

Unaudited Condensed Interim Consolidated Financial Statements of
Advent-AWI Holdings Inc.

For the three and nine months ended September 30, 2017 and 2016

ADVENT-AWI HOLDINGS INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Advent-AWI Holdings Inc. (the Company) have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited, expressed in Canadian dollars)

	Sept 30, 2017	Dec 31, 2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	13,652,585	13,377,363
Trade and other receivables	986,863	1,856,597
Inventories (note 5)	822,364	568,233
Note receivable (note 6)	137,071	141,238
Loans receivable (note 7)	1,052,196	635,750
Prepaid and deposits	64,559	69,693
Marketable securities	234,322	-
Income taxes recoverable	<u>64,098</u>	<u>-</u>
	<u>17,014,058</u>	<u>16,648,874</u>
Non-current assets		
Marketable securities	-	230,519
Note receivable (note 6)	88,396	190,674
Loans receivable (note 7)	158,446	56,738
Prepaid and deposits	45,977	46,843
Property, plant and equipment (note 8)	1,451,350	1,514,066
Investment properties (note 9)	1,707,481	1,741,971
Deferred income tax assets	<u>165,866</u>	<u>162,685</u>
	<u>3,617,516</u>	<u>3,943,496</u>
Total assets	<u><u>20,631,574</u></u>	<u><u>20,592,370</u></u>

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

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statement of Financial Position**

(Unaudited, expressed in Canadian dollars)

	Sept 30, 2017	Dec 31, 2016
	\$	\$
LIABILITIES		
Current liabilities		
Trade accounts payable	1,733,048	2,398,047
Other payables and accrued liabilities	873,533	1,005,286
Government remittances payable	24,980	79,088
Tenant deposits	38,090	31,290
Income taxes payable	-	47,713
	<u>2,669,651</u>	<u>3,561,424</u>
Non-current liabilities		
Loans payable (note 10)	<u>150,000</u>	<u>105,000</u>
Total liabilities	<u>2,819,651</u>	<u>3,666,424</u>
SHAREHOLDERS' EQUITY		
Share capital (note 11)	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	<u>12,961,590</u>	<u>12,062,299</u>
Capital attributable to shareholders of Advent-AWI Holdings Inc.	17,860,237	16,960,946
Non-controlling interests	<u>(48,314)</u>	<u>(35,000)</u>
Total equity	<u>17,811,923</u>	<u>16,925,946</u>
Total liabilities and shareholders' equity	<u>20,631,574</u>	<u>20,592,370</u>

Commitments (note 15)**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 condensed interim consolidated financial statements.

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statements of Income and Comprehensive Income**

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Sales (note 19)				
Wireless revenue	3,078,578	4,088,280	8,819,295	11,182,282
Financing revenue (note 7)	<u>122,438</u>	<u>36,251</u>	<u>327,070</u>	<u>59,463</u>
Total revenue	3,201,016	4,124,531	9,146,365	11,241,745
Cost of sales (note 5)	<u>1,658,242</u>	<u>2,414,226</u>	<u>4,759,553</u>	<u>6,730,537</u>
Gross profit	<u>1,542,774</u>	<u>1,710,305</u>	<u>4,386,812</u>	<u>4,511,208</u>
Expenses (note 19)				
General and administration (note 12)	1,030,019	1,171,205	3,257,302	3,348,894
Advertisement and promotion	5,522	12,485	32,418	69,154
Amortization of property, plant and equipment	26,307	26,917	87,544	84,972
Amortization of investment properties	<u>11,497</u>	<u>11,497</u>	<u>34,490</u>	<u>34,490</u>
Total expenses	<u>1,073,345</u>	<u>1,222,104</u>	<u>3,411,754</u>	<u>3,537,510</u>
Operating income	<u>469,429</u>	<u>488,201</u>	<u>975,058</u>	<u>973,698</u>
Investment income				
Interest income	36,636	33,959	94,733	88,168
Rental income	<u>47,151</u>	<u>38,450</u>	<u>139,836</u>	<u>115,006</u>
	<u>83,787</u>	<u>72,409</u>	<u>234,569</u>	<u>203,174</u>
Income from operations before income taxes	553,216	560,610	1,209,627	1,176,872
Provision for income taxes (note 13)	<u>(145,750)</u>	<u>(149,000)</u>	<u>(323,650)</u>	<u>(312,000)</u>
Net income and comprehensive income for the period	<u>407,466</u>	<u>411,610</u>	<u>885,977</u>	<u>864,872</u>
Net income (loss) attributable to				
Shareholders of Advent-AWI Holdings Inc.	405,009	419,694	899,291	900,201
Non-controlling interests	<u>2,457</u>	<u>(8,084)</u>	<u>(13,314)</u>	<u>(35,329)</u>
	<u>407,466</u>	<u>411,610</u>	<u>885,977</u>	<u>864,872</u>
Basic and diluted, earnings per share for net income attributable to the ordinary equity holders of the company (note 14)	0.034	0.034	0.074	0.072

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

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statements of Changes In Shareholders' Equity**

(Unaudited, expressed in Canadian dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non- controlling Interests \$	Total Equity \$
<u>Nine months ended Sept 30, 2017</u>					
Balance - December 31, 2016	4,274,676	623,971	12,062,299	(35,000)	16,925,946
Equity investment by non-controlling interests	-	-	-	-	-
Loss attributable to non-controlling interests	-	-	-	(13,314)	(13,314)
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	<u>-</u>	<u>-</u>	<u>899,291</u>	<u>-</u>	<u>899,291</u>
Balance - Sept 30, 2017	<u>4,274,676</u>	<u>623,971</u>	<u>12,961,590</u>	<u>(48,314)</u>	<u>17,811,923</u>
<u>Nine months ended Sept 30, 2016</u>					
Balance - December 31, 2015	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	-	-	-	(35,329)	(35,329)
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	-	-	900,201	-	900,201
Dividend declared	<u>-</u>	<u>-</u>	<u>(596,776)</u>	<u>-</u>	<u>(596,776)</u>
Balance - Sept 30, 2016	<u>4,274,676</u>	<u>623,971</u>	<u>11,660,284</u>	<u>(35,299)</u>	<u>16,523,632</u>

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

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash flows provided by (used in) operating activities				
Income from operations	407,466	411,610	885,977	864,872
Items not affecting cash				
Amortization of property, plant and equipment	26,307	26,917	87,544	84,972
Amortization of investment properties	11,497	11,497	34,490	34,490
Interest income	(36,636)	(33,959)	(94,733)	(88,168)
Current income tax expense	146,256	148,217	326,831	312,047
Deferred income tax assets	(506)	783	(3,181)	(47)
Interest accretion of note receivable	<u>(4,870)</u>	<u>(3,437)</u>	<u>(13,556)</u>	<u>(9,207)</u>
	<u>549,514</u>	<u>561,628</u>	<u>1,223,372</u>	<u>1,198,959</u>
Changes in non-cash working capital items				
Trade and other receivables	(93,611)	(165,532)	869,734	162,091
Inventories	(460,276)	121,617	(254,131)	869,020
Prepaid and deposits	(1,368)	1,796	6,000	(17,359)
Trade accounts payable	913,460	58,145	(664,999)	(296,219)
Other payables and accrued liabilities	96,670	188,216	(131,753)	(57,382)
Tenant deposits	5,000	-	6,800	(9,208)
Government remittances payable	(30,874)	9,077	(54,108)	(79,029)
Loans receivable	<u>(137,548)</u>	<u>(150,582)</u>	<u>(518,154)</u>	<u>(416,079)</u>
	<u>291,453</u>	<u>62,737</u>	<u>(740,611)</u>	<u>155,835</u>
Taxes paid	<u>(133,635)</u>	<u>(121,386)</u>	<u>(438,642)</u>	<u>(394,721)</u>
Net cash flows provided by operating activities	<u>707,332</u>	<u>502,979</u>	<u>44,119</u>	<u>960,073</u>

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

ADVENT-AWI HOLDINGS INC.**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Balance carryforward				
Net cash flows provided by operating activities	<u>707,332</u>	<u>502,979</u>	<u>44,119</u>	<u>960,073</u>
Cash flows provided by (used in) investing activities				
Purchase of property and equipment	(8,383)	(32,312)	(24,828)	(45,780)
Repayment of note receivable	40,001	40,000	120,001	120,000
Increase in marketable securities	-	-	(3,803)	(3,519)
Interest received	<u>36,636</u>	<u>33,959</u>	<u>94,733</u>	<u>88,168</u>
Net cash flows provided by investing activities	<u>68,254</u>	<u>41,647</u>	<u>186,103</u>	<u>158,869</u>
Cash flows provided by financing activities				
Loans payable	-	30,000	45,000	75,000
Equity investment by non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
Net cash flows provided by financing activities	<u>-</u>	<u>30,000</u>	<u>45,000</u>	<u>75,030</u>
Net cash from operations	775,586	574,626	275,222	1,193,972
Cash and cash equivalents - beginning of period	<u>12,876,999</u>	<u>12,939,716</u>	<u>13,377,363</u>	<u>12,320,370</u>
Cash and cash equivalents - end of period	<u><u>13,652,585</u></u>	<u><u>13,514,342</u></u>	<u><u>13,652,585</u></u>	<u><u>13,514,342</u></u>

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

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Unaudited, expressed in Canadian dollars)

1. General information

Advent-AWI Holdings Inc. (the "Company"), formerly known as Advent Wireless Inc., 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 September 30, 2017.

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 unaudited condensed interim 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 condensed interim consolidated financial statements

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2016.

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 were approved by the Board of Directors for issue on November 28, 2017.

3. Significant accounting policies and judgment

(a) Significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those described in the notes to the Company's consolidated financial statements for the year ended December 31, 2016.

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 and commissions earned on sales of cellular plans and related products. Revenue is recognised when:
 - a) 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 is 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.

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 2016

(Unaudited, expressed in Canadian dollars)

- 2) Financing revenue which is earned from microfinancing and is recognized when earned and on an accrued basis.
- 3) Interest income which is recognized when earned.
- 4) Rental income which includes rent from tenants under lease. All tenant rents are recognized in accordance with the underlying lease terms.

(b) Critical accounting estimates

The preparation of condensed interim consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim 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:

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.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of a tangible and intangible 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 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 condensed interim 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.

(c) Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim 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 cost of sales. 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 unaudited condensed interim consolidated statements of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

4. Cash and cash equivalents

	Sept 30, 2017	Sept 30, 2016
Cash at bank and on hand	\$ 11,652,585	\$ 11,514,342
Term deposit	<u>2,000,000</u>	<u>2,000,000</u>
Cash and cash equivalents	<u>\$ 13,652,585</u>	<u>\$ 13,514,342</u>

The term deposit was for a period of 63 days and matured on September 25, 2017, earning interest at a rate of 0.95% per annum. Upon maturity, it was renewed with an interest rate of 0.95% per annum and will mature on November 27, 2017.

5. 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 nine months ended September 30, 2017 amounted to \$4,759,553 (2016 - \$6,730,537). There have been no inventory write downs in the period (2016 - \$nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

6. 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 has a discounted value of \$723,987 at inception. The note receivable is non-interest bearing over the five-year term.

7. Loans receivable

Loans receivable are unsecured short-term loans bearing interest ranging from 31% to 48%, with a weighted average rate of 41%, from individual customers, from \$1,500 to \$5,000 with 9 to 36 months flexible repayment terms with no early repayment penalties. Financing revenue earned in the three and nine months ended September 30, 2017 is \$122,438 (2016 - \$36,251) and \$327,070 (2016 - \$59,463), respectively.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

8. Property and equipment

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, January 1, 2016	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	192,315	1,636,750	585,762	187,637	191,157	5,492	2,799,113
Additions	-	-	10,818	5,143	6,982	1,885	24,828
Balance, September 30, 2017	<u>192,315</u>	<u>1,636,750</u>	<u>596,580</u>	<u>192,780</u>	<u>198,139</u>	<u>7,377</u>	<u>2,823,941</u>
Amortization							
Balance, January 1, 2016	-	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	-	431,347	507,062	166,918	178,381	1,339	1,285,047
Amortization for the period	-	37,629	34,796	7,844	5,850	1,425	87,544
Balance, September 30, 2017	<u>-</u>	<u>468,976</u>	<u>541,858</u>	<u>174,762</u>	<u>184,231</u>	<u>2,764</u>	<u>1,372,591</u>
Net carrying amount							
Balance, January 1, 2016	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
Balance, September 30, 2017	192,315	1,167,774	54,722	18,018	13,908	4,613	1,451,350

9. Investment properties

	Land	Buildings	Total
	\$	\$	\$
Cost			
Balance, January 1, 2016	<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>
Balance, September 30, 2017	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Amortization			
Balance, January 1, 2016	-	308,859	308,859
Amortization for the year	-	45,987	45,987
Balance, December 31, 2016	-	354,846	354,846
Amortization for the period	-	34,490	34,490
Balance, September 30, 2017	<u>-</u>	<u>389,336</u>	<u>389,336</u>
Net carrying amount			
Balance, January 1, 2016	721,428	1,066,530	1,787,958
Balance, December 31, 2016	721,428	1,020,543	1,741,971
Balance, September 30, 2017	721,428	986,053	1,707,481

The fair market value of the investment properties is estimated to be \$2,754,000 (2016 - \$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.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

10. 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.

11. Share capital

Authorized

100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2016 and September 30, 2017	<u>11,935,513</u>	<u>4,274,676</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 operational requirements.

The Company's objectives when managing capital are:

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

Total capital is calculated as follows:

	Sept 30, 2017	Sept 30, 2016
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	12,961,590	11,660,284
Non-controlling interests	<u>(48,314)</u>	<u>(35,299)</u>
	<u>17,811,923</u>	<u>16,523,632</u>

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

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

12. General and administration expenses

General and administration expenses consist of the following:

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Bank service charges	17,455	20,756	58,827	56,625
General and office expenses	74,768	34,179	233,114	130,181
Insurance	30,124	27,223	79,931	81,637
Professional fees	47,444	71,955	130,107	163,775
Rent and occupancy costs	158,331	163,195	557,645	538,082
Salary and payroll costs	684,875	832,808	2,141,217	2,318,170
Telephone expenses	17,022	21,089	56,461	60,424
	<u>1,030,019</u>	<u>1,171,205</u>	<u>3,257,302</u>	<u>3,348,894</u>

13. Income taxes

Components of the provision for income taxes are as follows:

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current income tax expense	146,256	148,217	326,831	312,047
Deferred income tax expense (recovery)	<u>(506)</u>	<u>783</u>	<u>(3,181)</u>	<u>(47)</u>
Provision for income taxes	<u>145,750</u>	<u>149,000</u>	<u>323,650</u>	<u>312,000</u>

14. Earnings per share

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings applicable to common shares:	407,466	411,610	885,977	864,872
Basic and diluted weighted average number of common shares outstanding	11,935,513	11,935,513	11,935,513	11,935,513
Basic and diluted earnings per share	0.034	0.034	0.074	0.072

Basic earnings per share is based on the earnings attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share is equal to basic earnings per share as there were no dilutive instruments outstanding in the three and nine-month periods ended September 30, 2017 and September 30, 2016.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

15. Commitments

The table below shows the future minimum payments under operating leases as at September 30, 2017:

	\$
2017 remaining	105,972
2018	363,200
2019	176,302
2020	61,371
2021	20,332
2022	<u>10,166</u>
	<u>737,343</u>

During the nine months ended September 30, 2017, the Company recognized an operating lease expense of \$506,848 (2016 - \$446,317).

The Company has an operating line of credit of \$300,000 guaranteed by a general security agreement and an assignment of accounts receivable, inventory and fire insurance proceeds, bearing interest at prime rate plus 1.0%. As at September 30, 2017, the carrying value of the security was \$1,717,042 (2016 - \$1,894,182). No amount has been drawn under this line of credit as at September 30, 2017 (2016 - \$nil).

The Company has also secured a second operating line of credit for \$250,000, guaranteed by real property and bearing interest at prime rate plus 0.75%. As at September 30, 2017, the carrying value of the security was \$434,442 (2016 - \$441,480). There was no utilization of this line of credit as at September 30, 2017 (2016 - \$nil).

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

16. 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	Sept 30, 2017	Sept 30, 2016
				\$	\$
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	13,652,585	13,513,853
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	986,863	1,425,277
Note receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	225,467	368,112
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	1,210,642	416,079
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	234,322	230,519
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	2,606,581	2,655,931
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	150,000	75,000

(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 amounts of cash and cash equivalents, trade and other receivables, trade accounts payable and other payables and accrued liabilities approximate 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 September 30, 2017 is \$234,322 and \$225,467 (2016 - \$230,519 and \$368,112) 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, marketable securities, which are at fixed interest rate, and the operating lines of credit, which bear interest as described in note 15. Since no funds have been drawn from the lines of credit as at September 30, 2017, any fluctuation in the interest rate would not have a significant impact on the Company.

The term deposit is earning interest at a fixed rate of approximately 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-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, 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 marketable securities with high credit quality financial institutions.

The Company has a high concentration of credit risk as approximately 91% of the trade receivables at September 30, 2017 (2016 - 99%) were owed by one customer, Rogers Communications Inc. For the period ended September 30, 2017, approximately 79% (2016 - 81%) of the Company's gross revenue was from this customer. Based on historic default rates and the credit quality of this customer, 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.

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

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

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 September 30, 2017.

It is the Company's intention to meet these obligations through the collection of trade receivables and current cash and cash equivalents, and marketable securities resources. In addition, the Company has available lines of credit as described in note 15.

17. Related party transactions**Compensation of key management personnel**

Key management personnel comprise 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:

	3 months ended Sept 30		9 months ended Sept 30	
	2017	2016	2017	2016
Salaries and other benefits	\$ <u>238,115</u>	\$ <u>239,515</u>	\$ <u>681,615</u>	\$ <u>660,530</u>

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2017 and 2016**

(Unaudited, expressed in Canadian dollars)

18. Seasonality of results

Revenues vary by quarter due to the seasonality of the retail industry. Retail sales are traditionally higher in the third and fourth quarters due to the back-to-school period and the holiday season. In addition, first quarter earnings are usually reduced by post-holiday season sales promotions. Variable costs can be adjusted to match the revenue pattern, but costs such as occupancy are fixed, leading the Company to report a higher level of earnings in the third and fourth quarters. This business seasonality results in quarterly performance that is not necessarily indicative of the year's performance.

19. 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).

	3 months ended Sept 30, 2017			9 months ended Sept 30, 2017		
	Wireless Business	Financing Business	Total	Wireless Business	Financing Business	Total
	\$	\$	\$	\$	\$	\$
Sales	3,078,578	122,438	3,201,016	8,819,295	327,070	9,146,365
Cost of sales	<u>1,658,242</u>	<u>-</u>	<u>1,658,242</u>	<u>4,759,553</u>	<u>-</u>	<u>4,759,553</u>
Gross profit	<u>1,420,336</u>	<u>122,438</u>	<u>1,542,774</u>	<u>4,059,742</u>	<u>327,070</u>	<u>4,386,812</u>
Expenses						
General and administration	931,015	99,004	1,030,019	2,924,759	332,543	3,257,302
Advertisement and promotion	5,522	-	5,522	32,418	-	32,418
Amortization of property, plant and equipment	21,565	4,742	26,307	74,137	13,407	87,544
Amortization of investment properties	<u>11,497</u>	<u>-</u>	<u>11,497</u>	<u>34,490</u>	<u>-</u>	<u>34,490</u>
Total expenses	<u>969,599</u>	<u>103,746</u>	<u>1,073,345</u>	<u>3,065,804</u>	<u>345,950</u>	<u>3,411,754</u>
Operating income (loss)	<u>450,737</u>	<u>18,692</u>	<u>469,429</u>	<u>993,938</u>	<u>(18,880)</u>	<u>975,058</u>
Investment income						
Interest income	36,636	-	36,636	94,733	-	94,733
Rental income	<u>47,151</u>	<u>-</u>	<u>47,151</u>	<u>139,836</u>	<u>-</u>	<u>139,836</u>
	<u>83,787</u>	<u>-</u>	<u>83,787</u>	<u>234,569</u>	<u>-</u>	<u>234,569</u>
Income (loss) from operations before income taxes	<u>534,524</u>	<u>18,692</u>	<u>553,216</u>	<u>1,228,507</u>	<u>(18,880)</u>	<u>1,209,627</u>