

Unaudited Condensed Interim Consolidated Financial Statements of

Advent-AWI Holdings Inc.

For the three and nine months ended September 30, 2019 and 2018

ADVENT-AWI HOLDINGS INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(Unaudited, expressed in Canadian dollars)

	Sept. 30, 2019	Dec. 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	10,032,257	8,775,648
Trade and other receivables	686,679	1,096,716
Inventories (note 5)	79,532	453,693
Marketable securities (note 6)	5,000,000	7,000,000
Note receivable (note 7)	-	54,975
Prepaid expenses and deposits - current	1,819	44,125
Loans receivable - current (note 8)	<u>1,677,448</u>	<u>1,595,412</u>
	<u>17,477,735</u>	<u>19,020,569</u>
Non-current assets		
Marketable securities	238,000	238,000
Loans receivable (note 8)	355,743	417,045
Prepaid expenses and deposits	59,904	62,457
Right-of-use assets	92,126	-
Property, plant and equipment (note 9)	581,907	1,374,157
Investment properties (note 10)	1,619,479	1,649,997
Deferred income tax assets	<u>152,056</u>	<u>161,138</u>
	<u>3,099,215</u>	<u>3,902,794</u>
Total assets	<u><u>20,576,950</u></u>	<u><u>22,923,363</u></u>

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

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

(Unaudited, expressed in Canadian dollars)

	Sept. 30, 2019	Dec. 31, 2018
	\$	\$
LIABILITIES		
Current liabilities		
Trade accounts payable	924,302	1,435,677
Other payables and accrued liabilities	823,679	1,326,248
Government remittances payable	37,486	22,605
Tenant deposits	38,506	38,090
Income taxes payable	<u>134,252</u>	<u>571,037</u>
	<u>1,958,225</u>	<u>3,393,657</u>
Non-current liabilities		
Lease liabilities	94,612	-
Loans payable (note 11)	<u>150,000</u>	<u>150,000</u>
	<u>244,612</u>	<u>150,000</u>
Total liabilities	<u>2,202,837</u>	<u>3,543,657</u>
SHAREHOLDERS' EQUITY		
Share capital (note 12)	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	<u>13,478,674</u>	<u>14,512,875</u>
Capital attributable to shareholders of Advent-AWI Holdings Inc.	18,377,321	19,411,522
Non-controlling interests	<u>(3,208)</u>	<u>(31,816)</u>
Total equity	<u>18,374,113</u>	<u>19,379,706</u>
Total liabilities and shareholders' equity	<u>20,576,950</u>	<u>22,923,363</u>

Commitments (note 16)

APPROVED BY THE BOARD OF DIRECTORS

"Edgar Pang" Director
Edgar Pang

"Alice Chiu" Director
Alice Chiu

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

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

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue (note 20)				
Wireless income	1,527,605	2,302,319	3,830,108	6,059,366
Financing income	<u>199,909</u>	<u>208,011</u>	<u>571,919</u>	<u>541,073</u>
Total revenue	1,727,514	2,510,330	4,402,027	6,600,439
Cost of sales (note 5)	<u>(840,804)</u>	<u>(1,270,250)</u>	<u>(2,191,395)</u>	<u>(3,755,476)</u>
Gross profit	<u>886,710</u>	<u>1,240,080</u>	<u>2,210,632</u>	<u>2,844,963</u>
Expenses (note 20)				
General and administration (note 13)	708,291	906,864	2,289,751	2,773,786
Advertisement and promotion	9,024	17,246	32,627	56,237
Depreciation - right-of-use assets	31,944	-	107,688	-
Amortization of property, plant and equipment	16,194	28,123	50,434	90,644
Amortization of investment properties	<u>10,172</u>	<u>11,497</u>	<u>30,518</u>	<u>34,490</u>
Total expenses	<u>775,625</u>	<u>963,730</u>	<u>2,511,018</u>	<u>2,955,157</u>
Operating income (loss)	<u>111,085</u>	<u>276,350</u>	<u>(300,386)</u>	<u>(110,194)</u>
Investment income				
Rental income	48,790	45,187	143,177	139,836
Interest income	68,243	44,856	183,497	105,913
Gain on sale of assets	<u>48,988</u>	<u>-</u>	<u>1,032,446</u>	<u>-</u>
	<u>166,021</u>	<u>90,043</u>	<u>1,359,120</u>	<u>245,749</u>
Income before income taxes	277,106	366,393	1,058,734	135,555
Provision for income taxes (note 14)	<u>(69,000)</u>	<u>(90,060)</u>	<u>(274,000)</u>	<u>(30,260)</u>
Net income and comprehensive income for the period	<u>208,106</u>	<u>276,333</u>	<u>784,734</u>	<u>105,295</u>
Net income and comprehensive income attributable to Shareholders of Advent-AWI Holdings Inc.	193,678	262,745	756,126	84,086
Non-controlling interests	<u>14,428</u>	<u>13,588</u>	<u>28,608</u>	<u>21,209</u>
	<u>208,106</u>	<u>276,333</u>	<u>784,734</u>	<u>105,295</u>
Basic and diluted, earnings per share for net income attributable to the ordinary equity holders of the company (note 15)	<u>0.017</u>	<u>0.023</u>	<u>0.066</u>	<u>0.009</u>

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

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

(Unaudited, expressed in Canadian dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non- controlling Interests \$	Total Equity \$
<u>Nine months ended Sept. 30, 2019</u>					
Balance - December 31, 2018	4,274,676	623,971	14,512,875	(31,816)	19,379,706
Net income attributable to non-controlling interests for the period	-	-	-	28,608	28,608
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	-	-	756,126	-	756,126
Dividends paid (note 21)	<u>-</u>	<u>-</u>	<u>(1,790,327)</u>	<u>-</u>	<u>(1,790,327)</u>
Balance - September 30, 2019	<u>4,274,676</u>	<u>623,971</u>	<u>13,478,674</u>	<u>(3,208)</u>	<u>18,374,113</u>
<u>Nine months ended Sept. 30, 2018</u>					
Balance - December 31, 2017	4,274,676	623,971	12,868,490	(49,816)	17,717,321
Net income attributable to non-controlling interests for the period	-	-	-	21,209	21,209
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	<u>-</u>	<u>-</u>	<u>84,086</u>	<u>-</u>	<u>84,086</u>
Balance - September 30, 2018	<u>4,274,676</u>	<u>623,971</u>	<u>12,952,576</u>	<u>(28,607)</u>	<u>17,822,616</u>

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

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

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash flows provided by (used in) operating activities				
Net income for the period	208,106	276,333	784,734	105,295
Items not affecting cash				
Amortization of property, plant and equipment	16,194	28,123	50,434	90,644
Amortization of investment properties	10,172	11,497	30,518	34,490
Depreciation - right-of-use assets	31,944	-	107,688	-
Interest expense	1,148	-	3,861	-
Lease payment	(32,687)	-	(109,063)	-
Gain on disposal of property, plant and equipment	(48,988)	-	(1,032,446)	-
Interest income	(68,243)	(44,856)	(183,497)	(105,913)
Current income tax expense	70,256	88,807	264,918	32,890
Deferred income tax expense (recovery)	(1,256)	1,253	9,082	(2,630)
Interest accretion of note receivable	-	(6,242)	(11,691)	(17,710)
	<u>186,646</u>	<u>354,915</u>	<u>(85,462)</u>	<u>137,066</u>
Changes in non-cash working capital items				
Trade and other receivables	(30,458)	(179,581)	410,037	1,354,915
Inventories	(52,275)	(51,572)	374,161	633,196
Prepaid expenses and deposits	2,136	1,909	44,859	7,677
Trade accounts payable	459,726	442,170	(511,375)	(832,523)
Other payables and accrued liabilities	95,386	(8,715)	(502,569)	(537,377)
Tenant deposits	-	-	416	-
Government remittances payable	6,238	4,121	14,881	(88,188)
Loans receivable	(250,811)	49,128	(20,734)	(715,513)
	<u>229,942</u>	<u>257,460</u>	<u>(190,324)</u>	<u>(177,813)</u>
Taxes recovered (paid)	<u>(91,941)</u>	<u>74,172</u>	<u>(701,703)</u>	<u>(125,857)</u>
Net cash flows provided by (used in) operating activities	<u>324,647</u>	<u>686,547</u>	<u>(977,489)</u>	<u>(166,604)</u>

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

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

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Balance carry-forward				
Net cash flows provided by (used in) operating activities	<u>324,647</u>	<u>686,547</u>	<u>(977,489)</u>	<u>(166,604)</u>
Cash flows provided by (used in) investing activities				
Purchase of property, plant and equipment	(339)	-	(1,783)	(42,605)
Disposal of property, plant and equipment	164,675	-	1,776,045	-
Repayment of note receivable	-	40,000	66,666	120,000
Increase in marketable securities	2,000,000	-	2,000,000	(2,765,678)
Interest received	<u>68,243</u>	<u>44,856</u>	<u>183,497</u>	<u>105,913</u>
Net cash flows provided by (used in) investing activities	<u>2,232,579</u>	<u>84,856</u>	<u>4,024,425</u>	<u>(2,582,370)</u>
Cash flows provided by (used in) financing activities				
Dividends paid	<u>(1,790,327)</u>	<u>-</u>	<u>(1,790,327)</u>	<u>-</u>
Net cash provided by (used in) operations	766,899	771,403	1,256,609	(2,748,974)
Cash and cash equivalents - beginning of period	<u>9,265,358</u>	<u>9,122,305</u>	<u>8,775,648</u>	<u>12,642,682</u>
Cash and cash equivalents - end of period	<u>10,032,257</u>	<u>9,893,708</u>	<u>10,032,257</u>	<u>9,893,708</u>

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

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

1. General information

Advent-AWI Holdings Inc. (the Company), formerly known as Advent Wireless Inc., was incorporated on February 14, 1984 in British Columbia, Canada. The Company together with its wholly owned subsidiaries, Am-Call Wireless Inc., 1013929 B.C. Ltd. and Advent Marketing Inc., sell cellular and wireless products, services and accessories through an independent network of four stores in Ontario, Canada as at September 30, 2019.

Commencing in 2016, the Company is a 70% owner of Adwell Financial Services Inc. and its wholly owned subsidiary Adwell Mortgage Solutions Inc., a microfinancing company. The remaining interest is held equally between Adwealth Capital Holdings Inc. and Q&Y Holdings Inc. The unaudited condensed interim consolidated financial statements include the financial information of Adwell Financial Services Inc.

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

2. Basis of preparation of the condensed interim consolidated financial statements

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2018.

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 and 2018 were approved by the Board of Directors for issue on November 27, 2019.

3. Significant accounting policies and judgment

(a) Significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those described in the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

Revenue recognition

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

The principal sources of revenue to the Company are:

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

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

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

Accounting and reporting changes

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 adopted IFRS 16 commencing January 1, 2019.

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

(b) Critical accounting estimates

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

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

Impairment of non-financial assets

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

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

Estimated useful lives of non-financial assets

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

Income taxes

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

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

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

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

(c) Significant judgments

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

Gross versus net revenue recognition

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

4. Cash and cash equivalents

	Sept. 30, 2019	Sept. 30, 2018
	\$	\$
Cash and cash equivalents	<u>10,032,257</u>	<u>9,893,708</u>

5. Inventories

All of the Company's inventory consists of finished goods. The cost of inventories recognized as an expense and included in cost of sales for the nine months ended September 30, 2019 amounted to \$2,191,395 (2018 - \$3,755,476). There have been no inventory write-downs in the period (2018 - \$nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

6. Marketable securities

	Sept. 30, 2019	Sept. 30, 2018
	\$	\$
Term deposits (i)	5,000,000	-
Guaranteed investment certificate (ii)	<u>238,000</u>	<u>3,000,000</u>
Balance - End of period	<u>5,238,000</u>	<u>3,000,000</u>

i) The term deposits mature between September 2019 to December 2019, earning interest at a rate between 2.15% to 2.30% per annum.

ii) The guaranteed investment certificate matures on June 9, 2020, earning interest at 2.25% per annum.

7. Note receivable

In April 2014, the Company entered into an agreement with a buyer to sell its British Columbia ("B.C.") operations (other than investment properties). The transaction closed on April 30, 2014 for \$1,000,000. The sales proceeds have been settled via cash of \$200,000 and a note receivable of \$800,000. The note receivable will be paid over sixty monthly instalments of \$13,333, and has a discounted value of \$723,987 at inception. The note receivable is non-interest bearing over the five-year term. The note receivable was fully settled in May 2019.

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

8. Loans receivable

Loans receivable are unsecured short-term loans bearing interest ranging from 31% to 48%, with a weighted average rate of 41%, from individual customers, from \$1,500 to \$5,000 with 9 to 36 months flexible repayment terms with no early repayment penalties. Financing revenue earned in the 3 month-period ended September 30, 2019 is \$199,909 (2018 - \$208,011).

As at August 24, 2017, the Company has a 23% interest in a joint arrangement that was set up as a partnership together with a member of the Company's management and other non-related parties, to provide a secured loan to an unrelated individual. The joint venture agreement requires unanimous consent from all parties for all major decisions. This entity is therefore classified as a joint operation and the Company has included in the loans receivable a balance of \$304,500, which represents its proportionate share of the outstanding balance. During the 9 month-period ended September 30, 2019, the Company's share of interest income was \$18,375 (2018 - \$13,496), which is included in financing income.

9. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Sign	Computer hardware	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, January 1, 2018	192,315	1,636,750	480,891	198,030	7,720	200,807	7,377	2,723,890
Disposals	-	-	(124,301)	-	-	-	-	(124,301)
Additions	-	-	37,114	2,333	-	3,424	-	42,871
Balance, December 31, 2018	192,315	1,636,750	393,704	200,363	7,720	204,231	7,377	2,642,460
Disposals	(132,199)	(1,062,073)	-	-	-	-	-	(1,194,272)
Additions	-	-	-	1,049	-	734	-	1,783
Balance, September 30, 2019	<u>60,116</u>	<u>574,677</u>	<u>393,704</u>	<u>201,412</u>	<u>7,720</u>	<u>204,965</u>	<u>7,377</u>	<u>1,449,971</u>
Amortization								
Balance, January 1, 2018	-	481,519	421,498	177,235	1,287	186,268	3,379	1,271,186
Disposals	-	-	(124,301)	-	-	-	-	(124,301)
Amortization for the year	-	50,172	50,210	7,851	1,544	9,182	2,459	121,418
Balance, December 31, 2018	-	531,691	347,407	185,086	2,831	195,450	5,838	1,268,303
Disposals	-	(450,673)	-	-	-	-	-	(450,673)
Amortization for the period	-	14,367	23,329	4,417	1,158	5,624	1,539	50,434
Balance, September 30, 2019	<u>-</u>	<u>95,385</u>	<u>370,736</u>	<u>189,503</u>	<u>3,989</u>	<u>201,074</u>	<u>7,377</u>	<u>868,064</u>
Net carrying amount								
Balance, January 1, 2018	<u>192,315</u>	<u>1,155,231</u>	<u>59,393</u>	<u>20,795</u>	<u>6,433</u>	<u>14,539</u>	<u>3,998</u>	<u>1,452,704</u>
Balance, December 31, 2018	<u>192,315</u>	<u>1,105,059</u>	<u>46,297</u>	<u>15,277</u>	<u>4,889</u>	<u>8,781</u>	<u>1,539</u>	<u>1,374,157</u>
Balance, September 30, 2019	<u>60,116</u>	<u>479,292</u>	<u>22,968</u>	<u>11,909</u>	<u>3,731</u>	<u>3,891</u>	<u>-</u>	<u>581,907</u>

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

10. Investment properties

	Land \$	Buildings \$	Total \$
Cost			
Balance, January 1, 2018	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2018	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, September 30, 2019	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Amortization			
Balance, January 1, 2018	-	400,833	400,833
Amortization for the year	<u>-</u>	<u>45,987</u>	<u>45,987</u>
Balance, December 31, 2018	-	446,820	446,820
Amortization for the period	<u>-</u>	<u>30,518</u>	<u>30,518</u>
Balance, September 30, 2019	<u>-</u>	<u>477,338</u>	<u>477,338</u>
Net carrying amount			
Balance, January 1, 2018	<u>721,428</u>	<u>974,556</u>	<u>1,695,984</u>
Balance, December 31, 2018	<u>721,428</u>	<u>928,569</u>	<u>1,649,997</u>
Balance, September 30, 2019	<u>721,428</u>	<u>898,051</u>	<u>1,619,479</u>

The fair value of the investment properties is estimated to be \$3,183,000 (2018 - \$3,044,000). The fair value was derived based on comparable sales or assessments of similar properties in the same mall or plaza, adjusting for specific unit specifications such as size and locations. The Company did not obtain independent valuation for its investment properties. The fair value measurement has been classified as Level 3 in the fair value hierarchy.

11. Loans payable

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

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

12. Share capital

Authorized

100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2018 and September 30, 2019	<u>11,935,513</u>	<u>4,274,676</u>

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

The Company's objectives when managing capital are:

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

Total capital is calculated as follows:

	Sept. 30, 2019	Sept. 30, 2018
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	13,478,674	12,952,576
Non-controlling interests	<u>(3,208)</u>	<u>(28,607)</u>
	<u>18,374,113</u>	<u>17,822,616</u>

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

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

13. General and administration expenses

General and administration expenses consist of the following:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Bank service charges	35,822	20,567	79,330	61,587
General and office expenses	34,622	64,812	151,975	215,867
Insurance	14,548	14,062	55,127	58,014
Interest	1,148	-	3,861	-
Professional fees	46,528	38,592	142,367	139,935
Rent and occupancy costs	52,323	159,597	225,939	526,154
Salary and payroll costs	512,962	595,257	1,604,067	1,729,427
Telephone expenses	<u>10,338</u>	<u>13,977</u>	<u>27,085</u>	<u>42,802</u>
	<u>708,291</u>	<u>906,864</u>	<u>2,289,751</u>	<u>2,773,786</u>

14. Income taxes

Components of the provision for income taxes are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Current income tax expense	70,256	88,807	264,918	32,890
Deferred income tax expense (recovery)	<u>(1,256)</u>	<u>1,253</u>	<u>9,082</u>	<u>(2,630)</u>
Provision for income taxes	<u>69,000</u>	<u>90,060</u>	<u>274,000</u>	<u>30,260</u>

15. Earnings per share

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings applicable to common shares	<u>208,106</u>	<u>276,333</u>	<u>784,734</u>	<u>105,295</u>
Basic and diluted weighted average number of common shares outstanding	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>
Basic and diluted earnings per share	<u>0.017</u>	<u>0.023</u>	<u>0.066</u>	<u>0.009</u>

Basic earnings per share is based on the earnings attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share is equal to basic earnings per share as there were no dilutive instruments outstanding in the three and nine-month periods ended September 30, 2019 and September 30, 2018.

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

16. Commitments

The table below shows the future minimum payments under leases as at September 30, 2019:

	\$
2019 remaining	35,963
2020	122,711
2021	<u>24,984</u>
	<u>183,658</u>

During the nine months ended September 30, 2019, the Company recognized a capital lease expense of \$111,549.

The Company has an operating line of credit for \$250,000, guaranteed by real property and bearing interest at the prime rate plus 0.75%. As at September 30, 2019, the carrying value of the security was \$420,368 (2018 - \$427,406). There was no utilization of this line of credit as at September 30, 2019 (2018 - \$nil).

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

17. Financial instruments

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

<u>Financial instrument</u>	<u>Fair value hierarchy</u>	<u>IAS 39 Classification</u>	<u>IFRS 9 Classification Measurement</u>	<u>Sept. 30, 2019</u> \$	<u>Sept. 30, 2018</u> \$
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	10,032,257	9,893,708
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	686,679	915,511
Note receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	-	88,395
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	2,033,191	2,025,241
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	5,238,000	3,000,000
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	1,747,981	1,697,809
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	150,000	150,000

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

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

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

The carrying amounts of cash and cash equivalents, trade and other receivables, trade accounts payable and other payables and accrued liabilities approximate fair values due to the relatively short period to maturity of the instruments. The fair value of the marketable securities and note receivable as at September 30, 2019 is \$5,238,000 and \$nil (2018 - \$3,000,000 and \$88,395), respectively.

b) Management of financial risk

i) Interest rate risk exposure

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial assets and liabilities are non-interest bearing, except cash and cash equivalents, which bear a floating interest rate, marketable securities, which are at fixed interest rate, and the operating lines of credit, which bear interest as described in Note 16. Since no funds have been drawn from the lines of credit as at September 30, 2019, any fluctuation in the interest rate would not have a significant impact on the Company.

The term deposits earn interest at a fixed rate of approximately 2.15% to 2.30%, and the marketable securities earn interest at a fixed rate of 2.25%. Any fluctuation in the interest rate will not have a significant impact on the Company.

ADVENT-AWI HOLDINGS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian dollars)

ii) Credit risk and economic dependence

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

The Company has a high concentration of credit risk as approximately 83% of the trade receivables as at September 30, 2019 (2018 - 82%) were owed by one customer, Rogers Communications Inc. For the 3 month-period ended September 30, 2019, approximately 84% (2018 - 77%) of the Company's gross revenue was from this customer. Based on historical default rates and the credit quality of this customer, no provisions have been recorded and no collateral is requested for the Company's trade receivables. The agreement with this customer expires on September 30, 2020.

The note receivable is from the purchaser of the B.C. operations, and is secured by real properties in the Vancouver area. The value of the properties is estimated to be \$426,000 as at the year ended December 31, 2018.

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

iii) Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its obligations as they fall due. All of the Company's financial liabilities are due within 12 months from September 30, 2019.

It is the Company's intention to meet these obligations through the collection of trade receivables and current cash and cash equivalents, and marketable securities resources. In addition, the Company has available lines of credit as described in Note 16.

18. Related party transactions

Compensation of key management personnel

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2019	2018	2019	2018
Salaries and other benefits	\$ <u>170,915</u>	\$ <u>135,215</u>	\$ <u>641,515</u>	\$ <u>425,615</u>

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

19. Seasonality of results

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

20. Segmented information

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

Condensed interim consolidated statements of financial position information by reportable segment as at September 30, 2019 was as follows:

	Wireless Business	Financing Business	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	9,820,567	211,690	10,032,257
Trade and other receivables	565,271	121,408	686,679
Inventories	79,532	-	79,532
Marketable securities	5,000,000	-	5,000,000
Loans receivable - current	-	1,677,448	1,677,448
Prepaid expenses and deposits - current	<u>1,819</u>	<u>-</u>	<u>1,819</u>
	<u>15,467,189</u>	<u>2,010,546</u>	<u>17,477,735</u>
Non-current assets			
Marketable securities	238,000	-	238,000
Loans receivable	-	355,743	355,743
Prepaid expenses and deposits	19,793	40,111	59,904
Right-of-use assets	92,126	-	92,126
Property, plant and equipment	568,318	13,589	581,907
Investment properties	1,619,479	-	1,619,479
Deferred income tax assets	<u>114,356</u>	<u>37,700</u>	<u>152,056</u>
	<u>2,652,072</u>	<u>447,143</u>	<u>3,099,215</u>
Total assets	<u><u>18,119,261</u></u>	<u><u>2,457,689</u></u>	<u><u>20,576,950</u></u>

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

	Wireless Business \$	Financing Business \$	Total \$
LIABILITIES			
Current liabilities			
Trade accounts payable	806,259	118,043	924,302
Other payables and accrued liabilities	823,679	-	823,679
Government remittances payable	37,486	-	37,486
Tenant deposits	38,506	-	38,506
Income tax payable	<u>134,252</u>	<u>-</u>	<u>134,252</u>
	<u>1,840,182</u>	<u>118,043</u>	<u>1,958,225</u>
Non-current liabilities			
Lease liabilities	94,612	-	94,612
Loans payable	-	150,000	150,000
Due to related parties	<u>(2,200,000)</u>	<u>2,200,000</u>	<u>-</u>
	<u>(2,105,388)</u>	<u>2,350,000</u>	<u>244,612</u>
Total liabilities	<u>(265,206)</u>	<u>2,468,043</u>	<u>2,202,837</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	4,274,576	100	4,274,676
Contributed surplus	623,971	-	623,971
Retained earnings (deficit)	<u>13,584,487</u>	<u>(105,813)</u>	<u>13,478,674</u>
Capital attributable to shareholders of Advent-AWI Holdings Inc.	18,483,034	(105,713)	18,377,321
Non-controlling interests	<u>(98,567)</u>	<u>95,359</u>	<u>(3,208)</u>
Total equity (deficiency)	<u>18,384,467</u>	<u>(10,354)</u>	<u>18,374,113</u>
Total liabilities and shareholders' equity	<u>18,119,261</u>	<u>2,457,689</u>	<u>20,576,950</u>

ADVENT-AWI HOLDINGS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and 2018**

(Unaudited, expressed in Canadian dollars)

Condensed interim consolidated statements of income information by reportable segment for the three and nine months ended September 30, 2019 was as follows:

	3 months ended Sept. 30, 2019			9 months ended Sept. 30, 2019		
	Wireless Business \$	Financing Business \$	Total \$	Wireless Business \$	Financing Business \$	Total \$
Revenue	1,527,605	199,909	1,727,514	3,830,108	571,919	4,402,027
Cost of sales	<u>(840,804)</u>	<u>-</u>	<u>(840,804)</u>	<u>(2,191,395)</u>	<u>-</u>	<u>(2,191,395)</u>
Gross profit	<u>686,801</u>	<u>199,909</u>	<u>886,710</u>	<u>1,638,713</u>	<u>571,919</u>	<u>2,210,632</u>
Expenses						
General and administration	561,980	146,311	708,291	1,829,118	460,633	2,289,751
Advertisement and promotion	8,024	1,000	9,024	30,738	1,889	32,627
Depreciation - right-of-use assets	31,944	-	31,944	107,688	-	107,688
Amortization of property, plant and equipment	11,687	4,507	16,194	36,396	14,038	50,434
Amortization of investment properties	<u>10,172</u>	<u>-</u>	<u>10,172</u>	<u>30,518</u>	<u>-</u>	<u>30,518</u>
Total expenses	<u>623,807</u>	<u>151,818</u>	<u>775,625</u>	<u>2,034,458</u>	<u>476,560</u>	<u>2,511,018</u>
Operating income (loss)	<u>62,994</u>	<u>48,091</u>	<u>111,085</u>	<u>(395,745)</u>	<u>95,359</u>	<u>(300,386)</u>
Investment income						
Rental income	48,790	-	48,790	143,177	-	143,177
Interest income	68,243	-	68,243	183,497	-	183,497
Gain on sale of assets	<u>48,988</u>	<u>-</u>	<u>48,988</u>	<u>1,032,446</u>	<u>-</u>	<u>1,032,446</u>
	<u>166,021</u>	<u>-</u>	<u>166,021</u>	<u>1,359,120</u>	<u>-</u>	<u>1,359,120</u>
Income from operations before income taxes	<u>229,015</u>	<u>48,091</u>	<u>277,106</u>	<u>963,375</u>	<u>95,359</u>	<u>1,058,734</u>

21. Dividends paid

Dividends amounting to \$1,790,327 (2018 - \$596,776) were paid on September 9, 2019.