

Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.)

In this Management Discussion and Analysis (MD&A), the terms “We,” “Us,” “Our,” “The Company” and “Advent” refer to Advent-AWI Holdings Inc. The Company applied to change its name from Advent Wireless Inc. to Advent-AWI Holdings Inc. to better reflect the business nature of the Company. The name change was approved and effective as at March 23, 2017. This MD&A of Advent-AWI Holdings Inc. should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017, and the notes contained therein. This MD&A is effective as at April 16, 2018. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial data is expressed in Canadian dollars unless otherwise stated. Additional information, including the Company’s Annual Information Form (“AIF”), can be obtained from the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking statements

Certain statements in the MD&A, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These risks and uncertainties can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as “will,” “believes,” “plans,” “intends,” “expects,” “anticipates,” “estimates” or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company’s actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

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Overview

Business nature:

The Company operates in two business segments:

- (1) Wireless through Am-Call Wireless Inc. (“AmCall”), a wholly owned subsidiary; and
- (2) Micro-financing through Adwell Financial Services Inc. (“Adwell”), a 70% owned subsidiary.

(1) Wireless business

Am-Call is an authorized dealer of Rogers Communications Partnership (“Rogers”) and is an independent specialty retailer of personal wireless and wireline communication products and services under the Rogers and Fido brands. Fido is the discount brand and is a wholly owned subsidiary of Rogers. The Company carries the full line of Rogers and Fido products and services, including wireless voice and data, high-speed Internet, digital cable television, home phone, Smart Home Monitoring and Rogers Platinum MasterCard.

As of December 31, 2017, the Company had 11 stores in Ontario (6 Rogers and 5 Fido), 4 less when compared with December 31, 2016.

Number of stores at December 31, 2017 - 11 stores (6 Rogers & 5 Fido, all in Ontario)
Number of stores at December 31, 2016 - 15 stores (10 Rogers & 5 Fido, all in Ontario)

Closing of stores

As discussed in our Q3 2017 MD&A, Rogers informed the Company that its store optimization plan would mean a reduction of four of the Company’s current ten Rogers locations – two in Toronto, one in Markham and one in Mississauga – in line with the overall store reduction target of Rogers over the next two years. The target date for these closures was Q1 2018. However, after considering manpower, leases and other logistic factors it was decided to have the closing date for all of them set to December 28, 2017.

As consideration for the closures, Rogers will compensate the Company for the loss of residuals belonging to these four locations. The buyback amount was determined to be \$ 545,129 and the Company expects to receive payment in the near future.

Subsequently, the Company negotiated early termination of the leases with the three landlords of the locations that had expiry dates ranging from September 2018 to April 2020. Total early lease termination payment of \$102,905 was

accrued as of December 31, 2017. The Company owns the property where the fourth store was located and as such no lease termination fee was involved.

Store retrofit

As mentioned in our Q3 2017 MD&A, one of the Company's stores in Toronto was retrofitted during January 2018, as scheduled. This store bears the latest generation in Rogers' store design concept and was reopened on January 30, 2018.

Economic Dependence

For the year ended December 31, 2017, approximately 79% (2016 – 85%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 21% (2016 – 15%) was generated through the Company's 15 retail stores (There were 15 locations in substantially all of 2017. The 4 locations were closed on December 28, 2017) in Ontario (2016: 15 stores in Ontario).

Account Receivable from Rogers – 93% at December 31, 2017 (94% at December 31, 2016)

Subsequent to year end, on March 1, 2018, the Company was notified by Rogers that Rogers will not be renewing its dealer agreement which is set to expire on June 30, 2018. As part of this wind-down and transition out of the wireless telecommunications business, the Company will be looking to sell all of its 11 stores located in Ontario to a licensee or to multiple licensees acceptable to Rogers. It is expected that the Company will cease operations of its retail wireless business effective as of December 31, 2018, unless other arrangements such as an extension of this date is granted.

(2) Micro financing business

In late 2015, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver area of British Columbia. This new subsidiary, "Adwell Financial Services Inc." ("Adwell") was incorporated on January 8, 2016. Adwell issued a total of 1,000,000 shares at \$0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%).

Based on the shareholders agreement among the three parties, executed on January 27, 2016, the Company agreed to invest, from its available cash on hand, up to \$1,375,000 in Adwell's first year of operation, of which \$375,000 is for ongoing operations and the remaining \$1,000,000 for advances to customers.

The two minority shareholders, both with financial and lending experience, agreed to assist in the start-up and continuing operations of the venture. Adwell commenced operations in Q1 2016.

Anticipating the \$1,000,000 line of credit commitment to Adwell for its advances to customers to run out in the second half of 2017, the Company applied to the TSX in September 2016 for increased funding to Adwell. This COB (change of business) application was approved by the TSX in December 2016 and the required shareholders' approval was obtained in a special shareholders meeting held on January 4, 2017.

During 2017, the Company increased its line of credit commitment to Adwell to \$3,000,000 from \$1,000,000.

At the time of this MD&A and with the new funding approval in place, the Company had invested \$2,107,900 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$1,757,900 was funding for Adwell's advances to customers.

Adwell also expanded its business to Ontario, with an officially formed sales team, and commenced operations during 2017. To better support its sales team in Ontario, Adwell hired a sales manager and opened an office in the Greater Toronto area in Q4 2017. In this same quarter, Adwell also recruited a sales team in Alberta and commenced operations in the cities of Calgary and Edmonton.

Declaration of dividend

On September 15, 2017, the Company announced that in recognition of its strong financial position, a special dividend of \$0.05 per common share would be paid on October 13, 2017, to all shareholders of record as at the close of business on September 29, 2017. This dividend payment was completed as announced.

Overall performance

	2017	2016	+/-	%
Wireless revenue	12,485,499	16,042,348	-3,556,849	-22%
Financing revenue	456,526	114,190	342,336	300%
Total revenue (excluding other & investment income)	12,942,025	16,156,538	-3,214,513	-20%

Highlights:

- The Company's 2017 revenue (excluding other income and investment income) decreased by \$3,214,513 or 20% versus 2016.

- The decrease was primarily caused by the decrease in wireless revenue, dropping \$3,556,849 or 22% compared with 2016.
- The decrease in wireless revenue was mitigated by an increase in financing revenue of \$342,336, or 300% from 2016. The Company's financing business commenced operations in Q1 2016 and its 2017 revenue of \$456,526 made up 3.4% of the Company's total revenue, compared with 0.7% in 2016.

Subscriber Base:

December 31, 2017 – 86,036
 December 31, 2016 – 89,146
 Decrease of 3,110 or 3.5%

The Rogers subscriber base has been on the decline for many years, with the market heavily saturated. This was further hampered by Rogers' strategy of aiming at higher ARPU (average revenue per user) customers, sometimes at the expense of volume.

Since 2011, the addition to the subscriber base has been from Fido, with the growth in the Fido subscriber base mitigating the decrease in the Rogers subscriber base. This was again the case in 2017, when the increase in the Fido base was 811 (from 28,574 to 29,385), whereas the decrease on the Rogers side was 3,921 (from 60,572 to 56,651), resulting in a net decrease of 3,110. The Rogers side of the business has been under challenge for some time and to maintain subscriber base the key now is customer retention. Rogers is also aware of the situation and the focus now is twofold:

- 1) Share Everything Plan – if the entire family is bundled into one plan which can be shared among all users, the chance of customers leaving will be less.
- 2) Multi products under one household – if a customer has multiple products (e.g. wireless, Internet, TV, Smart home monitoring and credit card) under one roof, the chance of that customer leaving will be less.
- 3) Multi brand availability– Rogers has now made its third brand, Chatr, available in both the Company's Rogers and Fido locations, to provide the widest possible coverage to prospective customers. The addition of this entry level brand means full coverage over the entire spectrum of customers and provides a path for upward migration in the future.

One of the big issues in Q4 2017 was a technical glitch right after Rogers announced a limited time offer to give customers 10 gigabytes of data for \$60 a month. Potential customers complained of long wait times to get this and instead

ended up going to Rogers' main competitors, which had quickly reacted to match this offer. Rogers CEO Joe Natale said when announcing their results that this could have cost up to 35,000 potential new customers given that the Christmas season a major selling period. "Clearly, execution for us was a challenge," he told a press conference. "I do believe it's an isolated incident... but we've found the root cause (and) corrected it..."

As a result, Rogers added 72,000 new customers whereas industry analysts had forecast about 100,000. However, it did boost Rogers' net addition by 24% over 2016 to 354,000, the best in several years.

To maintain its customer base, the Company needs to keep adding new customers, while at the same time trying to prevent them from leaving. The key now is to give customers good reasons to sign up and stay with Rogers, instead of going to the competition. Given this, the "why Rogers" and the Rogers "value propositions" continue to remain front and centre in all our messages.

On the other hand, increasing ARPU also means an increase in residual per customer. That also explains why even though the customer base decreased, the Company still registered an increase in residual revenue of \$54,462 or 2%.

It is important to maintain the customer base because the Company receives residual income on the subscriber base every month. This gives the Company a steady flow of income.

Selected Annual Consolidated Financial Information

	Dec-17	Dec-16	Dec-15
Revenue	12,942,025	16,156,538	17,056,334
Income before income taxes	1,878,840	1,704,800	1,659,107
Income Tax expense	490,689	437,614	441,633
Net income	1,388,151	1,267,186	1,217,474
Assets	21,108,622	20,592,370	19,483,984
Liabilities	3,391,301	3,666,424	3,228,478
Basic & diluted earnings per share	0.118	0.109	0.102

Total revenue has been on the decline for the past three years. As explained in previous MD&As, the majority of the decrease has been due to the decline in the number of phones sold and since margins on hardware are nominal, the decrease in revenue has not transferred substantially to the Company's bottom line.

It is expected that wireless revenue will continue to be under downward pressure in 2018. The addition of the micro finance business helped to sustain revenue in both 2016 and 2017, but has not helped the bottom line yet.

The increase in 2017 net income over 2016 was caused by the compensation from Rogers for closing of its four locations, and after netting lease termination payments. Unless the Company sells more of its locations this may or may not happen again in the future.

Results of operations – Wireless business

Looking at the number of activations and customer upgrades, in 2017:

ROGERS & FIDO				
	2017	2016	+/-	%
Voice activation	13,766	17,875	-4,109	-23%
Data activation	14,729	17,552	-2,823	-16%
Hardware upgrade	5,061	8,267	-3,206	-39%

Both new voice and data activations lost ground, decreasing by 4,109 (23%) and 2,823 (16%), respectively, while customer upgrades also decreased by 3,206 (39%) over 2016.

If we look at the breakdown between Rogers and Fido:

ROGERS				
	2017	2016	+/-	%
Voice activation	6,557	6,845	-288	-4%
Data activation	6,965	6,693	272	4%
Hardware upgrade	3,852	6,685	-2,833	-42%

FIDO				
	2017	2016	+/-	%
Voice activation	7,209	11,030	-3,821	-35%
Data activation	7,764	10,859	-3,095	-29%
Hardware upgrade	1,209	1,582	-373	-24%

New activations generally come from children coming of age, switchers from other service providers as well as new comers (immigrants and students) to the country. The Company has an advantage in gaining new customers with its focus on the Asian ethnic market, which has new immigrants and students arriving throughout the year. The Company has been concentrating on building networks and connections in new immigrant support groups and student associations in order to capture this share of the new business.

New activations on the Rogers side have been on a downward trend for the past few years and the decrease has always been offset by an increase on the Fido side. Unfortunately, this did not happen in 2017, when Rogers' new voice activations dropped by 288, or 4% and Fido's new voice and data activations decreased even more by 3,821 (35%) and 3,095 (29%) respectively, causing overall volume to drop further.

Both Rogers and Fido upgrades decreased by 2,833 (42%) and 373 (24%), respectively. Customers are holding on to their smart phones longer than before not only because of higher price, but also because there has not been much significant technological breakthrough in smart phones lately. In any event, it should be pointed out that Canadian carriers do not have exclusivity to new phone models and all major carriers have them in their lineup. Launch of new phone used to be a well anticipated event among phone followers, and keeping the early adopters, who are usually your most loyal customers, is key. The part of the CRTC Wireless Code which came into effect in Q4 2017 mandating that Canadian carriers have to sell hardware unlocked and also have to unlock customers phones upon request further encourages customers to shop around when their existing contract expires, instead of automatically rolling over their contracts and upgrading to a new hardware with their existing carrier.

Below is a breakdown of the Company's wireless revenue for the year:

	2017	2016	+/-	%
Phone sales	6,888,639	9,657,026	-2,768,387	-29%
New activation commission	1,297,093	1,600,031	-302,938	-19%
Customer upgrade commission	276,260	472,884	-196,624	-42%
Residual commission	2,681,136	2,626,674	54,462	2%
Bonus commission	867,535	1,114,150	-246,615	-22%
Rogers Bank	159,483	88,286	71,197	81%
Cable & Others	315,353	483,296	-167,943	-35%
Total	12,485,499	16,042,348	-3,556,849	-22%

- The primary cause of the decrease in wireless revenue is a drop in phone sales revenue, which amounted to \$2,768,387, or 29% year over year.
- The number of phones sold has been on a steady decline in the past few years. Customers are holding on to their smart phones longer than before as phones are getting more and more expensive, with marquee models like the iPhone X and the Samsung Note 8 models selling at well over \$1,000. Many consumers are also holding on to their current smart phones waiting for the next significant technological breakthrough to arrive, which did not happen in 2017. The Company sold 7,654 phones in 2017, which was 3,553 less than 2016, a decrease of 32%.
- Another reason for the decrease in phones sales is the increased popularity of customers bringing their owned device to the carrier, especially on the Fido side. These BYOD (bring your owned device) customers may have brought their devices from overseas (international students in particular), or may want to buy their owned device outright so as not to be tied up in carrier term contracts.
- Customer upgrade commission was the most affected, dropping by \$196,624, or 42% year over year.
- New activation commission also dropped by \$302,938, or 19% over 2016. In the past, Fido activations used to make up the drop in new activation

- volume on the Rogers side but unfortunately in 2017 the Fido market was adversely affected by other entry level brands like Freedom, Koodo and Virgin Mobile. Earlier in the year, Fido also increased its monthly service fees, hoping others would follow, which did not happen.
- Bonus commission decreased by \$246,615, or 22% over that of 2016. The decrease was mainly due to missing volume targets on the Fido side. Furthermore, Rogers has implemented multiple bonus metrics and gates so that a dealer has to attain more of them in order to maintain good bonus payout, making it now more difficult to achieve.
 - Cable and other commission dropped by \$167,943, or 35% over 2016. The ethnic market has been aggressively targeted by various resellers and third-party providers offering attractive pricing on Internet and TV services during 2017, many of these providers were able to offer TV programs directly from Asia which Rogers did not have.
 - The company gained in residual and bank (MasterCard) commissions, registering increases of \$54,462 (2%) and \$71,197 (81%), respectively. Residual commission went up slightly even though total customer base declined, thanks to the increase in ARPU push forth by Rogers on its overall subscriber base. In view of the decline in wireless transaction volume, the Company put in extra effort in training and promoting this product at its Rogers and Fido locations and was rewarded with good result.
 - Rogers intention to lessen the reliance on only a few hardware manufacturers continued from 2016 into 2017 but seemed to have gradually lost vigor as the market did not embrace these lesser known brands (especially Huawei), as expected. As a result, Rogers switched a major dealer bonus target from a device mix metric (percentage based) to a revenue (dollar based) target starting in Q4 2017.

Results of operations – Micro financing business

	2017	2016	+/-	%
Financing revenue	456,526	114,190	342,336	300%

In 2017, Adwell's revenue grew at a fast pace, with revenue totalling \$456,526, an increase of \$342,336, or 300% over 2016. Throughout the year, Adwell's main business continued to be unsecured personal short-term installment loans in amounts ranging from \$1,500 to \$5,000, with 9 to 36-month flexible repayment terms and no early repayment penalties to individuals. These loans are alternatives to the payday loans, which are usually more expensive and stressful to individual consumers. With more flexible repayment term and expertise in customer service, Adwell is aiming to reduce customers' stress and rebuild their financial wellness.

Adwell's main income is interest generated from these installment loans that grow in line with the number of customers. In 2017, Adwell advanced loans to 811 customers versus 306 in 2016, an increase of 165%. Realizing it must

expand to different markets in order to sustain growth, Adwell recruited a sales team in Toronto during 2017 and further hired a sales manager and opened a Toronto office towards the end of the year. The newly hired sales manager would be responsible for recruiting, training and managing its sales team in the Ontario market. Adwell also recruited a similar sales team in the Alberta markets of Calgary and Edmonton and commenced initial operations in Q4 2017.

The table below shows the income and expenses breakdown of the Company's financing business in 2017 and 2016:

	2017	2016	+/-	%
Interest income	450,441	114,190	336,251	294%
Fee income	6,085	0	6,085	n/a
Interest cost	37,647	8,575	29,072	339%
General & administration	399,412	255,694	143,718	56%
Advertising & promotion	4,100	3,425	675	20%
Amortization of property, plant & equipment	18,422	3,819	14,603	382%
Provision for loan loss	63,156	0	63,156	n/a
Income (loss) from operations before income taxes	-66,211	-157,323	91,112	-58%

In 2017, Adwell turned in a loss from operations (before income taxes) of \$66,211, which is \$91,112 or 58% less than that of 2016.

In Q1 2017, the Company got the necessary approval from the TSX-V to increase its funding commitment to Adwell to \$3,000,000, which will allow Adwell to grow not only in the personal loan market, but in the following two markets as well:

- Secured loans – this product is similar to Adwell's existing micro loan offering but will be secured by real property. This product particularly targets home owners who have stable working income and need short-term financing.
- Syndication loans – these are generally bigger sized mortgage loans secured by real properties. In undertaking such a project, Adwell will take the role as the leader and select qualified participants to invest in the project. The arrangement would allow Adwell to venture into the mortgage loan market, while at the same time spread out risk. As at December 31, 2017, Adwell has a 23% share, or \$96,600, in a \$420,000 syndication loan together with three other lenders. This loan is secured by a mortgage on property, has a one year term, with interest payable monthly and principal due at maturity.

In response to increasing customer requests, Adwell began offering a money remittance service to the Philippines in Q1 2017, providing a convenient, one-stop service solution to customers whose financing need is overseas. Adwell has partnered with IREMIT Inc., the largest non-bank remittance company in the

Philippines, as facilitator for these transactions. IREMIT Inc. has an international network of offices, including in Canada, where they have been operating since 2001. This service also generates additional fee income for Adwell.

Adwell also began making a provision for loan loss on its books starting in Q1 2017. Adwell's policy is to maintain a provision for loan loss equal to 5% of its personal loan portfolio, which is in line with industry practice and management's best estimate based on operating results. The provision for loan loss recorded in 2017 was \$63,156 (2016 – Nil). This provision will be reviewed and adjusted on a quarterly basis.

Gross profit margin

2017 – 48%
2016 – 41%
Increase of 7%

Gross profit margin for the year is 48%, compared with 41% in 2016. The dominant factor is the decrease in phone sales which drove down 2017 overall wireless sales revenue.

For the Company, there are several factors which could affect profit margin:

- New activation commission and upgrade commission can be changed at short notice, depending on Rogers priorities and focus. Starting in 2016, these commissions are based on MSF (monthly service fee) multiples, rather than a fixed amount, reflecting Rogers focus on higher ARPU.
- Dealer bonus commission targets and achievement metrics vary from quarter to quarter and year to year, and may be favourable or unfavourable to the Company. The new revenue metric implemented in Q4 2017 further requires the Company to generate higher ARPU by selling higher MSF plans and related products such as device protection.
- Residual commission is a steady source of income but it is becoming more and more challenging to maintain customers amid heavy competition and the government opening up more competition in the future. The drop in Fido volume in 2017 is an indication of the challenge the Company faces in maintain customer base.
- Rogers has other commission revenue sources – Rogers Bank (MasterCard) and Cable commission such as Internet, Smart Home Monitoring and digital TV. Increasing these revenue streams, which the Company is striving to do, will improve profit margin as these are non-margin-based products.

In short, the Company has to adopt and adjust quickly to the ever-changing environment in which it operates, in order to maximize opportunities to generate commission revenue.

2017 General and Administration expenses - \$4,856,462

2016 General and Administration expenses - \$4,950,247

Decrease of \$93,785 or 1.9%

As a result of its growth in 2017, there was an increase of G&A expenses of \$143,718 at Adwell, caused by increases in payroll, rent and provision for loan loss. This however was more than offset by decreases in payroll and office expenses on the wireless side of the business, resulted in a net decrease in overall G&A expenses.

2017 Advertising and Promotion expenses - \$57,979

2016 Advertising and Promotion expenses - \$91,124

Decrease of \$33,145 or 36%

Following the trend of the past few years, the Company spent less in net advertising and promotion in 2017 than in 2016, further dropping by 36%. Rogers is moving towards one branded retail strategy and as a result is giving less and less leeway to dealer to do their own advertising and promotion, instead centralizing it from their marketing department. Another observation the Company noticed Rogers doing more and more often in 2017 was to use promotion bill credits, which dealers can obtain at a discount, to reduce the price of the phone. This tactic can be very effective in the short term “hit & run” type promotions as competitors would have difficulty matching this.

The Company is heavily involved in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves and will continue to advertise and promote in ethnic media channels when appropriate. The advertising and promotion we do now are all tactical in nature, hopefully to yield faster results.

Besides receiving co-op subsidy from Rogers on advertising and promotion activities, the Company also receives some marketing funds from Rogers throughout the year, thus further reducing its overall sales & marketing costs. However, the availability of these funds depends very much on Rogers’ budget and timing of promotions and therefore may not be repeated in the future.

Adwell incurred a slightly higher amount of advertising and promotion expenses in 2017. The Company does not anticipate Adwell to be heavy in this category as customers are mostly attracted to Adwell via referrals and “word of mouth”.

2017 Amortization of Property and Equipment - \$113,582
2016 Amortization of Property and Equipment - \$113,368

Increase of \$214 or <1%

There was an increase in amortization of property and equipment on the Adwell side due to the addition of its new service centre in late 2016. This increase was again offset by a decrease on the wireless side of the business.

2017 Amortization of Investment properties - \$45,987
2016 Amortization of Investment properties - \$45,987

There has been no change in investment properties since the reclassification of four properties as investment properties in 2014.

2017 other income - \$442,224
2016 other income - Nil

This one time income is Rogers' compensation of \$545,129 for the closing of the Company's four stores, less lease termination payments to their respective landlords. The Company negotiated termination of three leases on three of the four stores closed at the end of 2017. These leases had expiry dates ranging from September 2018 to April 30, 2020. Total lease termination payment payable to the three landlords was \$102,905.

2017 Rental Income - \$185,574
2016 Rental income - \$149,541

Increase of \$36,033 or 24%

The increase was due to rent collected from one investment property which was rented out in Q1 2017.

2017 income before income taxes - \$1,878,840
 2016 income before income taxes - \$1,704,800
 Increase of \$174,040 or 10%

2017 net income after taxes - \$1,388,151
 2016 net income after taxes - \$1,267,186
 Increase of \$120,965 or 9.5%

2017 loss attributable to non-controlling interest - \$14,816
 2016 loss attributable to non-controlling interest - \$35,030

2017 EPS - \$0.118
 2016 EPS - \$0.109

Summary of consolidated quarterly results

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Wireless revenue	3,433,267	3,660,735	4,088,280	4,860,066	2,983,703	2,757,014	3,078,578	3,666,204
Financing revenue	2,953	20,259	36,251	54,727	86,598	118,034	122,438	129,456
Other income								442,224
Gross margin	40%	39%	41%	43%	47%	48%	48%	47%
Net income	274,802	178,460	411,610	392,369	292,291	186,220	407,466	502,174
Basic and diluted earnings per share	0.024	0.015	0.034	0.033	0.026	0.016	0.034	0.042

On the wireless side of the business, the general trend in retail sales in Canada is that Q1 is normally the lowest in terms of sales, then gradually moving up in Q2 and Q3, and finally peaking in Q4. After a drop in Q2 over Q1 2017, total revenue rebounded and resumed an upward trend in Q3, helped by the “back to school” selling period. Q4 saw revenue move higher on strong December holiday sales, helped by the aggressive price war among the carriers in December, as well as the launch of iPhone X and Samsung Note 8.

However, many factors that can affect sales and revenue are still at play. Among them are:

- Rogers’ direction – the focus on transaction ARPU and ARPA (average revenue per account) might have favored some dealers but has not been favorable for the Company, which leans heavily towards the consumer segment of the market and is inherently price sensitive. We have seen Rogers discounting more heavily towards quarter-end when volume targets have to be met.
- Launch of new hardware – Marquee phones such as iPhone and Samsung models would definitely help generate more business, especially in customer upgrade activities. However, timing and availability of these products are outside the Company’s control and thus difficult to predict.

- Rogers' promotions directly affect the Company's business. The Canadian telecommunications market is highly competitive, and all carriers are fighting hard to maintain customers and attract switchers from competitors, especially towards the end of each quarter.
- BYOD (bring your own device) has become more and more popular and continues to depress phone sales revenue. As discussed in previous MD&A's, Rogers encourages customers to utilize their existing devices on sharing plans, which is an excellent tool to reduce churn, but at the same time no hardware revenue is generated. On the other hand, we have observed consumers using their smartphones for longer periods. This is because smartphones are getting more expensive and also there is little or no ground-breaking technology in new devices.
- Smartphones are becoming more and more expensive with many models costing over \$1,000. This would alleviate the downward pressure on revenue caused by BYOD (bring your own device) but, as explained in previous MD&As, will not necessarily affect the bottom line as the margin on hardware revenue is nominal. Rogers is trying to entice BYOD customers to change into a new phone by bringing in more affordable models into the hardware lineup.

The Company's micro financing business represents a new revenue source and has shown rapid quarter-to-quarter growth since inception in Q1 2016. Its revenue now represented 4% of the total revenue of the Company in 2017 (<1% in 2016). The Company has committed additional funding to this new venture, as mentioned earlier in this MD&A.

Fourth Quarter discussion

ROGERS & FIDO (COMBINED)				
	Q4 2017	Q4 2016	+/-	%
Voice activation	3,821	4,709	-888	-19%
Data activation	3,924	5,048	-1,124	-22%
Hardware upgrade	1,514	2,211	-697	-32%

Voice activations decreased by 888 (-19%) in Q4 2017 when compared with Q4 2016, while data activations also decreased by 1,124 (-22%). On the other hand, customer upgrade activities decreased by 697 (-32%) over 2016.

If we look at Rogers and Fido separately:

ROGERS				
	Q4 2017	Q4 2016	+/-	%
Voice activation	2,160	1,623	537	33%
Data activation	2,164	1,677	487	29%
Hardware upgrade	1,189	1,756	-567	-32%

FIDO				
	Q4 2017	Q4 2016	+/-	%
Voice activation	1,661	3,086	-1,425	-46%
Data activation	1,760	3,371	-1,611	-48%
Hardware upgrade	325	455	-130	-29%

Unlike past years, the overall decrease in business activities was more on the Fido side than the Rogers side of the business in Q4 2017. As a matter of fact, new voice and data activations actually increased on the Rogers side in Q4. This was due to the aggressive \$60 10-Gigabyte plan rolled out by Rogers and matched by the other Big 3 carriers in December 2017. Although only for a short period of time, this unheard of promotion did generate a lot of activities and some said replaced the entire holiday selling period for 2017. As we mentioned earlier, it boosted Rogers net addition by 24% over 2016 to 354,000, the best in several years; it also reduced churn (customers moving to competitors) to 1.2% for the full year.

On the Fido side, the across the board increase in Fido monthly service fees beginning in Q2 caused Fido to lose its competitiveness in the market place, resulting in the volume hit in new customer acquisition. Meanwhile, other discount brands like Freedom, Virgin and Koodo were aggressively targeting the ethnic market in Q4 with heavy advertising and promotions. Rogers might have thought their discount brand Chatr could hold its own ground. This might well be true but although the Company's locations carry Chatr it was offered only as a last resort alternative. Furthermore, there are other Chatr-only dealers in the community who would pick up the bulk of Chatr activities.

The launch of the iPhone X and Samsung Note 8 models had some impact on upgrade activities in Q4 with the "must-have" customers but not enough to reverse the downward trend. These phones are now well over \$1,000 and are not easily affordable for many.

The decrease in Fido upgrades is caused more by its high BYOD base, especially international students and new immigrations who brought in their owned devices from overseas. To improve new hardware take-up rate on the Fido side, Rogers has been trying to bring in more affordable phone models to entice customers to get new hardware; its ultimate goal is to have customers sign a term plan that translates into less churn.

Wireless	Q4 2017	Q4 2016	+/-	%
Phone sales	1,998,811	2,833,084	-834,273	-29%
New activation commission	380,450	398,935	-18,485	-5%
Customer upgrade commission	94,544	144,550	-50,006	-35%
Residual commission	671,556	672,149	-592	0%
Bonus commission	429,900	662,911	-233,011	-35%
Rogers Bank	36,658	32,106	4,552	14%
Cable & others	54,284	116,331	-62,047	-53%
Total wireless revenue	3,666,204	4,860,066	-1,193,862	-25%

Q4 total wireless revenue dropped by \$1,193,862 or 25% over the same quarter last year. Consistent with other quarters, the majority (70%) of the decrease was on phone sales. Bonus commission had the second biggest decrease \$233,011 or 35% compared with 2016 as some bonus targets were not achieved, especially on the Fido side. New activation and upgrade commission also dropped as the number of activities receded.

The Company managed to gain in Rogers Bank commission, increasing by \$4,552 or 14%, by signing up more MasterCard customers in Q4 2017. This product has become a more important product for Rogers and the Company.

Financing	Q4 2017	Q4 2016	+/-	%
Interest income	129,456	54,727	74,729	137%
Fee income	0	0	0	n/a
Interest cost	12,145	3,903	8,242	211%
General & administration	140,940	89,512	51,428	57%
Advertising & promotion	4,100	3,425	675	n/a
Amortization of property, plant & equipment	5,015	2,119	2,896	137%
Provision for loan loss	5,312	0	5,312	n/a
Income (loss) from operations before income taxes	(38,056)	(44,232)	6,176	-14%

With the new funding in place, Adwell has made steady progress through 2017 with good quarter-to-quarter increase in interest revenue. In Q4, Adwell generated \$129,456 in interest revenue which is a 137% increase over Q4 2016, and recorded a loss from operations before income taxes of \$38,056, 14% less than Q4 2016.

In Q4, Adwell hired a sale manager and opened a sales office in Toronto to better manage its sales team there. Adwell also recruited a similar sales team in Calgary and Edmonton, expanding its service outside British Columbia.

As mentioned earlier in this MD&A, the Company declared and completed payment of a dividend of \$0.05 per common share, as well as closed four locations in Q4 2017.

Liquidity

Cash and cash equivalents & short term investments as at December 31,
2017 - \$12,642,682

Cash and cash equivalents & short term investments as at December 31,
2016 - \$13,377,363

Decrease of \$734,681 or 5.5%

Working capital as at December 31, 2017 - \$14,019,383

Working capital as at December 31, 2016 - \$13,087,450

Increase of \$931,933 or 7%

During the past year, the Company used its internally available funds to pay for both dividend payments and the investment and ongoing funding of Adwell. These payments did not have any major impact on the operating cash flows of the Company.

The liquidity of the company has always been generated from the Company's operations. Bank credit facilities were not used and had no outstanding balance as at December 31, 2017.

Summary of contractual obligations

Wireless business

Number of leases at December 31, 2017 – 9 (December 31, 2016 – 12)

The Company terminated three leases in 2017, when three stores were closed on December 28, 2017 (there were four store closures but the 4th store is self-owned and therefore no lease was involved). The Company also extended one lease in Ontario during the year for another five years.

Future minimum operating lease commitments are as follows:

YEAR	
2018	\$306,823
2019	\$149,979
2020	\$84,988
2021	\$20,332
2022	\$10,166
Total	\$572,288

Financing business

Adwell signed a lease in late 2017 for its new office in Toronto. This lease commenced on January 1, 2018, for a term of three years. Adwell now has two leases, one for its Vancouver service centre and the other one for its Toronto sales office. Their future minimum operating lease commitment is as follows:

YEAR	
2018	\$28,998
2019	\$28,109
2020	\$6,384
Total	\$63,491

In sum, total future minimum operating lease commitment of the Company as at December 31, 2017 is therefore:

YEAR	
2018	\$335,821
2019	\$178,088
2020	\$91,372
2021	\$20,332
2022	\$10,166
Total	\$635,779

Capital resources

The Company cancelled the \$300,000 operating line of credit in Q4 2017. This line of credit, under Am Call Wireless, the Company's subsidiary, was not used for years and the Company does not anticipate the need of it in the foreseeable future.

The Company still has another operating line of credit for \$250,000, secured by mortgages and bearing interest at the prevailing prime rate plus 0.75%.

There was no amount owing under this line of credit as at December 31, 2017 (December 31, 2016 – Nil).

Off balance sheet arrangements

The Company is landlord to four properties, one in Ontario and three in B.C.

The Ontario property (Horizon Centre) has been leased out since 2009. This commercial condominium unit was originally intended for another store but it was decided that the location was not suitable for selling wireless products at that

time. This lease was extended for another three years when it expired on December 31, 2017, under the same terms and conditions. The Company has no intention to open a store at that location in the immediate future, and is keeping it as an investment property.

Two of the three B.C. properties are previously self-occupied stores of the Company's B.C. wireless operations. When the B.C. wireless business was sold in 2014, the two properties were leased to the purchaser, beginning from May 1, 2014.

One store in Burnaby, B.C. (Crystal Mall) is still occupied by the purchaser (tenant) at time of this MD&A, with the current lease expiring on April 30, 2019.

The other store in Richmond B.C. (Continental Centre) was leased to another tenant for six years starting from August 1, 2015, to November 30, 2021, when the purchaser moved out in Q3 2015.

Beginning December 1, 2014, the Company leased out one of its two units at Aberdeen Square, Vancouver, B.C. The original intention for the purchase of the Aberdeen Square units was for the Company's B.C. wireless business, but since that business was sold, they were turned into investment properties. The current lease term is for four years and will expire on November 30, 2018. On January 1, 2017, the Company also leased out the second unit at Aberdeen Square for five years, expiring December 31, 2021.

These properties have been classified on the balance sheet as investment properties. Total rent received was \$185,574 in 2017 (2016 - \$149,541). The market value of these properties combined is estimated to be \$3,044,000 as of December 31, 2017 (2016- \$2,754,000). The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

The Company intends to continue leasing these properties out at a reasonable return, but will evaluate other options, such as taking them back for company business purposes or selling them at a price that would generate a reasonable return in the eyes of management.

Transaction with related parties

Salaries and fees paid to the Company's directors and executive offices in 2017 was \$955,400 (2016 - \$909,815).

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at December 31, 2017 (December 31, 2016 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company issued no stock option during 2017 and there was no stock option outstanding as at December 31, 2017.

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 condensed interim 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 loss 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, Effective January 1, 2018, the entity will adopt IFRS 15. The first quarter 2018 interim financial statements will be 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 will have no material 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. The company does not expect the application of IFRS 15 to affect the cash flows from operations or the methods and underlying economics through which the company transacts with its customers. The company will retrospectively apply IFRS 15 to all revenue streams on the date of initial application.

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 condensed interim 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.

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

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 unaudited condensed consolidated interim 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.

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 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.

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 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 condensed interim 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 condensed interim 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.

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted Venture Issuers from certifying disclosure controls and procedures as well as Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2017. The Company makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at December 31, 2017.

Financial Instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in 2017. The Company has no plans to use any of these in the foreseeable future.

Risk factors

Wireless business

A credit risk arose since 2014 from the \$800,000 note receivable given by the purchaser of the discontinued operations in B.C. The Company was able to

minimize exposure by obtaining a mortgage on two commercial strata units as collateral. The market value of the collateral is estimated to be \$432,000 as of December 31, 2017 (December 31, 2016 - \$358,000).

The credit risk of the receivable note is reducing over time as it is being paid down by 60 monthly instalments. At the time of this MD&A, the Company had received payments on time and a balance of \$190,685 remains outstanding as of December 31, 2017. The purchaser is an experienced operator in the B.C. market, which further mitigates credit risk.

The wireless communications industry is affected by economic conditions and consumer confidence and spending. Phenomena such as recessions, a drop in economic activity and a feeling of economic uncertainty in the populace can erode consumer and business confidence and reduce discretionary spending. Even though wireless cell phones are becoming more and more of a necessity, they are still considered discretionary among a large part of the population. Our operating results also are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results, and thus one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

The Company's economic dependence on Rogers is the main risk factor. Advent is in an industry in which the carrier pays the dealer commission to bring in new customers and service existing ones. It is also part of an industry in which hardware (mainly wireless handsets) is heavily subsidized by the carrier – phones are sold to consumers at a hefty discount and the dealer recovers the cost of hardware through a back-end hardware subsidy from the carrier. A good example is the Apple iPhone and other Android smart phones, where the phone could sell for as little \$499 on a two-year contract or \$1,000+ dollars without a contract.

For the year ended December 31, 2017, approximately 79% (2016 – 85%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 21% (2016 – 15%) was generated through the Company's 15 retail stores in Ontario for substantially all of 2017 (2016-15 stores in Ontario). The 4 stores were not closed until December 28, 2017.

Account Receivable from Rogers – 93% at December 31, 2017 (94% at December 31, 2016)

Management has decided that no provision for bad debt is required on the Rogers receivables as past collection experience and the credit quality of Rogers are good.

Unless there is a change in the Canadian model of subsidizing hardware, this economic dependence on Rogers is going to be the same in the near future.

Additionally, since the Company is so heavily dependent on Rogers' products, several of the risk factors affecting Rogers affect Advent as well.

Canadian wireless companies could face increased competitive pressure because of recent legal changes to foreign ownership of telcos and control of the wireless licences. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licences or smaller companies that hold such licences. Foreign carriers could also acquire smaller Canadian companies with less than 10% of the spectrum and thereby gain this spectrum and launch fierce competition against companies such as Rogers.

A risk factor that became more tangible was when the previous Federal Government decided to further open up the Canadian telecom services industry to foreign investors by easing up on foreign ownership rules. Whether and by how much all these changes under the new Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A. Meanwhile, Rogers says in its MD&A for the 2017 year-end that foreign ownership is still a threat to existing carriers.

Spectrum fees (to cover the government's costs of processing applications and regulating use of the spectrum) may increase with the renewal of cellular and PCS spectrum licences. Rogers says in its 2011 MD&A: "While the Minister of Industry announced in March 2011 that the previously existing annual fee of \$0.0351 per MHz per population of the licensed area would continue to apply to all cellular and PCS licences (850 MHz and 1.9 GHz) upon renewal, including those initially assigned by auction, the Minister may review and amend the fees during the licence term after further consultation with licensees. Changes to spectrum fees could significantly increase Rogers' payments and as a result, could materially reduce our operating profit. The timing of fee increases (if any) is unknown."

[NOTE: Please also review Rogers' year-end 2017 and its Q3 2017 MD&As section on regulations affecting the telecom industry and on general risk for more details on the above and to understand additional potential risks and uncertainties.]

The media has been headlining reports based on studies that claim alleged links between radio frequency emissions from wireless handsets across definitive reports or studies linking such health issues to radio frequency emissions; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

Additionally, in July 2013, a class action was launched in British Columbia against providers of wireless communications in Canada and manufacturers of wireless devices, alleging adverse health effects incurred by long-term users of

cellular devices. The plaintiffs are seeking unspecified damages and punitive damages, effectively equal to the reimbursement of the portion of revenues the defendants have received that can reasonably be attributed to the sale of cellular phones in Canada. While mentioning this suit in its Q3 2017 synchronous MD&A, Rogers is not recording a liability for this contingency.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS with their own networks. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Rogers says in its MD&A: "There is no assurance that our current or future competitors will not provide services that are superior to ours or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, enter markets we operate in, or introduce competing services. Any of these factors could reduce our business market share or revenue, or increase churn."

Risk factors also include technological changes causing product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment. Management reviews all these risk factors regularly and discusses strategies to deal with these if they happen to arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Technology is inevitably subject to obsolescence and Rogers must keep up with future changes in technology to stay competitive.

Indications are that Rogers is not only aware of this but is taking active steps to manage this issue. For instance, Rogers Wireless launched the first Canadian commercial deployment of Long Term Evolution ("LTE") network services in Ottawa, Toronto, Montreal and Vancouver and now reaches more than 70% of the Canadian population. LTE is a next generation technology that enables unparalleled connectivity, offering speeds that are between three and four times faster than HSPA+ with peak theoretical download rates of up to 150 Megabits per second (Mbps) and upload speeds of up to 70 Mbps, in the race to connect homes and businesses in Canada to the fastest broadband speeds available. Additionally, Rogers CEO Joe Natale announced during the release of their Q4 2017 results that the company had already started spending on 5G cell phone technology that is expected to be deployed beginning in 2020.

For the first time in its MD&A in Q3 2016, Rogers also listed as a risk the possibility of cyber attacks against its network and the network of its suppliers, as something that could lead to service disruptions, legal suits and other actions. More on this can be found in Rogers' year-end 2017 MD&A under the Risks section. Undoubtedly, such an event would also affect the results of the Company.

Micro-financing business

Credit risk is the risk of loss that arises when a customer fails to pay an amount owing to Adwell. Credit quality of the customer is assessed based on a number of proprietary credit models and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The linear approval flows will ensure a high quality loan application process. After evaluating the client's information, Adwell will decide the loan terms for each applicant such as the maximum of loan principal.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. As Adwell continues to grow into 2017, management has decided to begin recording a provision for loan loss equal to 5% of its personal loan portfolio on its books, which is in line with general industry practice, starting in Q1. Adwell will review and adjust this provision quarterly.

Adwell takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of Adwell's merchandise leasing and consumer lending businesses. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on Adwell's financial condition, liquidity and results of operations.

Adwell is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws, which may increase Adwell's cost of compliance. While Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may adversely affect Adwell's reputation and also result in fines or penalties from governmental bodies.

