

**Unaudited Condensed Interim Consolidated Financial Statements of**

**Advent-AWI Holdings Inc.**

**For the three and nine months ended September 30, 2018 and 2017**

## **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, 2018	Dec. 31, 2017
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	9,893,708	12,642,682
Trade and other receivables	915,511	2,270,426
Inventories (note 5)	371,340	1,004,536
Marketable securities (note 6)	3,000,000	-
Note receivable - current (note 7)	88,395	135,709
Loans receivable - current (note 8)	1,760,429	1,182,126
Prepaid expenses and deposits - current	8,754	12,725
Income taxes recoverable	<u>105,446</u>	<u>12,480</u>
	<u>16,143,583</u>	<u>17,260,684</u>
<b>Non-current assets</b>		
Marketable securities	-	234,322
Note receivable (note 7)	-	54,976
Loans receivable (note 8)	264,812	127,602
Prepaid expenses and deposits	94,570	98,275
Property, plant and equipment (note 9)	1,404,665	1,452,704
Investment properties (note 10)	1,661,494	1,695,984
Deferred income tax assets	<u>186,705</u>	<u>184,075</u>
	<u>3,612,246</u>	<u>3,847,938</u>
<b>Total assets</b>	<u>19,755,829</u>	<u>21,108,622</u>

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

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

(Unaudited, expressed in Canadian dollars)

	Sept. 30, 2018	Dec. 31, 2017
	\$	\$
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade accounts payable	1,194,834	2,027,357
Other payables and accrued liabilities	502,975	1,040,352
Government remittances payable	47,314	135,502
Tenant deposits	<u>38,090</u>	<u>38,090</u>
	1,783,213	3,241,301
<b>Non-current liabilities</b>		
Loans payable (note 11)	<u>150,000</u>	<u>150,000</u>
<b>Total liabilities</b>	<u>1,933,213</u>	<u>3,391,301</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 12)	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	<u>12,952,576</u>	<u>12,868,490</u>
<b>Capital attributable to shareholders of Advent-AWI Holdings Inc.</b>	17,851,223	17,767,137
<b>Non-controlling interests</b>	<u>(28,607)</u>	<u>(49,816)</u>
<b>Total equity</b>	<u>17,822,616</u>	<u>17,717,321</u>
<b>Total liabilities and shareholders' equity</b>	<u>19,755,829</u>	<u>21,108,622</u>

Commitments (note 16)

**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)

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b> (note 20)				
Wireless income	2,302,319	3,078,578	6,059,366	8,819,295
Financing income	<u>208,011</u>	<u>122,438</u>	<u>541,073</u>	<u>327,070</u>
<b>Total revenue</b>	2,510,330	3,201,016	6,600,439	9,146,365
<b>Cost of sales</b> (note 5)	<u>1,270,250</u>	<u>1,658,242</u>	<u>3,755,476</u>	<u>4,759,553</u>
<b>Gross profit</b>	<u>1,240,080</u>	<u>1,542,774</u>	<u>2,844,963</u>	<u>4,386,812</u>
<b>Expenses</b> (note 20)				
General and administration (note 13)	906,864	1,030,019	2,773,786	3,257,302
Advertisement and promotion	17,246	5,522	56,237	32,418
Amortization of property, plant and equipment	28,123	26,307	90,644	87,544
Amortization of investment properties	<u>11,497</u>	<u>11,497</u>	<u>34,490</u>	<u>34,490</u>
<b>Total expenses</b>	<u>963,730</u>	<u>1,073,345</u>	<u>2,955,157</u>	<u>3,411,754</u>
<b>Operating income (loss)</b>	<u>276,350</u>	<u>469,429</u>	<u>(110,194)</u>	<u>975,058</u>
<b>Investment income</b>				
Rental income	45,187	47,151	139,836	139,836
Interest income	<u>44,856</u>	<u>36,636</u>	<u>105,913</u>	<u>94,733</u>
	<u>90,043</u>	<u>83,787</u>	<u>245,749</u>	<u>234,569</u>
<b>Income from operations before income taxes</b>	366,393	553,216	135,555	1,209,627
Provision for income taxes (note 14)	<u>(90,060)</u>	<u>(145,750)</u>	<u>(30,260)</u>	<u>(323,650)</u>
<b>Net income and comprehensive income for the period</b>	<u>276,333</u>	<u>407,466</u>	<u>105,295</u>	<u>885,977</u>
Net income (loss) attributable to				
Shareholders of Advent-AWI Holdings Inc.	262,745	405,009	84,086	899,291
Non-controlling interests	<u>13,588</u>	<u>2,457</u>	<u>21,209</u>	<u>(13,314)</u>
	<u>276,333</u>	<u>407,466</u>	<u>105,295</u>	<u>885,977</u>
<b>Basic and diluted, earnings per share for net income attributable to the ordinary equity holders of the company</b> (note 15)	<u>0.023</u>	<u>0.034</u>	<u>0.009</u>	<u>0.074</u>

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 \$
<b><u>Nine months ended Sept. 30, 2018</u></b>					
Balance - December 31, 2017	4,274,676	623,971	12,868,490	(49,816)	17,717,321
Income attributable to non-controlling interests	-	-	-	21,209	21,209
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	<u>-</u>	<u>-</u>	<u>84,086</u>	<u>-</u>	<u>84,086</u>
Balance - Sept. 30, 2018	<u>4,274,676</u>	<u>623,971</u>	<u>12,952,576</u>	<u>(28,607)</u>	<u>17,822,616</u>
<b><u>Nine months ended Sept. 30, 2017</u></b>					
Balance - December 31, 2016	4,274,676	623,971	12,062,299	(35,000)	16,925,946
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>

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)

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows provided by (used in) operating activities</b>				
Net income for the period	276,333	407,466	105,295	885,977
Items not affecting cash				
Amortization of property, plant and equipment	28,123	26,307	90,644	87,544
Amortization of investment properties	11,497	11,497	34,490	34,490
Interest income	(44,856)	(36,636)	(105,913)	(94,733)
Current income tax expense	88,807	146,256	32,890	326,831
Deferred income tax assets	1,253	(506)	(2,630)	(3,181)
Interest accretion of note receivable	<u>(6,242)</u>	<u>(4,870)</u>	<u>(17,710)</u>	<u>(13,556)</u>
	<u>354,915</u>	<u>549,514</u>	<u>137,066</u>	<u>1,223,372</u>
Changes in non-cash working capital items				
Trade and other receivables	(179,581)	(93,611)	1,354,915	869,734
Inventories	(51,572)	(460,276)	633,196	(254,131)
Prepaid expenses and deposits	1,909	(1,368)	7,677	6,000
Trade accounts payable	442,170	913,460	(832,523)	(664,999)
Other payables and accrued liabilities	(8,715)	96,670	(537,377)	(131,753)
Tenant deposits	-	5,000	-	6,800
Government remittances payable	4,121	(30,874)	(88,188)	(54,108)
Loans receivable	<u>49,128</u>	<u>(137,548)</u>	<u>(715,513)</u>	<u>(518,154)</u>
	<u>257,460</u>	<u>291,453</u>	<u>(177,813)</u>	<u>(740,611)</u>
Taxes paid	<u>74,172</u>	<u>(133,635)</u>	<u>(125,857)</u>	<u>(438,642)</u>
<b>Net cash flows provided by (used in) operating activities</b>	<u>686,547</u>	<u>707,332</u>	<u>(166,604)</u>	<u>44,119</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 ... Continued**

(Unaudited, expressed in Canadian dollars)

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance carry-forward				
<b>Net cash flows provided by (used in) operating activities</b>	<u>686,547</u>	<u>707,332</u>	<u>(166,604)</u>	<u>44,119</u>
<b>Cash flows provided by (used in) investing activities</b>				
Purchase of property and equipment	-	(8,383)	(42,605)	(24,828)
Repayment of note receivable	40,000	40,001	120,000	120,001
Increase in marketable securities	-	-	(2,765,678)	(3,803)
Interest received	<u>44,856</u>	<u>36,636</u>	<u>105,913</u>	<u>94,733</u>
<b>Net cash flows provided by (used in) investing activities</b>	<u>84,856</u>	<u>68,254</u>	<u>(2,582,370)</u>	<u>186,103</u>
<b>Cash flows provided by financing activities</b>				
Loans payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
<b>Net cash flows provided by financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
<b>Net cash provided by (used in) operations</b>	771,403	775,586	(2,748,974)	275,222
<b>Cash and cash equivalents - beginning of period</b>	<u>9,122,305</u>	<u>12,876,999</u>	<u>12,642,682</u>	<u>13,377,363</u>
<b>Cash and cash equivalents - end of period</b>	<u>9,893,708</u>	<u>13,652,585</u>	<u>9,893,708</u>	<u>13,652,585</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, 2018 and 2017**

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(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 11 stores in Ontario, Canada as at September 30, 2018.

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, 2018 and 2017 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, 2017.

During this quarter, the Company resumed its wireless business by signing a new dealer agreement with its wireless supplier for a period of 2 years, expiring September 30, 2020.

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017 were approved by the Board of Directors for issue on November 26, 2018.

#### **3. Summary of 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, 2017.

##### **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 recognized 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, 2018 and 2017**

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(Unaudited, expressed in Canadian dollars)

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

#### **Accounting and reporting changes**

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments. The first quarter 2018 condensed interim consolidated financial statements are the first financial statements issued in accordance with IFRS 9. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. 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 income 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 adoption of IFRS 9 did not have any impact on the reported results.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers. The first quarter 2018 condensed interim consolidated financial statements are the first financial statements issued in accordance with IFRS 15. IFRS 15 supersedes the current accounting standard for revenues, IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- 1) identify the contract with a customer;
- 2) identify the performance obligations in the contract;
- 3) determine the transaction price;
- 4) allocate the transaction price to the performance obligations in the contract; and
- 5) recognize revenue when (or as) the entity satisfies a performance obligation.

The application of this new standard have no significant impact on the reported results, as the performance obligations of the Company's revenue streams are satisfied at either the point of sale, or when the transaction price is received, consistent with Note 3 revenue recognition accounting policies. The application of IFRS 15 does not affect the cash flows from operations or the methods and underlying economics through which the Company transacts with its customers.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2018 and 2017**

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(Unaudited, expressed in Canadian dollars)

#### **(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 is 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 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.

## ADVENT-AWI HOLDINGS INC.

### Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended September 30, 2018 and 2017

(Unaudited, 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 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.

#### 4. Cash and cash equivalents

	Sept. 30, 2018	Sept. 30, 2017
Cash at bank and on hand	\$ 9,893,708	\$11,652,585
Term deposit	<u>-</u>	<u>2,000,000</u>
Cash and cash equivalents	<u>\$ 9,893,708</u>	<u>\$13,652,585</u>

#### 5. Inventories

All of the Company's inventory consists of finished goods. The cost of inventories recognized as an expense and included in cost of sales for the nine months ended September 30, 2018 amounted to \$3,755,476 (2017 - \$4,759,553). There have been no inventory write-downs in the period (2017 - \$nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

#### 6. Marketable securities

The marketable securities comprise guaranteed investment certificates for \$2,000,000 maturing on January 14, 2019, earning interest at a rate of 2% per annum, and \$1,000,000 maturing on April 3, 2019, earning interest at a rate of 1.9% per annum.

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

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**8. 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 period is \$208,011 (2017 - \$122,438).

As at August 24, 2017, the Company has a 23% interest in a joint arrangement that was set up as a partnership together with a member of the Company's management and other non-related parties, to provide a secured loan to an unrelated individual. The joint venture agreement requires unanimous consent from all parties for all major decisions. This entity is therefore classified as a joint operation and the Company has included in the loans receivable a balance of \$304,500, which represents its proportionate share of the outstanding balance. During the nine months ended September 30, 2018, the Company's share of interest income was \$13,496, which is included in financing income.

**9. Property, plant and equipment**

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Sign	Computer hardware	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, January 1, 2017	192,315	1,636,750	585,762	187,637	-	191,157	5,492	2,799,113
Additions	-	-	22,572	10,393	7,720	9,650	1,885	52,220
Balance, December 31, 2017	192,315	1,636,750	608,334	198,030	7,720	200,807	7,377	2,851,333
Additions	-	-	37,114	2,334	-	3,157	-	42,605
Balance, September 30, 2018	<u>192,315</u>	<u>1,636,750</u>	<u>645,448</u>	<u>200,364</u>	<u>7,720</u>	<u>203,964</u>	<u>7,377</u>	<u>2,893,938</u>
<b>Amortization</b>								
Balance, January 1, 2017	-	431,347	507,062	166,918	-	178,381	1,339	1,285,047
Amortization for the year	-	50,172	41,879	10,317	1,287	7,887	2,040	113,582
Balance, December 31, 2017	-	481,519	548,941	177,235	1,287	186,268	3,379	1,398,629
Amortization for the period	-	37,629	36,701	6,224	1,271	6,975	1,844	90,644
Balance, September 30, 2018	<u>-</u>	<u>519,148</u>	<u>585,642</u>	<u>183,459</u>	<u>2,558</u>	<u>193,243</u>	<u>5,223</u>	<u>1,489,273</u>
<b>Net carrying amount</b>								
Balance, January 1, 2017	<u>192,315</u>	<u>1,205,403</u>	<u>78,700</u>	<u>20,719</u>	<u>-</u>	<u>12,776</u>	<u>4,153</u>	<u>1,514,066</u>
Balance, December 31, 2017	<u>192,315</u>	<u>1,155,231</u>	<u>59,393</u>	<u>20,795</u>	<u>6,433</u>	<u>14,539</u>	<u>3,998</u>	<u>1,452,704</u>
Balance, September 30, 2018	<u>192,315</u>	<u>1,117,602</u>	<u>59,806</u>	<u>16,905</u>	<u>5,162</u>	<u>10,721</u>	<u>2,154</u>	<u>1,404,665</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**10. Investment properties**

	Land	Buildings	Total
Cost	\$	\$	\$
Balance, January 1, 2017	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2017	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, September 30, 2018	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
<b>Amortization</b>			
Balance, January 1, 2017	-	354,846	354,846
Amortization for the year	-	45,987	45,987
Balance, December 31, 2017	-	400,833	400,833
Amortization for the period	-	34,490	34,490
Balance, September 30, 2018	-	<u>435,323</u>	<u>435,323</u>
<b>Net carrying amount</b>			
Balance, January 1, 2017	<u>721,428</u>	<u>1,020,543</u>	<u>1,741,971</u>
Balance, December 31, 2017	<u>721,428</u>	<u>974,556</u>	<u>1,695,984</u>
Balance, September 30, 2018	<u>721,428</u>	<u>940,066</u>	<u>1,661,494</u>

The fair value of the investment properties is estimated to be \$3,044,000 (2017 - \$2,754,000). 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.

**11. Loans payable**

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

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**12. Share capital**

Authorized

100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2017 and September 30, 2018	<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, 2018	Sept. 30, 2017
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	12,952,576	12,961,590
Non-controlling interests	<u>(28,607)</u>	<u>(48,314)</u>
	<u>17,822,616</u>	<u>17,811,923</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, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**13. General and administration expenses**

General and administration expenses consist of the following:

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	\$	\$	\$	\$
Bank service charges	20,567	17,455	61,587	58,827
General and office expenses	64,812	74,768	215,867	233,114
Insurance	14,062	30,124	58,014	79,931
Professional fees	38,592	47,444	139,935	130,107
Rent and occupancy costs	159,597	158,331	526,154	557,645
Salary and payroll costs	595,257	684,875	1,729,427	2,141,217
Telephone expenses	13,977	17,022	42,802	56,461
	<u>906,864</u>	<u>1,030,019</u>	<u>2,773,786</u>	<u>3,257,302</u>

**14. Income taxes**

Components of the provision for income taxes are as follows:

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	\$	\$	\$	\$
Current income tax expense	88,807	146,256	32,890	326,831
Deferred income tax expense (recovery)	<u>1,253</u>	<u>(506)</u>	<u>(2,630)</u>	<u>(3,181)</u>
Provision for income taxes	<u>90,060</u>	<u>145,750</u>	<u>30,260</u>	<u>323,650</u>

**15. Earnings per share**

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	\$	\$	\$	\$
Net earnings applicable to common shares	<u>276,333</u>	<u>407,466</u>	<u>105,295</u>	<u>885,977</u>
Basic and diluted weighted average number of common shares outstanding	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>
Basic and diluted earnings per share	<u>0.023</u>	<u>0.034</u>	<u>0.009</u>	<u>0.074</u>

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, 2018 and September 30, 2017.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

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**16. Commitments**

The table below shows the future minimum payments under operating leases as at September 30, 2018:

	\$
2018 remaining	69,588
2019	178,088
2020	91,372
2021	20,332
2022	<u>10,166</u>
	<u><u>369,546</u></u>

During the nine months ended September 30, 2018, the Company recognized an operating lease expense of \$449,825 (2017 - \$506,848).

The Company has an operating line of credit for \$250,000, guaranteed by real property and bearing interest at the prime rate plus 0.75%. As at September 30, 2018, the carrying value of the security was \$427,406 (2017 - \$434,442). There was no utilization of this line of credit as at September 30, 2018 (2017 - \$nil).

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**17. 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, 2018	Sept. 30, 2017
				\$	\$
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	9,893,708	13,652,585
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	915,511	986,863
Note receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	88,395	225,467
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	2,025,241	1,210,642
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	3,000,000	234,322
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	1,697,809	2,606,581
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	150,000	150,000

(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, 2018 is \$3,000,000 and \$88,395 (2017 - \$234,322 and \$225,467), respectively.

**b) Management of financial risk****i) Interest rate risk exposure**

Interest rate risk is the risk 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 16. Since no funds have been drawn from the lines of credit as at September 30, 2018, 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, 2018 and 2017

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(Unaudited, expressed in Canadian dollars)

#### ii) Credit risk and economic dependence

Credit risk is the risk 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 and 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 82% of the trade receivables as at September 30, 2018 (2017 - 91%) were owed by one customer, Rogers Communications Inc. For the period ended September 30, 2018, approximately 77% (2017 - 79%) of the Company's gross revenue was from this customer. Based on historical 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 September 30, 2020.

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 \$432,000 as at the year ended December 31, 2017.

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

#### iii) Liquidity risk

Liquidity risk is the risk 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, 2018.

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 16.

## 18. 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 directors' fees, salaries and performance based compensation. Total compensation is as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2018	2017	2018	2017
Salaries and other benefits	\$ <u>135,215</u>	\$ <u>238,115</u>	\$ <u>425,615</u>	\$ <u>681,615</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

**19. 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.

**20. 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").

Condensed interim consolidated statements of financial position information by reportable segment as at September 30, 2018 was as follows:

	<b>Wireless Business</b>	<b>Financing Business</b>	<b>Total</b>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9,663,280	230,428	9,893,708
Trade and other receivables	752,006	163,505	915,511
Inventories	371,340	-	371,340
Marketable securities	3,000,000	-	3,000,000
Loans receivable - current	-	1,760,429	1,760,429
Note receivable - current	88,395	-	88,395
Prepaid expenses and deposits - current	8,754	-	8,754
Income taxes recoverable	<u>105,446</u>	<u>-</u>	<u>105,446</u>
	<u>13,989,221</u>	<u>2,154,362</u>	<u>16,143,583</u>
<b>Non-current assets</b>			
Loans receivable	-	264,812	264,812
Prepaid expenses and deposits	54,509	40,061	94,570
Property, plant and equipment	1,374,058	30,607	1,404,665
Investment properties	1,661,494	-	1,661,494
Deferred income tax assets	<u>129,447</u>	<u>57,258</u>	<u>186,705</u>
	<u>3,219,508</u>	<u>392,738</u>	<u>3,612,246</u>
<b>Total assets</b>	<u><u>17,208,729</u></u>	<u><u>2,547,100</u></u>	<u><u>19,755,829</u></u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

	<b>Wireless Business \$</b>	<b>Financing Business \$</b>	<b>Total \$</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade accounts payable	1,087,665	107,169	1,194,834
Other payables and accrued liabilities	502,975	-	502,975
Government remittances payable	42,369	4,945	47,314
Tenant deposits	<u>38,090</u>	<u>-</u>	<u>38,090</u>
	<u>1,671,099</u>	<u>112,114</u>	<u>1,783,213</u>
<b>Non-current liabilities</b>			
Loans payable	-	150,000	150,000
Due to related parties	<u>(2,380,000)</u>	<u>2,380,000</u>	<u>-</u>
	<u>(2,380,000)</u>	<u>2,530,000</u>	<u>150,000</u>
<b>Total liabilities</b>	<u>(708,901)</u>	<u>2,642,114</u>	<u>1,933,213</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	4,274,576	100	4,274,676
Contributed surplus	623,971	-	623,971
Retained earnings (deficit)	<u>13,019,083</u>	<u>(66,507)</u>	<u>12,952,576</u>
<b>Capital attributable to shareholders of Advent-AWI Holdings Inc.</b>	17,917,630	(66,407)	17,851,223
<b>Non-controlling interests</b>	<u>-</u>	<u>(28,607)</u>	<u>(28,607)</u>
<b>Total equity (deficiency)</b>	<u>17,917,630</u>	<u>(95,014)</u>	<u>17,822,616</u>
<b>Total liabilities and shareholders' equity</b>	<u>17,208,729</u>	<u>2,547,100</u>	<u>19,755,829</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2018 and 2017**

(Unaudited, expressed in Canadian dollars)

Condensed interim consolidated statements of income information by reportable segment for the three and nine months ended September 30, 2018 was as follows:

	3 months ended Sept. 30, 2018			9 months ended Sept. 30, 2018		
	Wireless Business	Financing Business	Total	Wireless Business	Financing Business	Total
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	2,302,319	208,011	2,510,330	6,059,366	541,073	6,600,439
<b>Cost of sales</b>	<u>1,270,250</u>	<u>-</u>	<u>1,270,250</u>	<u>3,755,476</u>	<u>-</u>	<u>3,755,476</u>
<b>Gross profit</b>	<u>1,032,069</u>	<u>208,011</u>	<u>1,240,080</u>	<u>2,303,890</u>	<u>541,073</u>	<u>2,844,963</u>
<b>Expenses</b>						
General and administration	772,217	134,647	906,864	2,381,335	392,451	2,773,786
Advertisement and promotion	17,849	(603)	17,246	53,076	3,161	56,237
Amortization of property, plant and equipment	23,169	4,954	28,123	75,072	15,572	90,644
Amortization of investment properties	<u>11,497</u>	<u>-</u>	<u>11,497</u>	<u>34,490</u>	<u>-</u>	<u>34,490</u>
<b>Total expenses</b>	<u>824,732</u>	<u>138,998</u>	<u>963,730</u>	<u>2,543,973</u>	<u>411,184</u>	<u>2,955,157</u>
<b>Operating income (loss)</b>	<u>207,337</u>	<u>69,013</u>	<u>276,350</u>	<u>(240,083)</u>	<u>129,889</u>	<u>(110,194)</u>
<b>Investment income</b>						
Rental income	45,187	-	45,187	139,836	-	139,836
Interest income	<u>44,856</u>	<u>-</u>	<u>44,856</u>	<u>105,913</u>	<u>-</u>	<u>105,913</u>
	<u>90,043</u>	<u>-</u>	<u>90,043</u>	<u>245,749</u>	<u>-</u>	<u>245,749</u>
<b>Income from operations before income taxes</b>	<u>297,380</u>	<u>69,013</u>	<u>366,393</u>	<u>5,666</u>	<u>129,889</u>	<u>135,555</u>