

ADVENT WIRELESS INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(expressed in Canadian dollars)



April 14, 2017

Independent Auditor's Report

To the Shareholder of Advent Wireless Inc.

We have audited the accompanying consolidated financial statements of Advent Wireless Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339*



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Advent Wireless Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

ADVENT WIRELESS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

	Dec 31,2016	Dec 31,2015
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	13,377,363	12,320,370
Trade and other receivables (note 5)	1,856,597	1,586,879
Inventories (note 6)	568,233	1,352,701
Note receivable-current (note 7)	141,238	146,992
Prepaid and deposits-current	69,693	25,842
Loans receivable-current (note 8)	<u>635,750</u>	<u>-</u>
	16,648,874	15,432,784
Non-current assets		
Marketable securities (note 9)	230,519	227,000
Note receivable (note 7)	190,674	331,913
Loans receivable (note 8)	56,738	-
Prepaid and deposits	46,843	46,650
Property, plant and equipment (note 10)	1,514,066	1,573,059
Investment properties (note 11)	1,741,971	1,787,958
Deferred income tax assets (note 15)	<u>162,685</u>	<u>84,620</u>
Total assets	<u><u>20,592,370</u></u>	<u><u>19,483,984</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVENT WIRELESS INC.**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited, expressed in Canadian dollars)

	Dec 31,2016	Dec 31,2015
	\$	\$
LIABILITIES		
Current liabilities		
Trade accounts payable	2,398,047	2,054,555
Other payables and accrued liabilities	1,005,286	954,025
Government remittances payable	79,088	137,719
Tenant deposits	31,290	34,041
Income taxes payable	<u>47,713</u>	<u>48,138</u>
	3,561,424	3,228,478
Non-current liabilities		
Loans payable (note 12)	<u>105,000</u>	<u>-</u>
Total liabilities	<u>3,666,424</u>	<u>3,228,478</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 13)	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	<u>12,062,299</u>	<u>11,356,859</u>
Capital attributable to shareholders of Advent Wireless Inc.	16,960,946	16,255,506
Non-controlling interests	<u>(35,000)</u>	<u>-</u>
Total equity	<u>16,925,946</u>	<u>16,255,506</u>
Total liabilities and shareholders' equity	<u>20,592,370</u>	<u>19,483,984</u>

Commitments (note 18)**APPROVED BY THE BOARD OF DIRECTORS**

"Edgar Pang" Director
Edgar Pang

"Alice Chiu" Director
Alice Chiu

The accompanying notes are an integral part of these consolidated financial statements.

**ADVENT WIRELESS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31**

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Revenue (note 21)		
Wireless revenue	16,042,348	17,056,334
Financing revenue (note 8)	<u>114,190</u>	<u>-</u>
Total revenue	16,156,538	17,056,334
Cost of sales (note 6)	<u>9,531,143</u>	<u>10,708,118</u>
Gross profit	<u>6,625,395</u>	<u>6,348,216</u>
Expenses (note 21)		
General and administration (note 14)	4,950,247	4,649,014
Advertisement and promotions	91,124	107,466
Amortization of property, plant and equipment	113,368	150,433
Amortization of investment properties	<u>45,987</u>	<u>45,986</u>
Total expenses	<u>5,200,726</u>	<u>4,952,899</u>
Operating income	<u>1,424,669</u>	<u>1,395,317</u>
Investment income		
Interest income	130,590	134,327
Rental income	<u>149,541</u>	<u>129,463</u>
	<u>280,131</u>	<u>263,790</u>
Income before income taxes	1,704,800	1,659,107
Provision for income taxes (note 15)	<u>(437,614)</u>	<u>(441,633)</u>
Net Income and comprehensive income for the year	<u>1,267,186</u>	<u>1,217,474</u>
Net income (loss) attributable to		
Shareholders of Advent Wireless Inc.	1,302,216	1,217,474
Non-controlling interests	<u>(35,030)</u>	<u>-</u>
	<u>1,267,186</u>	<u>1,217,474</u>
Basic and diluted, earnings per share for net income attributable to the ordinary equity holders of the company (note 17)	0.106	0.102

The accompanying notes are an integral part of these consolidated financial statements.

ADVENT WIRELESS INC.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(expressed in Canadian dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non controlling Interests \$	Total Equity \$
<u>Year ended December 31, 2016</u>					
Balance - January 1, 2016	4,274,676	623,971	11,356,859	-	16,255,506
Equity investment by non-controlling interests	-	-	-	30	30
Loss attributable to non-controlling interests	-	-	-	(35,030)	(35,030)
Net income attributable to shareholders of Advent Wireless Inc. for the year	-	-	1,302,216	-	1,302,216
Dividends paid (note 22)	<u>-</u>	<u>-</u>	<u>(596,776)</u>	<u>-</u>	<u>(596,776)</u>
Balance - December 31, 2016	<u>4,274,676</u>	<u>623,971</u>	<u>12,062,299</u>	<u>(35,000)</u>	<u>16,925,946</u>
<u>Year ended December 31, 2015</u>					
Balance - January 1, 2015	4,274,676	623,971	10,736,161	-	15,634,808
Net income attributable to shareholders of Advent Wireless Inc. for the year	-	-	1,217,474	-	1,217,474
Dividends paid (note 22)	<u>-</u>	<u>-</u>	<u>(596,776)</u>	<u>-</u>	<u>(596,776)</u>
Balance - December 31, 2015	<u>4,274,676</u>	<u>623,971</u>	<u>11,356,859</u>	<u>-</u>	<u>16,255,506</u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVENT WIRELESS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Cash flows provided by (used in) operating activities		
Net income from operations for the year	1,267,186	1,217,474
Items not affecting cash		
Amortization of property, plant and equipment	113,368	150,433
Amortization of investment properties	45,987	45,986
Interest income	130,590	134,327
Current income tax expense	515,679	471,783
Deferred income tax assets	(78,065)	(30,150)
Interest accretion of note receivable	<u>(13,007)</u>	<u>(7,019)</u>
	<u>1,981,738</u>	<u>1,982,834</u>
Changes in non-cash working capital items		
Trade and other receivables	(269,718)	411,932
Inventories	784,468	(885,024)
Prepaid and deposits	(44,044)	(2,303)
Trade accounts payable	343,492	(615,600)
Other payables and accrued liabilities	51,260	(214,896)
Government remittances payable	(58,631)	61,642
Tenant deposits	(2,751)	7,470
Loans receivable	<u>(692,488)</u>	<u>-</u>
	111,588	(1,236,779)
Taxes paid	<u>(516,103)</u>	<u>(345,441)</u>
	<u>(404,515)</u>	<u>(1,582,220)</u>
Net cash flows from operating activities	<u>1,577,223</u>	<u>400,614</u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVENT WIRELESS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

(expressed in Canadian dollars)

	2016	2015
	\$	\$
Balance carryforward		
Net cash flows from operating activities	<u>1,577,223</u>	<u>400,614</u>
Cash flows provided by (used in) investing activities		
Interest received	(130,590)	(134,327)
Purchase of property and equipment	(54,375)	(69,541)
Repayment of note receivable	160,000	160,000
Increase in marketable securities	<u>(3,519)</u>	<u>(227,000)</u>
Net cash flows used in investing activities	<u>(28,484)</u>	<u>(270,868)</u>
Cash flows provided by (used in) financing activities		
Dividend paid	(596,776)	(596,776)
Loans payable	105,000	-
Equity investment by non-controlling interests	<u>30</u>	<u>-</u>
Net cash flows used in financing activities	<u>(491,746)</u>	<u>(596,776)</u>
Net cash from (used in) operations	1,056,993	(467,030)
Cash and cash equivalents - beginning of year	<u>12,320,370</u>	<u>12,787,400</u>
Cash and cash equivalents - end of year	<u><u>13,377,363</u></u>	<u><u>12,320,370</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

1. General information

Advent Wireless Inc. (the "Company"), was incorporated on February 14, 1984 in British Columbia, Canada. The Company together with its wholly owned subsidiaries, Am-Call Wireless Inc., 1013929 B.C. Ltd and Advent Marketing Inc., sell cellular and wireless products, services and accessories through an independent network of 15 stores in Ontario, Canada as at December 31, 2016.

Commencing in 2016, the Company is a 70% owner of Adwell Financial Services Inc., a microfinancing company. The remaining interest is held equally between Adwealth Capital Holdings Inc. and Q&Y Holdings Inc. The audited consolidated financial statements include the financial information of Adwell Financial Services Inc.

The Company's registered office is 550 West Broadway, Unit 719, Vancouver, Canada, V5Z 0E9.

2. Basis of preparation of the consolidated financial statements

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), and IFRS interpretations as set out in the Handbook of the Chartered Professional Accountants of Canada ("CPA Handbook"). The consolidated financial statements were authorized for issue by the Board of Directors on April 14, 2017. The Board of Directors have the power to amend the consolidated financial statements after issue.

3. Significant accounting policies

(a) Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Am-Call Wireless Inc., 1013929 B.C. Ltd., Advent Marketing Inc and Adwell Financial Services Inc. All intercompany transactions and balances have been eliminated. Subsidiaries are those entities which are controlled by the Company. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Consolidated statements of income and comprehensive income and cash flows

The Company has elected to present a single consolidated statement of income and comprehensive income and presents its expenses by nature.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within operating cash flows.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The principal sources of revenue to the Company are:

- 1) Sales of cellular phones, commission earned on sale of cellular plans and related products. Revenue is recognised when:
 - a) Sales of cellular phones and related products are sold to customers, at the point of sale through one of its retail stores, net of estimated returns.
 - b) Monthly commission revenue in connection with sales of cellular plans and related products are recorded in the month in which they are earned and measurable.
 - c) Quarterly bonus commission revenue is recorded in the last month of each quarter when targets are achieved. Annual bonus commission is recorded when received.
- 2) Financing revenue earned from microfinancing is recognized when earned and on an accrued basis.
- 3) Interest income is recognized when earned.
- 4) Rental income includes rent from tenants under lease. All tenant rents are recognized in accordance with the underlying lease terms.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less from the date of purchase.

Inventories

Inventories consist of finished products. They are recorded at the lower of cost and net realizable value. The cost of inventory is determined on a specific cost basis, and net realizable value is the estimated selling price less applicable selling expenses.

Note receivable

Note receivable is initially measured at fair value and subsequently accounted for at amortized cost using the effective interest rate method.

Deposits

Deposits consist of deposits made for lease rental and are recorded at cost.

Marketable securities

The Company's marketable securities consists of term deposits that are classified as loans and receivables for accounting purposes and carried on the consolidated statement of financial position at amortized cost using the effective interest method, plus accrued interest.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Repairs and maintenance costs are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred.

Gains and losses on disposals of property and equipment are determined by comparing the net proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of income and comprehensive income.

Amortization is provided at the following annual rates:

Buildings	30 years straight-line
Computer hardware	3 years straight-line
Computer software	3 years straight-line
Furniture, fixtures and equipment	5 years straight-line
Leasehold improvements	straight-line over terms of lease

Investment properties

Investment properties include land and buildings in retail outlets held to earn rental income. Investment properties are recorded at cost, including transaction costs, less accumulated depreciation. Transaction costs include land transfer taxes and professional fees.

Impairment of non-financial assets

Property and equipment and investment properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Leases

Leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as an operating lease on the consolidated statement of financial position. Payments made under operating leases (net of incentives recorded from the lessor) are charged to the consolidated statement of income and comprehensive income on a straight-line basis over the period of the lease.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of income and comprehensive income.

Current tax is the expected tax payable or receivable based on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that the asset can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

Earnings per share

The Company presents basic and diluted earnings per share data. Basic earnings per share is calculated by dividing the net income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted earnings per share is determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments. The Company uses the treasury stock method for calculating diluted earnings per share.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Financial instruments - recognition and measurement

The Company uses the following classifications for its financial instruments:

- a) Cash and cash equivalents have been classified as loans and receivables which are initially measured at fair value and subsequently at amortized cost, using the effective interest method less provisions for impairment.
- b) The Company's trade and other receivables are classified as loans and receivables which are initially measured at fair value and subsequently at amortized cost, using the effective interest method, less any provision for impairment.
- c) The Company's trade payables, other payables and accrued liabilities are classified as other financial liabilities, which are initially measured at fair value and subsequently at amortized cost, using the effective interest method.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Significant new and revised accounting standards adopted in the year

Amendments to IAS 1, Presentation of Financial Statements, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of consolidated financial statements and the disclosure of accounting policies. This standard is required to be applied for periods beginning on or after January 1, 2016.

The interpretation had no impact on the Company's consolidated financial statements for the year ended December 31, 2016.

Future accounting and reporting changes

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through the statement of operations and comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in OCI for liabilities designated at fair value. The standard is effective for accounting periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers, applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant and equipment and intangible assets. This new standard sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance obligations, changes in contract asset and liability account balances and key judgments and estimates. This new standard is effective for fiscal years beginning on or after January 1, 2017, with early application permitted.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

IFRS 16, Leases, was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 7, Financial Instruments: Disclosure, has two amendments relating to servicing contracts and interim consolidated financial statements. For servicing contracts, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. The amendment for interim consolidated financial statements clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

The Company is currently evaluating the impact of these future amendments and has not yet determined the impact to the consolidated financial statements.

(b) Critical accounting estimates

The preparation of consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Impairment of non-financial assets

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit ("CGU"), the recoverable amount being the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.

In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the CGU, and would be based on historical experience, economic trends, and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

Income taxes

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation, will result in adjustments to the expectations of future timing difference reversals, and may require material deferred tax adjustments.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

(c) Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is set out below.

Gross Versus Net Revenue Recognition

The Company follows the guidance set out in IAS 18, Revenue in determining the presentation of revenue and costs of sale. The guidance requires the Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

4. Cash and cash equivalents

	2016	2015
Cash at bank and on hand	\$ 11,377,363	\$ 10,320,370
Term deposits	<u>2,000,000</u>	<u>2,000,000</u>
Cash and cash equivalents	<u>\$ 13,377,363</u>	<u>\$ 12,320,370</u>

The term deposits are for a period of 63 days and matured on January 23, 2017, earning interest at a rate of 0.95% per annum. Upon maturity after year-end, it was renewed with an interest rate of 0.95% and matured on March 23, 2017. It was subsequently renewed with an interest rate of 0.95% and matures on May 23, 2017.

5. Trade and other receivables

	2016	2015
Trade and other receivables	<u>\$ 1,856,597</u>	<u>\$ 1,586,879</u>

In establishing the appropriate allowance for doubtful accounts, assumptions are made with respect to the future collectability of the receivables. Management believes no allowance is necessary as at December 31, 2016 and 2015 as the amounts are considered to be fully collectible and substantially current.

6. Inventories

All of the Company's inventory consists of finished goods. The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2016 amounted to \$9,531,143 (2015 - \$10,708,118). There have been no inventory write downs in the year (2015 - nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

7. Note receivable

In April 2014, the Company entered into an agreement with a buyer to sell its British Columbia (B.C.) operations (other than investment properties). The transaction closed on April 30, 2014 for \$1,000,000. The sales proceeds have been settled via cash of \$200,000 and a note receivable of \$800,000. The note receivable will be paid over sixty monthly instalments of \$13,333, and had a discounted value of \$723,987 at inception. The note receivable is non-interest bearing over the five-year term.

8. Loans receivable

Loans receivable are unsecured short-term loans bearing interest ranging from 31% - 48% per annum, with a weighted average rate of 41% per annum, from individual customers, from \$1,500 to \$5,000 with 9 - 36 months flexible repayment terms with no early repayment penalties. Financing revenue earned in the year ended December 31, 2016 is \$114,190 (2015 - \$nil).

9. Marketable securities

The marketable securities comprise of a guaranteed investment certificate for \$230,519 maturing on January 8, 2018 and earning interest at a rate of 1.65% per annum.

10. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Computer Software	Total
Cost							
Balance, January 1, 2015	192,315	1,581,718	758,080	174,589	175,121	-	2,881,823
Additions	-	55,032	6,430	6,190	1,889	-	69,541
Write-off	-	-	(206,626)	-	-	-	(206,626)
Balance, December 31, 2015	192,315	1,636,750	557,884	180,779	177,010	-	2,744,738
Additions	-	-	27,878	6,858	14,147	5,492	54,375
Balance, December 31, 2016	<u>192,315</u>	<u>1,636,750</u>	<u>585,762</u>	<u>187,637</u>	<u>191,157</u>	<u>5,492</u>	<u>2,799,113</u>
Amortization							
Balance, January 1, 2015	-	330,758	594,704	138,030	167,447	-	1,230,939
Amortization for the year	-	50,417	73,047	19,049	4,853	-	147,366
Write-off	-	-	(206,626)	-	-	-	(206,626)
Balance, December 31, 2015	-	381,175	461,125	157,079	172,300	-	1,171,679
Amortization for the year	-	50,172	45,937	9,839	6,081	1,339	113,368
Balance, December 31, 2016	<u>-</u>	<u>431,347</u>	<u>507,062</u>	<u>166,918</u>	<u>178,381</u>	<u>1,339</u>	<u>1,285,047</u>
Net carrying amount							
Balance, December 31, 2015	192,315	1,255,575	96,759	23,700	4,710	-	1,573,059
Balance, December 31, 2016	192,315	1,205,403	78,700	20,719	12,776	4,153	1,514,066

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

11. Investment properties

	Land	Buildings	Total
Cost	\$	\$	\$
Balance, January 1, 2015	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2015	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2016	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Amortization			
Balance, January 1, 2015	-	262,873	262,873
Amortization for the year	<u>-</u>	<u>45,986</u>	<u>45,986</u>
Balance, December 31, 2015	-	308,859	308,859
Amortization for the year	<u>-</u>	<u>45,987</u>	<u>45,987</u>
Balance, December 31, 2016	<u>-</u>	<u>354,846</u>	<u>354,846</u>
Net carrying amount			
Balance, December 31, 2015	721,428	1,066,530	1,787,958
Balance, December 31, 2016	721,428	1,020,543	1,741,971

The estimated fair market value of the investment properties at December 31, 2016 was \$2,754,000 (2015 - \$2,544,000). The fair value was derived based on comparable sales or assessments of similar properties in the same mall or plaza adjusting for specific unit specifications such as size and locations. The Company did not obtain independent valuation for its investment properties. The fair value measurement has been classified as Level 3 in the fair value hierarchy.

12. Loans payable

Loans payable are amounts due to minority shareholders of Adwell Financial Services Inc. The loan is not expected to be repaid in the current fiscal year and is non-interest bearing.

13. Share capital

Authorized
100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2015 and December 31, 2016	<u>11,935,513</u>	<u>4,274,706</u>

The Company manages its capital through quarterly board of directors meetings and regular review of financial information to ensure sufficient resources are available to meet day-to-day operation requirements.

The Company's objectives when managing capital are:

- To provide a reasonable return to the shareholders by pricing the products and services commensurately with the level of risk.
- To safeguard the capital of excess funds on hand by investing with reputable financial institutions for a reasonable return.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

Total capital is calculated as follows:

	Dec. 31, 2016	Dec. 31, 2015
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	12,062,299	11,356,859
Non-controlling interests	<u>(35,000)</u>	<u>-</u>
	<u>16,925,946</u>	<u>16,255,506</u>

The Company is not subject to any externally imposed capital requirements.

14. General and administration

General and administration consists of the following:

	2016	2015
	\$	\$
Bank service charges	76,285	78,182
General and office expenses	199,694	183,007
Insurance	108,013	110,617
Professional fees	249,942	178,165
Rent and occupancy costs	720,160	760,719
Salary and payroll costs	3,510,148	3,253,862
Telephone expenses	<u>86,005</u>	<u>84,462</u>
	<u>4,950,247</u>	<u>4,649,014</u>

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

15. Income taxes

a) Components of provision for income taxes

	2016	2015
	\$	\$
Current income tax expense	515,679	471,783
Deferred income tax recovery	<u>(78,065)</u>	<u>(30,150)</u>
Provision for income taxes	<u><u>437,614</u></u>	<u><u>441,633</u></u>

b) Income tax rate reconciliation:

Provision for income tax is based on the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income before income taxes.

	2016	2015
	\$	\$
Statutory rates	26.6 %	26.4 %
Income tax provision at statutory rate	452,453	438,004
Increase (decrease) resulting from:		
Income tax expense (recovery) at statutory rate		
Permanent differences	(693)	735
Tax return to provision true-ups	<u>(14,146)</u>	<u>2,894</u>
Provision for income taxes	<u><u>437,614</u></u>	<u><u>441,633</u></u>

c) The tax effects of temporary timing differences that give rise to significant components of the deferred income tax assets are as follows:

	2016	2015
	\$	\$
Non-capital losses carried forward	133,326	59,210
Property and equipment	<u>29,359</u>	<u>25,410</u>
	<u><u>162,685</u></u>	<u><u>84,620</u></u>

Year of expiry	After tax losses	After tax losses
	2016	2015
	\$	\$
2033	6,248	6,248
2034	24,763	24,763
2035	28,199	28,199
2036	74,116	-
Does not expire	<u>29,359</u>	<u>25,410</u>
	<u><u>162,685</u></u>	<u><u>84,620</u></u>

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

16. Stock options

The Company has a stock option plan (the "Plan") that was approved by the shareholders on June 24, 2011. It allows the Company to grant up to 10% of the issued and outstanding common shares at the time of the grant. Under the Plan, a total of 1,193,551 common shares have been reserved for the grant of options.

The Company has not issued any stock options to the directors and employees of the Company in the current year. As at December 31, 2016 and December 31, 2015, the Company had no options outstanding.

17. Earnings per share

	2016	2015
	\$	\$
Net earnings applicable to common shares	1,267,186	1,217,474
Basic and diluted weighted average number of common stock outstanding	11,935,513	11,935,513
Basic and diluted earnings per share	0.106	0.102

Basic earnings per share was based on the earnings attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share was equal to basic earnings per share as there was no impact from dilutive instruments.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

18. Commitments

The table below shows the future minimum payments under operating leases at December 31, 2016:

	\$
2017	414,005
2018	343,248
2019	156,350
2020	41,228
2021	<u>-</u>
	<u>954,831</u>

During the year ended December 31, 2016, the Company recognized operating lease expense of \$626,451 (2015 - \$669,228).

The Company has an operating line of credit of \$300,000 guaranteed by a general security agreement and an assignment of book debt, inventory and fire insurance proceeds, bearing interest at prime rate plus 1.0%. As at December 31, 2016, the carrying value of the security was \$2,369,205 (2015 - \$2,939,290). No amount has been drawn under this line of credit as at December 31, 2016 (2015 - \$nil).

The Company has a second operating line of credit for \$250,000, guaranteed by real property and bearing interest at prime rate plus 0.75%. As at December 31, 2016, the carrying value of the security was \$439,721 (2015 - \$446,758). There was no utilization of this line of credit as at December 31, 2016 (2015 - \$nil).

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

19. Financial instruments

- a) The following table summarizes the carrying value of the Company's financial instruments which approximates fair value:

Financial instrument	Fair value hierarchy	Classification	Measurement	2016 \$	2015 \$
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	13,377,363	12,320,370
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	1,841,597	1,586,879
Note receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	331,912	478,905
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	692,488	-
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	230,519	227,000
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	3,402,416	3,009,532
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	105,000	-

(Level 1) - Based on quoted market prices in active markets.

(Level 2) - Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

(Level 3) - Unobservable inputs that are not corroborated by market data.

The carrying amount of cash and cash equivalents, accounts receivable, trade accounts payable and other payables and accrued liabilities approximate the fair values due to the relatively short period to maturity of the instruments. The fair value of the marketable securities and note receivable as at December 31, 2016 is \$230,519 and \$331,912 (2015 - \$227,000 and \$478,905) respectively.

b) **Management of financial risk**

i) **Interest rate risk exposure**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial assets and liabilities are non-interest bearing except cash and cash equivalents, which bear a floating interest rate, short-term investments, which are at fixed interest rate, and the operating line of credit, which bears interest as described in note 17. Since no funds have been drawn from the lines of credit at December 31, 2016, any fluctuation in the interest rate would not have a significant impact on the Company.

The term deposit earns interest at a fixed rate of 0.95%, and the marketable securities earn interest at a fixed rate of 1.65%. Any fluctuation in the interest rate will not have a significant impact on the Company.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

ii) Credit risk and economic dependence

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. The Company limits its exposure to credit risk by placing its cash and cash equivalents and short-term investments with high credit quality financial institutions.

The Company has a high concentration of credit risk as approximately 94% of the trade receivables at December 31, 2016 (2015 - 98%) were owed by one customer, Rogers Communications Inc. For the year ended December 31, 2016, approximately 85% (2015 - 85%) of the Company's sales revenue was from this customer. Based on historic default rates and the credit quality of our customers, no provisions have been recorded and no collateral is requested for the Company's trade receivables. The agreement with this customer expires on June 30, 2018.

At December 31, 2016, 6.0% (2015 - 2.4%) of trade receivables were outstanding for between 30 and 90 days and the remaining 94.0% (2015 - 97.6%) were outstanding less than 30 days. Trade receivables are considered past due based on the contract terms agreed to with the customer.

The note receivable is from the purchaser of the B.C. operations, and is secured by real properties in the Vancouver BC area. The value of the properties is estimated to be \$358,000.

The carrying amount of financial assets represents the maximum credit exposure.

Cash balances are held with financial institutions with a high credit rating.

	2016	2015
	\$	\$
Neither past due nor impaired		
Cash - A - 1 +	9,288,930	9,553,230
Cash - A	3,891,449	2,606,372
Cash - A - 1	550	657
Cash - A -	<u>196,434</u>	<u>160,111</u>
	<u>13,377,363</u>	<u>12,320,370</u>

The rating disclosed is the Standard & Poor rating for the short-term deposits.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. All of the Company's financial liabilities are due within 12 months from December 31, 2016.

It is the Company's intention to meet these obligations through the collection of trade receivables and current cash and cash equivalents. In addition, the Company has available lines of credit as described in note 18.

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

20. Related party transactions

Compensation of key management personnel

Key management personnel comprise of the Company's board of directors and executive officers. Key management compensation includes director fees, salaries and performance-based compensation. Total compensation is as follows:

	2016	2015
	\$	\$
Salaries and other benefits	<u>909,815</u>	<u>805,569</u>

21. Segmented information

The Company operates in two industry segments. It provides personal communications products and services to consumers in Canada (Wireless Business) and lends money to individuals (Financing Business).

	2016		
	\$	\$	\$
	Wireless Business	Financing Business	Total
Sales	16,042,348	114,190	16,156,538
Cost of sales	<u>9,531,143</u>	<u>-</u>	<u>9,531,143</u>
Gross profit	6,511,205	114,190	6,625,395
Expenses			
General and administration	4,685,978	264,269	4,950,247
Advertising and promotion	87,699	3,425	91,124
Amortization of property, plant and equipment	109,549	3,819	113,368
Amortization of investment properties	<u>45,987</u>	<u>-</u>	<u>45,987</u>
Total expenses	<u>4,929,213</u>	<u>271,513</u>	<u>5,200,726</u>
Operating income (loss)	<u>1,581,992</u>	<u>(157,323)</u>	<u>1,424,669</u>
Investment income			
Interest income	130,590	-	130,590
Rental income	<u>149,541</u>	<u>-</u>	<u>149,541</u>
	<u>280,131</u>	<u>-</u>	<u>280,131</u>
Income (loss) from operations before income taxes	<u>1,862,123</u>	<u>(157,323)</u>	<u>1,704,800</u>

ADVENT WIRELESS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015

(expressed in Canadian dollars)

22. Dividends paid

Dividends amounting to \$596,776 (2015 - \$596,776) was paid on October 14, 2016.

23. Subsequent event

On March 23, 2017, the Company changed its legal name to Advent-AWI Holdings Inc..

24. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.