

**ADVENT-AWI HOLDINGS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(expressed in Canadian dollars)**



April 16, 2018

## **Independent Auditor's Report**

### **To the Shareholders of Advent-AWI Holdings Inc.**

We have audited the accompanying consolidated financial statements of Advent-AWI Holdings Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Advent-AWI Holdings Inc. and its subsidiaries as at December 31, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

**(Signed) “PricewaterhouseCoopers LLP”**

**Chartered Professional Accountants, Licensed Public Accountants**

**ADVENT-AWI HOLDINGS INC.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(expressed in Canadian dollars)

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	12,642,682	13,377,363
Trade and other receivables (notes 5 and 14)	2,270,426	1,856,597
Inventories (note 6)	1,004,536	568,233
Note receivable-current (note 7)	135,709	141,238
Prepaid and deposits-current	12,725	69,693
Loans receivable-current (note 8)	1,182,126	635,750
Income taxes receivable	<u>12,480</u>	<u>-</u>
	17,260,684	16,648,874
<b>Non-current assets</b>		
Marketable securities (note 9)	234,322	230,519
Note receivable (note 7)	54,976	190,674
Loans receivable (note 8)	127,602	56,738
Prepaid and deposits	98,275	46,843
Property, plant and equipment (note 10)	1,452,704	1,514,066
Investment properties (note 11)	1,695,984	1,741,971
Deferred income tax assets (note 16)	<u>184,075</u>	<u>162,685</u>
	17,260,684	16,648,874
<b>Total assets</b>	<u><u>21,108,622</u></u>	<u><u>20,592,370</u></u>

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

**ADVENT-AWI HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(expressed in Canadian dollars)

	Dec 31, 2017	Dec 31, 2016
	\$	\$
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade accounts payable	2,027,357	2,398,047
Other payables and accrued liabilities	1,040,352	1,005,286
Government remittances payable	135,502	79,088
Tenant deposits	38,090	31,290
Income taxes payable	<u>-</u>	<u>47,713</u>
	3,241,301	3,561,424
<b>Non-current liabilities</b>		
Loans payable (note 12)	<u>150,000</u>	<u>105,000</u>
<b>Total liabilities</b>	<u>3,391,301</u>	<u>3,666,424</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock</b> (note 13)	4,274,676	4,274,676
<b>Contributed surplus</b>	623,971	623,971
<b>Retained earnings</b>	<u>12,868,490</u>	<u>12,062,299</u>
<b>Capital attributable to shareholders of Advent-AWI Holdings Inc.</b>	17,767,137	16,960,946
<b>Non-controlling interests</b>	<u>(49,816)</u>	<u>(35,000)</u>
<b>Total equity</b>	<u>17,717,321</u>	<u>16,925,946</u>
<b>Total liabilities and shareholders' equity</b>	<u>21,108,622</u>	<u>20,592,370</u>

**Commitments** (note 19)

**APPROVED BY THE BOARD OF DIRECTORS**

"Edgar Pang" Director  
Edgar Pang

"Alice Chiu" Director  
Alice Chiu

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

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

(expressed in Canadian dollars)

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Revenue</b>		
Wireless revenue	12,485,499	16,042,348
Financing revenue (note 8)	<u>456,526</u>	<u>114,190</u>
<b>Total revenue</b>	12,942,025	16,156,538
<b>Cost of sales</b> (note 6)	<u>6,757,686</u>	<u>9,531,143</u>
<b>Gross profit</b>	<u>6,184,339</u>	<u>6,625,395</u>
<b>Expenses</b>		
General and administration (note 15)	4,856,462	4,950,247
Advertisement and promotions	57,979	91,124
Amortization of property, plant and equipment	113,582	113,368
Amortization of investment properties	<u>45,987</u>	<u>45,987</u>
<b>Total expenses</b>	<u>5,074,010</u>	<u>5,200,726</u>
Operating income	<u>1,110,329</u>	<u>1,424,669</u>
Other income (note 14)	<u>442,224</u>	<u>-</u>
<b>Investment income</b>		
Rental income	185,574	149,541
Interest income	<u>140,713</u>	<u>130,590</u>
	<u>326,287</u>	<u>280,131</u>
<b>Income before income taxes</b>	1,878,840	1,704,800
Provision for income taxes (note 16)	<u>(490,689)</u>	<u>(437,614)</u>
<b>Net income and comprehensive income for the year</b>	<u>1,388,151</u>	<u>1,267,186</u>
Net income (loss) attributable to		
Shareholders of Advent-AWI Holdings Inc.	1,402,967	1,302,216
Non-controlling interests	<u>(14,816)</u>	<u>(35,030)</u>
	<u>1,388,151</u>	<u>1,267,186</u>
<b>Basic and diluted, earnings per share for net income attributable to the ordinary equity holders of the company</b> (note 18)	0.118	0.109

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

**ADVENT-AWI HOLDINGS INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(expressed in Canadian dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non - controlling Interests \$	Total Equity \$
<b><u>Year ended December 31, 2017</u></b>					
Balance - January 1, 2017	4,274,676	623,971	12,062,299	(35,000)	16,925,946
Loss attributable to non-controlling interests	-	-	-	(14,816)	(14,816)
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the year	-	-	1,402,967	-	1,402,967
Dividends paid (note 23)	<u>-</u>	<u>-</u>	<u>(596,776)</u>	<u>-</u>	<u>(596,776)</u>
Balance - December 31, 2017	<u>4,274,676</u>	<u>623,971</u>	<u>12,868,490</u>	<u>(49,816)</u>	<u>17,717,321</u>
<b><u>Year ended December 31, 2016</u></b>					
Balance - January 1, 2016	4,274,676	623,971	11,356,859	-	16,255,506
Equity investment by non-controlling interests	-	-	-	30	30
Loss attributable to non-controlling interests	-	-	-	(35,030)	(35,030)
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the year	-	-	1,302,216	-	1,302,216
Dividends paid (note 23)	<u>-</u>	<u>-</u>	<u>(596,776)</u>	<u>-</u>	<u>(596,776)</u>
Balance - December 31, 2016	<u>4,274,676</u>	<u>623,971</u>	<u>12,062,299</u>	<u>(35,000)</u>	<u>16,925,946</u>

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

**ADVENT-AWI HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

(expressed in Canadian dollars)

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Cash flows provided by (used in) operating activities</b>		
Net income from operations for the year	1,388,151	1,267,186
Items not affecting cash		
Amortization of property, plant and equipment	113,582	113,368
Amortization of investment properties	45,987	45,987
Interest income	140,713	130,590
Current income tax expense	512,079	515,679
Deferred income tax assets	(21,390)	(78,065)
Interest accretion of note receivable	<u>(18,773)</u>	<u>(13,007)</u>
	<u>2,160,349</u>	<u>1,981,738</u>
Changes in non-cash working capital items		
Trade and other receivables	(413,829)	(269,718)
Inventories	(436,303)	784,468
Prepaid and deposits	5,536	(44,044)
Trade accounts payable	(370,690)	343,492
Other payables and accrued liabilities	35,066	51,260
Government remittances payable	56,414	(58,631)
Tenant deposits	6,800	(2,751)
Loans receivable	<u>(617,240)</u>	<u>(692,488)</u>
	(1,734,246)	111,588
Taxes paid	<u>(572,272)</u>	<u>(516,103)</u>
	<u>(2,306,518)</u>	<u>(404,515)</u>
<b>Net cash flows from operating activities</b>	<u>(146,169)</u>	<u>1,577,223</u>

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

**ADVENT-AWI HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

(expressed in Canadian dollars)

	<b>2017</b>	<b>2016</b>
	\$	\$
Balance carryforward		
<b>Net cash flows from operating activities</b>	<u>(146,169)</u>	<u>1,577,223</u>
<b>Cash flows provided by (used in) investing activities</b>		
Interest received	(140,713)	(130,590)
Purchase of property and equipment	(52,220)	(54,375)
Repayment of note receivable	160,000	160,000
Increase in marketable securities	<u>(3,803)</u>	<u>(3,519)</u>
<b>Net cash flows used in investing activities</b>	<u>(36,736)</u>	<u>(28,484)</u>
<b>Cash flows provided by (used in) financing activities</b>		
Dividend paid	(596,776)	(596,776)
Loans payable	45,000	105,000
Equity investment by non-controlling interests	<u>-</u>	<u>30</u>
<b>Net cash flows used in financing activities</b>	<u>(551,776)</u>	<u>(491,746)</u>
<b>Net cash from (used in) operations</b>	(734,681)	1,056,993
<b>Cash and cash equivalents - beginning of year</b>	<u>13,377,363</u>	<u>12,320,370</u>
<b>Cash and cash equivalents - end of year</b>	<u>12,642,682</u>	<u>13,377,363</u>

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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(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., sells cellular and wireless products, services and accessories through an independent network of 11 stores in Ontario, Canada, as at December 31, 2017.

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

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

**2. Basis of preparation of the consolidated financial statements**

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS", and IFRS interpretations as set out in the Handbook of the Chartered Professional Accountants of Canada ("CPA Handbook"). The consolidated financial statements were authorized for issue by the Board of Directors on April 16, 2018. The Board of Directors have the power to amend the consolidated financial statements after issue.

**3. Significant accounting policies**

**(a) Significant accounting policies**

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

**Basis of measurement**

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

**Basis of consolidation**

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

**Consolidated statements of income and comprehensive income and cash flows**

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

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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(expressed in Canadian dollars)

**Revenue recognition**

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

The principal sources of revenue to the Company are:

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

**Cash and cash equivalents**

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

**Inventories**

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

**Note receivable**

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

**Deposits**

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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(expressed in Canadian dollars)

**Joint operations**

The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 8.

**Marketable securities**

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

**Property, plant and equipment**

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

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

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

Amortization is provided at the following annual rates:

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

**Investment properties**

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

**Impairment of non-financing assets**

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

**Leases**

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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(expressed in Canadian dollars)

**Income taxes**

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

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

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

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

**Earnings per share**

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

**Share capital**

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

**Financial instruments - recognition and measurement**

The Company uses the following classifications for its financial instruments:

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(expressed in Canadian dollars)

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Financial Officer. The Corporation has two segments, which are "Wireless Business" and "Financing Business". The wireless segment sells cellular and wireless products, services and accessories through an independent network of stores in Ontario. The financing segment operates as a private lending company offering personal and collateral loans across the Greater Vancouver Area and Greater Toronto Area.

**Significant new and revised accounting standards adopted in the year**

Amendments to IAS 1, Presentation of Financial Statements, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of consolidated financial statements and the disclosure of accounting policies. This standard is required to be applied for periods beginning on or after January 1, 2017.

The interpretation had no impact on the Company's consolidated financial statements for the year ended 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 statement of operations and comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in OCI for liabilities designated at fair value. The standard is effective for accounting periods beginning on or after January 1, 2018.

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.

**ADVENT-AWI HOLDINGS INC.**  
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(expressed in Canadian dollars)

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 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.

**(b) Critical accounting estimates**

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

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

**ADVENT-AWI HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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(expressed in Canadian dollars)

**Impairment of non-financial assets**

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

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

**Estimated useful lives of non-financial assets**

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

**Income taxes**

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

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

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

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**(c) Significant judgments**

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

**Gross versus net revenue recognition**

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

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

**4. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
Cash at bank and on hand	\$ 10,642,682	\$ 11,377,363
Term deposits	<u>2,000,000</u>	<u>2,000,000</u>
Cash and cash equivalents	<u>\$ 12,642,682</u>	<u>\$ 13,377,363</u>

The term deposits (2016 - \$2,000,000 @ 0.95% per annum) matured on January 29, 2018 (2016 - January 23, 2017), earning interest at a rate of 0.95% per annum. Upon maturity after year-end, it was renewed at an interest rate of 0.95% per annum with maturity date of March 29, 2018, and renewed again at an interest rate of 1.95% per annum with maturity date of July 12, 2018.

**5. Trade and other receivables**

	<b>2017</b>	<b>2016</b>
Trade and other receivables	<u>\$ 2,270,426</u>	<u>\$ 1,856,597</u>

In establishing the appropriate allowance for doubtful accounts, assumptions are made with respect to the future collectability of the receivables. Management believes no allowance is necessary as at December 31, 2017 and 2016 as the amounts are considered to be fully collectible and substantially current.

**6. Inventories**

All of the Company's inventory consists of finished goods. The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2017 amounted to \$6,757,686 (2016 - \$9,531,143). There have been no inventory write downs in the year (2016 - nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

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**7. Note receivable**

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

**8. Loans receivable**

Loans receivable are unsecured short-term loans bearing interest ranging from 31% - 48% per annum (2016 - 31% - 48%), with a weighted average rate of 41% per annum (2016 - 41%), from individual customers, from \$1,500 to \$5,000 with 9 - 36 months flexible repayment terms with no early repayment penalties. Financing revenue earned in the year ended December 31, 2017 is \$456,526 (2016 - \$114,190).

As of 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 \$96,600, which represents its proportionate share of the outstanding balance. During the year, the Company's share of interest income was \$7,411, which is included in financing revenue.

**9. Marketable securities**

The marketable securities comprise a guaranteed investment certificate for \$234,322 (2016 - \$230,519) maturing on January 8, 2018 (2016 - January 8, 2018), earning interest at a rate of 1.65% per annum. Upon maturity, it was not renewed.

**10. Property, plant and equipment**

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Sign	Computer hardware	Computer Software	Total
<b>Cost</b>								
Balance, January 1, 2016	192,315	1,636,750	557,884	180,779	-	177,010	-	2,744,738
Additions	-	-	27,878	6,858	-	14,147	5,492	54,375
Balance, December 31, 2016	192,315	1,636,750	585,762	187,637	-	191,157	5,492	2,799,113
Additions	-	-	22,572	10,393	7,720	9,650	1,885	52,220
Balance, December 31, 2017	<u>192,315</u>	<u>1,636,750</u>	<u>608,334</u>	<u>198,030</u>	<u>7,720</u>	<u>200,807</u>	<u>7,377</u>	<u>2,851,333</u>
<b>Amortization</b>								
Balance, January 1, 2016	-	381,175	461,125	157,079	-	172,300	-	1,171,679
Amortization for the year	-	50,172	45,937	9,839	-	6,081	1,339	113,368
Balance, December 31, 2016	-	431,347	507,062	166,918	-	178,381	1,339	1,285,047
Amortization for the year	-	50,172	41,879	10,317	1,287	7,887	2,040	113,582
Balance, December 31, 2017	<u>-</u>	<u>481,519</u>	<u>548,941</u>	<u>177,235</u>	<u>1,287</u>	<u>186,268</u>	<u>3,379</u>	<u>1,398,629</u>
<b>Net carrying amount</b>								
Balance, December 31, 2016	192,315	1,205,403	78,700	20,719	-	12,776	4,153	1,514,066
Balance, December 31, 2017	192,315	1,155,231	59,393	20,795	6,433	14,539	3,998	1,452,704

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**11. Investment properties**

	Land	Buildings	Total
	\$	\$	\$
<b>Cost</b>			
Balance, January 1, 2016	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2016	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2017	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
<b>Amortization</b>			
Balance, January 1, 2016	-	308,859	308,859
Amortization for the year	<u>-</u>	<u>45,987</u>	<u>45,987</u>
Balance, December 31, 2016	-	354,846	354,846
Amortization for the year	<u>-</u>	<u>45,987</u>	<u>45,987</u>
Balance, December 31, 2017	<u>-</u>	<u>400,833</u>	<u>400,833</u>
<b>Net carrying amount</b>			
Balance, December 31, 2016	721,428	1,020,543	1,741,971
Balance, December 31, 2017	721,428	974,556	1,695,984

The estimated fair market value of the investment properties at December 31, 2017 was \$3,044,000 (2016 - \$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.

**12. Loans payable**

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

**13. Share capital**

Authorized  
100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2016 and December 31, 2017	<u>11,935,513</u>	<u>4,274,706</u>

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

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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:

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	12,868,490	12,062,299
Non-controlling interests	<u>(49,816)</u>	<u>(35,000)</u>
	<u>17,717,321</u>	<u>16,925,946</u>

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

**14. Other income**

On December 28, 2017, the company closed 4 of its Rogers stores as requested under the Rogers Store Optimization Plan. As a result, Rogers agreed to compensate the Company for \$545,129, and the balance is included in trade and other receivables as at December 31, 2017. The Company accrued \$102,905 of additional expenses for early termination of the related leases.

**15. General and administration**

General and administration consists of the following:

	<b>2017</b>	<b>2016</b>
	\$	\$
Bank service charges	95,954	76,285
General and office expenses	290,336	199,694
Insurance	103,146	108,013
Professional fees	197,336	249,942
Rent and occupancy costs	771,037	720,160
Salary and payroll costs	3,317,175	3,510,148
Telephone expenses	<u>81,478</u>	<u>86,005</u>
	<u>4,856,462</u>	<u>4,950,247</u>

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**16. Income taxes**

a) Components of provision for income taxes

	<b>2017</b>	<b>2016</b>
	\$	\$
Current income tax expense	512,079	515,679
Deferred income tax recovery	<u>(21,390)</u>	<u>(78,065)</u>
Provision for income taxes	<u><u>490,689</u></u>	<u><u>437,614</u></u>

b) Income tax rate reconciliation:

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

	<b>2017</b>	<b>2016</b>
	\$	\$
Statutory rates	26.5 %	26.6 %
Income tax provision at statutory rate	497,550	452,453
Increase (decrease) resulting from:		
Income tax expense (recovery) at statutory rate		
Permanent differences	2,826	(693)
Tax return to provision true-ups	<u>(9,687)</u>	<u>(14,146)</u>
Provision for income taxes	<u><u>490,689</u></u>	<u><u>437,614</u></u>

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

	<b>2017</b>	<b>2016</b>
	\$	\$
Non-capital losses carried forward	129,843	133,326
Property and equipment	31,790	29,359
Interest on note receivable	9,556	-
Defer rent inducement	(3,534)	-
Loan loss provision	<u>16,420</u>	<u>-</u>
	<u><u>184,075</u></u>	<u><u>162,685</u></u>

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Year of expiry	After tax losses	After tax losses
	2017	2016
	\$	\$
2033	4,228	6,248
2034	22,982	24,763
2035	32,322	28,199
2036	67,300	74,116
2037	25,254	-
Does not expire	<u>31,989</u>	<u>29,359</u>
	<u>184,075</u>	<u>162,685</u>

**17. Stock options**

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

The Company has not issued any stock options to the directors and employees of the Company in the current year. As at December 31, 2017 and December 31, 2016, the Company had no options outstanding.

**18. Earnings per share**

	2017	2016
	\$	\$
Net earnings applicable to common shares	1,402,967	1,302,216
Basic and diluted weighted average number of common stock outstanding	11,935,513	11,935,513
Basic and diluted earnings per share	0.118	0.109

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

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**19. Commitments**

The table below shows the future minimum payments under operating leases at December 31, 2017:

	\$
2018	335,821
2019	178,088
2020	91,372
2021	20,332
2022	<u>10,166</u>
	<u>635,779</u>

During the year ended December 31, 2017, the Company recognized operating lease expense of \$680,726 (2016 - \$626,451).

The Company had an operating line of credit of \$300,000 guaranteed by a general security agreement and an assignment of book debt, inventory and fire insurance proceeds, bearing interest at prime rate plus 1.0%. As at December 31, 2017, the line of credit was cancelled.

The Company has a second operating line of credit for \$250,000, guaranteed by real property and bearing interest at prime rate plus 0.75%. As at December 31, 2017, the carrying value of the security was \$432,683 (2016 - \$439,721). There was no utilization of this line of credit as at December 31, 2017 (2016 - \$nil).

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**20. Financial instruments**

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

<b>Financial instrument</b>	<b>Fair value hierarchy</b>	<b>Classification</b>	<b>Measurement</b>	<b>2017 \$</b>	<b>2016 \$</b>
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	12,646,682	13,377,363
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	2,270,426	1,856,597
Note receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	190,685	331,912
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	1,309,728	692,488
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	234,322	230,519
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	3,067,709	3,403,333
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	150,000	105,000

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

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

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

The carrying amount of cash and cash equivalents, accounts receivable, trade accounts payable and other payables and accrued liabilities approximate the fair values due to the relatively short period to maturity of the instruments. The fair value of the marketable securities and note receivable as at December 31, 2017 is \$234,322 and \$190,685 (2016 - \$230,519 and \$331,912) respectively.

- b) **Management of financial risk**

**Interest rate risk exposure**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial assets and liabilities are non-interest bearing except cash and cash equivalents, which bear a floating interest rate, short-term investments, which are at fixed interest rate, and the operating line of credit, which bears interest as described in note 18. Since no funds have been drawn from the lines of credit at December 31, 2017, any fluctuation in the interest rate would not have a significant impact on the Company.

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

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**Credit risk and economic dependence**

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

The Company has a high concentration of credit risk as approximately 93% of the trade receivables at December 31, 2017 (2016 - 94%) were owed by one customer, Rogers Communications Inc. For the year ended December 31, 2017, approximately 79% (2016 - 85%) of the Company's sales revenue was from this customer. Based on historic default rates and the credit quality of our customers, no provisions have been recorded and no collateral is requested for the Company's trade receivables. The agreement with this customer expires on June 30, 2018.

At December 31, 2017, 7.0% (2016 - 6.0%) of trade receivables were outstanding for between 30 and 90 days and the remaining 93.0% (2016 - 94.0%) were outstanding less than 30 days. Trade receivables are considered past due based on the contract terms agreed to with the customer.

The note receivable is from the purchaser of the B.C. operations, and is secured by real properties in the Vancouver, B.C. area. The value of the properties is estimated to be \$432,000 (2016 - \$358,000).

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

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

	<b>2017</b>	<b>2016</b>
	\$	\$
Neither past due nor impaired		
Cash - A - 1 +	9,562,161	9,288,930
Cash - A	3,080,078	3,891,449
Cash - A - 1	443	550
Cash - A -	<u>-</u>	<u>196,434</u>
	<u>12,642,682</u>	<u>13,377,363</u>

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

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. All of the Company's financial liabilities are due within 12 months from December 31, 2017.

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

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**21. Related party transactions**

**Compensation of key management personnel**

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

	<b>2017</b>	<b>2016</b>
	\$	\$
Salaries and other benefits	<u>955,400</u>	<u>909,815</u>

**22. Segmented information**

The company has one reportable segment, Wireless Business, while "all other segments" as defined under IFRS 8 consists of the remaining other segment, Financing Business. Segmentation is based on the industries in which the business operate in, independent of one another. The wireless segment provides personal communications products and services to consumers in Canada. The financing segment operates as a private lending company offering personal and collateral loans across the Greater Vancouver and Greater Toronto Area.

Balance sheet information by reportable segment at December 31, 2017 was as follows:

	<b>Wireless Business</b>	<b>Financing Business</b>	<b>Total</b>
	\$	\$	\$
Cash and cash equivalents	12,527,049	115,633	12,642,682
Trade and other receivables	2,151,760	118,666	2,270,426
Inventories	1,004,536	-	1,004,536
Notes receivable	190,685	-	190,685
Prepays and deposits	69,837	41,163	111,000
Loans receivable	-	1,309,728	1,309,728
Marketable securities	234,322	-	234,322
Property, plant and equipment	1,407,869	44,835	1,452,704
Investment properties	1,695,984	-	1,695,984
Deferred income tax assets	126,817	57,258	184,075
Income tax receivable	<u>12,480</u>	<u>-</u>	<u>12,480</u>
<b>Total assets</b>	<u>19,421,339</u>	<u>1,687,283</u>	<u>21,108,622</u>
Current liabilities	3,193,304	47,997	3,241,301
Non-current liabilities	<u>-</u>	<u>150,000</u>	<u>150,000</u>
<b>Total liabilities</b>	<u>3,193,304</u>	<u>197,997</u>	<u>3,391,301</u>

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Income statement information by reportable segment at December 31, 2017 was as follows:

	<b>Wireless Business</b>	<b>Financing Business</b>	<b>Total</b>
	\$	\$	\$
<b>Sales</b>	12,485,499	456,526	12,942,025
<b>Cost of sales</b>	<u>6,757,686</u>	<u>-</u>	<u>6,757,686</u>
<b>Gross profit</b>	5,727,813	456,526	6,184,339
<b>Expenses</b>			
General and administration	4,356,247	500,215	4,856,462
Amortization of property, plant and equipment	95,160	18,422	113,582
Advertising and promotion	53,879	4,100	57,979
Amortization of investment properties	<u>45,987</u>	<u>-</u>	<u>45,987</u>
<b>Total expenses</b>	<u>4,551,273</u>	<u>522,737</u>	<u>5,074,010</u>
Operating income (loss)	<u>1,176,540</u>	<u>(66,211)</u>	<u>1,110,329</u>
Other income	<u>442,224</u>	<u>-</u>	<u>442,224</u>
<b>Investment income</b>			
Rental income	185,574	-	185,574
Interest income	<u>140,713</u>	<u>-</u>	<u>140,713</u>
	<u>326,287</u>	<u>-</u>	<u>326,287</u>
<b>Income (loss) from operations before income taxes</b>	<u>1,945,051</u>	<u>(66,211)</u>	<u>1,878,840</u>

**23. Dividends paid**

Dividends amounting to \$596,776 (2016 - \$596,776) were paid on October 13, 2017.

**24. Comparative figures**

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

**25. Subsequent events**

Subsequent to year end, on March 1, 2018, the Company was notified by Rogers that Rogers will not be renewing its dealer agreement that 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 wireless business effective as of December 31, 2018, unless an extension of this date is granted.