**0.05**	$	-

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,		2024		2023
Net income (loss)	**$**	**2,631**	$	(47)
Other comprehensive income (loss)				
Items that will be subsequently reclassified to net income (loss):				
Foreign exchange translation income (loss) from equity-accounted investments (net of tax) (note 5)		**89**		(10)
Total other comprehensive income (loss)		**89**		(10)
Comprehensive income (loss)	**$**	**2,720**	$	(57)
Attributable to:				
Common Shareholders	**$**	**2,716**	$	(67)
Non-controlling interest	**$**	**4**	$	10

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (unaudited)
(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 January 1, 2023	$ 136,019	$ 11,783	$ 794	$ (116,638)	$ 31,958	$ 231	$ 32,189
Normal course issuer bid ("NCIB")	(50)	-	-	-	(50)	-	(50)
Net loss and comprehensive loss	-	-	(10)	(57)	(67)	10	(57)
Dividends declared	-	-	-	(1,451)	(1,451)	-	(1,451)
Balance at March 31, 2023	$ 135,969	$ 11,783	$ 784	$ (118,146)	$ 30,390	$ 241	$ 30,631
Balance at January 1, 2024	$ 135,710	$ 11,783	$ 592	$ (122,388)	$ 25,697	$ 252	$ 25,949
Net income and comprehensive income	**-**	**-**	**89**	**2,627**	**2,716**	**4**	**2,720**
Dividends declared (note 10)	**-**	**-**	**-**	**(1,447)**	**(1,447)**	**-**	**(1,447)**
Balance at March 31, 2024	**$ 135,710**	**$ 11,783**	**$ 681**	**$ (121,208)**	**$ 26,966**	**$ 256**	**$ 27,222**

(1) Accumulated other comprehensive (loss) income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands of Canadian dollars)

For the three months ended March 31,		2024		2023
Operating Activities				
Net income (loss)	**$**	**2,631**	$	(47)
Items not affecting cash:				
Share-based payments recovery		**-**		(96)
Depreciation and amortization		**939**		964
Amortization of debt issuance costs (note 12)		**40**		40
Amortization of franchise rights (note 6)		**1,335**		978
Finance recovery (expense) on the Preferred Share liability (note 9)		**(154)**		890
Deferred tax recovery		**(103)**		(51)
Income from equity-accounted investments (note 5)		**(426)**		(231)
Non-cash impairment of equity-accounted investment (note 4)		**236**		-
Interest on lease liabilities (note 12)		**20**		27
Other non-cash items		**613**		2,660
Changes in non-cash working (deficit) capital (note 14)		**(44)**		(6,069)
Cash provided by/ (used in) operating activities		**5,087**		(935)
Investing Activities				
Investment in intangible assets (note 6)		**(4,148)**		(7,471)
Proceeds on disposal of capital and intangible assets		**-**		12
Distributions from equity-accounted investees (note 5)		**185**		-
Cash used in investing activities		**(3,963)**		(7,459)
Financing Activities				
Proceeds from debt financing, net of transaction costs (note 8)		**-**		5,948
Repayment of debt (note 8)		**(1,046)**		(1,165)
NCIB share repurchase (note 10)		**-**		(50)
Lease payments		**(112)**		(158)
Dividends paid to Common Shareholders (note 10)		**(1,447)**		(1,451)
Dividends paid to Preferred Shareholders (note 9)		**(2,017)**		(1,680)
Cash (used in)/ provided by financing activities		**(4,622)**		1,444
Decrease in cash		**(3,498)**		(6,950)
Cash, beginning of period		**5,614**		9,214
Cash, end of period	**$**	**2,116**	$	2,264
Cash flows include the following amounts:				
Interest paid	**$**	**704**	$	612
Interest received	**$**	**53**	$	27
Income taxes paid	**$**	**1,089**	$	576

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

(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Dominion Lending Centres Inc. (the "Corporation") is a Canadian mortgage brokerage franchisor 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	
	March 31, 2024	December 31, 2023
MCC Mortgage Centre Canada Inc. ("MCC")	**100%**	100%
MA Mortgage Architects Inc. ("MA")	**100%**	100%
Newton Connectivity Systems Inc. ("Newton")	**100%**	100%

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements ("interim 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"), specifically International Accounting Standards 34 – Interim Financial Reporting.

These interim financial statements were authorized for issuance by the Audit Committee of the Corporation, on behalf of the Board of Directors, on May 7, 2024.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in preparation of these interim financial statements are the same as those in the most recent annual financial statements, except as noted below.

Adoption of Classification of Liabilities as Current or Non-Current (amendments to IAS 1 – Presentation of Financial Statements

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 adopted the amendment on the effective date of January 1, 2024. The adoption of the amendment did not have an effect on its classification of current and non-current liabilities within its consolidated statements of financial position.

(in thousands of Canadian dollars)

4. ASSET HELD FOR SALE

As of March 31, 2024, the Corporation has classified its investment in Impact as 'held for sale'. Prior to March 31, 2024, the Corporation entered negotiations and the Board approved a plan to sell Impact, an equity-accounted investee. The sale of Impact occurred on April 25, 2024 for cash proceeds of $3,710 (see note 16).

A write-down of $236 was recognised during the three months ended March 31, 2024 to reduce the carrying amount of the investment to its fair value less costs to sell upon classifying Impact as held for sale.

5. EQUITY-ACCOUNTED INVESTMENTS

Impact

The Corporation owns a 52.0% interest in Impact. As of March 31, 2024, our investment in Impact is classified as 'held for sale' (see note 4).

The following tables summarise the financial information of Impact:

		March 31, 2024		December 31, 2023
Current assets	$	**6,107**	$	6,233
Non-current assets		**2,627**		3,106
Current liabilities		**(601)**		(1,042)
Non-current liabilities (including contributed surplus)		**(999)**		(1,163)
Net assets		**7,134**		7,134
% of ownership		**52.0%**		52.0%
Corporation share of net assets	$	**3,710**	$	3,710

For the three months ended March 31,		**2024**		2023
Revenue	$	**2,808**	$	2,482
Expenses		**2,585**		2,459
Income before tax		**223**		23
Income tax recovery		**60**		129
Net income		**283**		152
% of ownership		**52.0%**		52.0%
Corporation share of net income	$	**147**	$	79

Other comprehensive income (loss)	$	**172**	$	(19)
% of ownership		**52.0%**		52.0%
Corporation share of other comprehensive income (loss)	$	**89**	$	(10)

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 are accounted for using the equity method.

(in thousands of Canadian dollars)

During the three months ended March 31, 2024, the Corporation received distributions from its other joint arrangements of $185 (March 31, 2023—$nil).

		March 31, 2024		December 31, 2023
Current assets	**$**	**1,883**	$	1,377
Non-current assets		**113**		162
Current liabilities		**(853)**		(540)
Non-current liabilities		**(50)**		(81)
Net assets		**1,093**		918
% of ownership		**30%-50%**		30%-50%
		482		390
Goodwill		**1,303**		1,303
Corporation share of net assets	**$**	**1,785**	$	1,691

For the three months ended March 31,		**2024**		2023
Revenue	**$**	**2,574**	$	1,864
Expenses (including income tax)		**2,023**		1,542
Net income		**551**		322
% of ownership		**30%-50%**		30%-50%
Corporation share of net income	**$**	**279**	$	152

6. INTANGIBLE ASSETS

		Franchise rights, relationships and agreements		Brand names		Software		Total intangible assets
Cost								
Balance at December 31, 2023	$	118,995	$	45,700	$	4,042	$	168,737
Additions (1)		**3,692**		**-**		**-**		**3,692**
Disposals		**(15)**		**-**		**-**		**(15)**
Balance at March 31, 2024	**$**	**122,672**	**$**	**45,700**	**$**	4,042	**$**	**172,414**
Accumulated amortization								
Balance at December 31, 2023	$	(38,189)	$	-	$	(3,636)	$	(41,825)
Disposals		**13**		**-**		**-**		**13**
Amortization recognized as a charge against revenue		**(1,335)**		**-**		**-**		**(1,335)**
Amortization expense		**(779)**		**-**		**(41)**		**(820)**
Balance at March 31, 2024	**$**	**(40,290)**	**$**	**-**	**$**	**(3,677)**	**$**	**(43,967)**
Carrying value								
December 31, 2023	$	80,806	$	45,700	$	406	$	126,912
March 31, 2024	**$**	**82,382**	**$**	**45,700**	**$**	**365**	**$**	**128,447**

(1) Additions includes franchise rights, relationships and agreements of $1,041 included within accrued liabilities as of March 31, 2024 (December 31, 2023 - $1,497).

(in thousands of Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2024		December 31, 2023
Accrued liabilities				
Commissions payable	$	**8,947**	$	9,548
Other accrued liabilities		**3,988**		6,521
		12,935		16,069
Trade payables		**1,547**		2,484
Government agencies payable		**236**		311
Other		**133**		291
	$	**14,851**	$	19,155

8. LOANS AND BORROWINGS

		March 31, 2024		December 31, 2023
Revolving Facility	$	**-**	$	-
Term Facility		**35,203**		36,062
Junior Credit Facility		**4,013**		4,200
		39,216		40,262
Debt issuance costs		**(312)**		(352)
Total loans and borrowings		**38,904**		39,910
Less: current portion		**(6,331)**		(5,902)
	$	**32,573**	$	34,008

The Corporation's loans and borrowings are comprised of two senior 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 March 31, 2024, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charged coverage ratio were 1.26:1.00 and 1.77:1.00, respectively, and as such, 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"). As at March 31, 2024, $5,581 of the Senior Credit Facilities is classified as current (December 31, 2023 - $5,152).

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%.

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 March 31, 2024, this amount is classified as current debt of $750 (December 31, 2023 - $750). On April 25, 2024, the Corporation disposed of its interest in Impact for cash proceeds of $3,710. The proceeds from sale were used to fully repay the Junior Credit Facility (see note 16).

(in thousands of Canadian dollars)

9. 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 three months ended March 31, 2024, the Corporation paid Interim Dividends of $1,680 to the Preferred Shareholders (March 31, 2023—$1,680). The actual Dividend Entitlement attributable to Preferred Shareholders during the three months ended March 31, 2024 was $43 (March 31, 2023—$987 negative). The overpayment will result in a $1,637 reduction of future dividends payable to Preferred Shareholders. This overpayment is included within the Preferred Share liability and is recognized as part of the revaluation recovery of the Preferred Share liability.

A summary of activity during the period is as follows:

	Number of Preferred Shares		Amount
Balance at December 31, 2023	26,774,054	$	114,442
Dividends paid[1]	-		**(2,017)**
Finance recovery on the Preferred Share liability	-		**(154)**
Balance at March 31, 2024[2]	**26,774,054**	**$**	**112,271**
Current		**$**	**6,440**
Non-Current		**$**	**105,831**

(1) Includes $337 dividend payment for true-up amount related to the year ended December 31, 2023 Dividend Entitlement.
(2) Net of transaction costs.

For the three months ended March 31,		**2024**		2023
Accretion expense on the Preferred Share liability	**$**	**4,393**	$	4,173
Revaluation recovery of the Preferred Share liability		**(4,547)**		(3,283)
Finance (recovery) expense on the Preferred Share liability	**$**	**(154)**	$	890

(in thousands of Canadian dollars)

10. 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 9).

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

	Number of Common Shares		Amount
Balance at December 31, 2023	48,227,238	$	135,710
Balance at March 31, 2024	**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. During the three months ended March 31, 2024, the Corporation did not make any purchases under the NCIB.

Dividends

During the three months ended March 31, 2024, the Corporation declared a quarterly dividend of $0.03 per Common Share, resulting in dividend payments of $1,447 (March 31, 2023—$1,451).

11. REVENUE

For the three months ended March 31,		**2024**		2023
Franchising revenue, mortgage brokerage services	**$**	**10,090**	$	9,469
Newton revenues		**3,280**		2,028
Brokering of mortgages		**266**		141
	$	**13,636**	$	11,638

The Corporation's operations are subject to seasonal variances that fluctuate from quarter to quarter in accordance with the normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March.

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 $14,880 for the three months ended March 31, 2024 (March 31, 2023—$12,642).

12. FINANCE EXPENSE

For the three months ended March 31,		**2024**		2023
Interest expense on debt obligations	**$**	**704**	$	611
Interest expense on lease obligations		**20**		27
Amortization of debt-issuance costs		**40**		40
	$	**764**	$	678

13. EARNINGS (LOSS) PER COMMON SHARE

For the three months ended March 31,		**2024**		2023
Net earnings (loss) attributable to common shareholders	**$**	**2,627**	$	(57)
Basic weighted average number of Common Shares		**48,227,238**		48,351,435
Basic earnings per Common Share	**$**	**0.05**	$	-
Diluted earnings per Common Share	**$**	**0.05**	$	-

As at March 31, 2024 and March 31, 2023, the Corporation does not have any dilutive securities.

(in thousands of Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the three months ended March 31,		2024		2023
Trade and other receivables	$	**4,630**	$	4,313
Prepaid expenses and deposits		**(400)**		(1,231)
Notes receivable		**(20)**		(193)
Accounts payable and accrued liabilities		**(4,304)**		(9,107)
Deferred contract liabilities		**50**		149
	$	**(44)**	$	(6,069)

15. 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 $99 decrease of income before tax for the three months ended March 31, 2024 (March 31, 2023—$90 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 March 31, 2024, $120 (December 31, 2023—$240) of trade receivables are greater than 90 days outstanding, and the provision for total expected credit losses as at March 31, 2024 is $155 (December 31, 2023—$251). 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.

		March 31, 2024		December 31, 2023
Cash	**$**	**2,116**	$	5,614
Trade, other receivables, and other assets		**9,813**		14,446
Notes receivable		**1,184**		1,326
	$	**13,113**	$	21,386

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 March 31, 2024, 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	$	14,851	$	14,851	$	-	$	-
Lease obligations (1)		759		396		342		21
Loans and borrowings (2)		39,216		6,331		32,885		-
Preferred share liability (3)		112,558		6,440		39,072		67,046
Long-term liabilities		30		-		30		-
	$	167,414	$	28,018	$	72,329	$	67,067

(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 share liability, and loans and borrowings, less cash. The following table summarizes the carrying value of the Corporation's capital at March 31, 2024 and December 31, 2023.

		March 31, 2024		December 31, 2023
Loans and borrowings	**$**	**38,904**	$	39,910
Less: cash		**2,116**		5,614
Net loans and borrowings	**$**	**36,788**	$	34,296
Shareholders' equity	**$**	**26,966**	$	25,697
Preferred share liability	**$**	**112,271**	$	114,442

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 March 31, 2024 (see note 8).

16. SUBSEQUENT EVENTS

Sale of Impact

On April 25, 2024, the Corporation disposed of its interest in Impact for cash proceeds of $3,710. The proceeds from sale were used to fully repay the Junior Credit Facility. The investment in Impact was classified as 'held for sale' as of March 31, 2024 (see note 4).

RSU Grant

On April 15, 2024, the Corporation issued 417,000 Restricted Share Units ("RSUs") to corporate board members and certain executives. The RSUs vest on April 15, 2027. The RSUs were issued pursuant to a restricted share unit plan (the "RSU Plan") approved by the Board on March 19, 2024. The Corporation's RSU Plan provides RSUs to be settled on vesting in cash or by the delivery of Common Shares acquired in the market.