Advent Wireless Inc.

In this Management Discussion and Analysis (MD&A), the terms “We,” “Us,” “Our,” “The Company” and “Advent” refer to Advent Wireless Inc. The following management discussion and analysis (“MD&A”) of Advent Wireless Inc. should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015, and the notes contained therein. This MD&A is effective as at April 15, 2016. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial data is expressed in Canadian dollars unless otherwise stated. Additional information, including the Company’s Annual Information Form (“AIF”), can be obtained from the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking statements

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Overview

Advent, together with its wholly owned subsidiaries, Am-Call Wireless Inc. ("Am-Call"), Advent Marketing Inc. and 1013929 BC Ltd., is an independent specialty retailer of personal wireless and wireline communication products and services. Am-Call is an authorized dealer of Rogers Communications Inc. ("Rogers") and Fido Solutions Inc. ("Fido"). Fido is the discount brand of Rogers, and is a wholly owned subsidiary of Rogers. The Company carries the full line of Rogers and Fido products and services including wireless voice and data, high speed Internet, digital cable television, home phone, Smart Home Monitoring and, starting in 2014, Rogers Bank™ Mastercard.

As of December 31, 2015, the Company had 15 stores in Ontario (10 Rogers and 5 Fido), compared with 18 stores in Ontario (12 Rogers and 6 Fido) as of December 31, 2014.

Number of stores: Q4 2015 – 15 (all in Ontario) Q4 2014 – 18 (all in Ontario) Breakdown of stores at December 31, 2015**:** 15 stores in Ontario (10 Rogers and 5 Fido)

The Company closed three stores during 2015 – one Fido store in Q2, one Rogers store in Q3 and another Rogers store in Q4, thus bringing the total number of stores from 18 at year-end 2014 to 15 at year-end 2015. These store closures were part of the Company's ongoing strategy to streamline its retail network to better align with Rogers' strategies, and to provide optimal coverage at both ends of the market, using the best combination of Rogers and Fido stores.

The closed stores were deemed to be underperforming or overlapping locations and their closures are not expected to impact negatively on the Company's overall business. It is the Company's policy to evaluate its retail network on a continuous basis to achieve efficiency and to better fit Rogers and its corporate strategy.

Closure of B.C. Stores and New Micro Finance Venture

As discussed in previous MD&A's, the Company sold all five of its B.C. Rogers locations in Q1 2014. Since then, management has been considering new opportunities in B.C and Ontario, both within and outside of the telecom sector.

As first mentioned in our Q3 2015 MD&A, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver area of British Columbia. Subsequently, a new subsidiary under the name “Adwell Financial Services Inc.” (“Adwell”) was registered with the BC Corporate Registry on December 13, 2015, and incorporated on January 8, 2016. Adwell issued a total of 1,000,000 shares at $0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%).

The Company will invest $375,000 of its unallocated cash on hand with an additional $1,000,000 in funding in the venture’s first year of operation. The two minority shareholders, both with financial and lending experience, will assist in the start-up and continuing operations of the venture. Subsequent to year-end, the Company lent $305,000 to fund the venture’s operations.

A shareholders agreement among the three parties was executed on January 27, 2016. At the time of writing this MD&A, Adwell was still in its start-up phase. The Company will report more details in its Q1 2016 MD&A.

Declaration of Dividend Completed

On September 4, 2015, the Company announced that in recognition of its strong financial position, a special dividend of $0.05 per common share would be paid on October 8, 2015, to all shareholders of record as at the close of business on September 25, 2015. This dividend payment was subsequently completed during the year, as announced.

Economic Dependence on Rogers

For the year-ended December 31, 2015, approximately 85% (2014 – 83%) of the Company’s revenue was from Rogers Communications Inc., whereas the remaining approximately 15% (2014 – 17%) was generated through the Company’s 15 retail stores (as at year-end) in Ontario (2014 – 18 stores in Ontario).

Account Receivable from Rogers is 98% of the total outstanding accounts receivable as at December 31, 2015 (98% at December 31, 2014).

<u>Overall Performance</u>

The Company’s five B.C. Rogers locations operated for four months only in 2014 as they were sold and the purchaser took over operations on May 1, 2014.

For better comparison, three types of figures will be presented throughout this MD&A – combined (Ontario & B.C.), continuing (Ontario only) and discontinued (B.C. only).

Revenue
Combined - Ontario & B.C. 2015 Revenue (excluding investment income) = $17,056,334 2014 Revenue (excluding investment income) = $17,103,243 Revenue decreased by $46,909 or <1% when compared with 2014.
Continuing – Ontario 2015 Revenue (excluding investment income) = $17,056,334 2014 Revenue (excluding investment income) = $15,985,088 Revenue increased by $1,071,246 or 6.7% when compared with 2014.
Discontinued – B.C. 2015 Revenue (excluding investment income) = $ Nil 2014 Revenue (excluding investment income) = $1,118,155 Revenue decreased by $1,118,155 or 100% when compared with 2014.

Highlights:

- The Company's 2015 combined revenue decreased by $46,909 versus 2014.
- However, the combined 2014 figure contains four months of B.C. revenue, which is $1,118,155.
- Removing the B.C. revenue figure and comparing the continuing Ontario alone, 2015 revenue actually recorded an increase of $1,071,246, or 6.7%.
- This is encouraging, especially after seeing 2014 revenue dropping by 16% versus 2013.
- This reversal, we believe, is caused by various factors that are summarized below:

1) On a macro level, the first half of 2015 saw a downturn in the Canadian economy, as real GDP contracted in both Q1 and Q2. Economic growth resumed in the second half of Q2 and then into Q3. The economic climate affects consumers' willingness to spend. Since the Company is in the consumer retail space, the Canadian economy as a whole will always have an impact on our business.

2) While increasing the average revenue per user or customer (ARPU) was still the Company's main focus in 2015, there have been signs of greater pricing flexibility throughout the year in terms of getting transaction volume. Fido has always been the spearhead for targeting volume and in 2015 it was aggressive from Q2 onwards to the end of Q3, targeting *millennials* with larger data plans for their social media and audio/video streaming needs. The rebranding of Fido, since Q1, seemed to have helped in this regard. (Millennials are also known as *Generation Y* and are broadly defined as encompassing those born from the 1980's to the early 2000's.)
3) Rogers also shifted their strategy during the year towards what is referred to as a "grow volume with value" proposition. Although ARPU is still important, it was no longer a gateway to earning quarterly bonus for dealers. This change in strategy, coupled with aggressive offers, freed up dealers to chase after volume, which resulted in strong sales on the Rogers side as well.
4) The Share Everything plans have gained better acceptance among Rogers customers. Share Everything Plans are structured to allow for additional savings when additional lines are added onto the account, which makes it attractive for customers to bring the entire household under one account, thus increasing ARPU and reducing churn.
5) The "Roam Like Home" feature launched in Q1 2015 has been well received and proven to be a great differentiator, since no other carriers can provide such service for customers travelling overseas. Its coverage has since been extended to over 100 destinations in Europe, Asia, Mexico, South America, and Latin America, further simplifying how Wireless consumers use the Internet, make calls, and send texts and emails with their Rogers Share Everything plans. Customers have access to their Canadian plan features while traveling, all at a relatively low cost. Importantly, Rogers' strategy has been to make this feature only available on Share Everything Plans.
6) The launch of new hardware models, such as the Samsung S6 line in Q2 and the Apple iPhone 6S line in Q3, kept the hardware sales momentum steadily up in the marketplace.
7) There has been renewed emphasis on small business sales at the store level throughout 2015, which is part of the Business focus under Rogers 3.0. Additional training and tools were provided to retail representatives to enable and empower them to handle small business type customers. Canadian small business is considered to be one of the fastest growing sectors of the economy with under-developed business opportunities.
8) Although not the main revenue source, Rogers Internet continues to be a regular product the Company sells. This is supplemented by other cable products such as Rogers digital TV, Home Phone and Smart Home Monitoring. Additionally, Rogers began testing 4K TV broadcasting in 2015. 4K essentially doubles the 1080 pixels of high-definition to 2160. It has now launched 4K TV and a new 4K set-top box and announced a plan to broadcast more than 100 live sporting events in 4K, including all 2016 Toronto Blue Jays home games and 20 marquee NHL games. It announced in a press release, "This revolutionary 4K technology changes the game

experience, drawing the fans onto the ice like never before. Viewers can see the flex of the stick and the grooves in the ice, while the live game producers can zoom in on key plays… up to 500 per cent, without motion blur." This, together with the other initiatives like NHL Game Centre Live, is poised to further elevate the Rogers brand.

9) Rogers also re-launched its Rogers Bank MasterCard in Q3 (now called the Platinum MasterCard, to replace the one launched in Q1) with improved features and the Company is actively promoting this product at our stores. Its features include a 1.75% cash-back reward points on all transactions, low annual fees, and no foreign exchange transactions fees.

   Although these are not tactical moves (such as launching a new plan or phone), they very strongly spread and solidify the "Why Rogers" message to differentiate Rogers from the competition. Advent, being an exclusive dealer of Rogers, benefits from this in the long run.

Subscriber Base:

December 31, 2015 – 91,132
December 31, 2014 – 96,263
Decrease of 5,131 or 5%

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

Since its launch in 2011, the addition to the subscriber base has been from Fido, with the growth in the Fido subscriber base mitigating the decrease in the Rogers subscriber base. As several of our recent MD&A's have demonstrated, this is again the case in fiscal 2015. In 2015, the increase in the Fido base was 3,741 (from 21,544 to 25,285), whereas the decrease on the Rogers side was 8,872 (from 74,719 to 65,847), resulting in a net decrease of 5,131. The Rogers side of the business has been under challenge for some time and the key to maintaining the subscriber base continues to be customer retention. Rogers is also aware of the situation. "Q4 was the most fiercely competitive quarter probably in the history of Canadian mobile," Rogers CEO Guy Laurence told analysts after releasing their Q4 and year-end results. "In my view, it's the new normal… It is a fiercely competitive business. It reached new levels in December and I'm sure it's going to continue that way."

As a result, Rogers' focus now is twofold:

1) Share Everything plans – if the entire family is bundled into one plan, which can be shared amongst all users, the chance of customers leaving will be greatly diminished.

2) Multi products under one household – if a customer has multiple products (e.g. wireless, internet, TV, Smart home monitoring and credit card) under one roof, again the chance of that customer leaving is significantly lower.

The increase in new activations throughout 2015 is encouraging as this adds to the subscriber base, especially on the Rogers side. The key now is to give customers valid reasons to sign up or stay with Rogers, instead of switching to the competition. Hence, the "Why Rogers" and the Rogers "value propositions" are so front and centre in all our messages.

On the other hand, increasing ARPU also means increase in residual per customer. That also explains why even though the Ontario (continuing operation) customer base decreased, the Company still registered an increase in residual revenue of 6%.

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

<u>Selected Annual Consolidated Financial Information</u>

Combined	Dec-15	Dec-14	Dec-13
Revenue	17,056,334	17,103,243	23,088,153
Income before income taxes	1,659,107	2,067,219	1,912,139
Income Tax expense (recovery)	441,633	492,220	495,457
Net earnings	1,217,474	1,574,999	1,416,682
Assets	19,483,984	19,576,532	19,943,061
Liabilities	3,228,478	3,941,724	4,689,701
Basic & diluted earnings per share	0.102	0.132	0.119

The figures above are combined figures for both the Ontario (continuing) and BC (discontinued) operations in 2013 and 2014. With the B.C. operation sold on April 30, 2014, the combined figures for 2014 include both the four months operating results as well as the profit on the sale of the B.C. operation. The figures for 2015 comprise the Ontario (continuing) operation only.

<u>Results of operations</u>

Here is what we see when looking at the number of activations and customer upgrades in 2015:

ONTARIO & B.C (COMBINED)				
	2015	**2014**	**+/-**	**%**
Voice activation	17,542	14,915	2,627	18%
Data activation	15,702	14,787	915	6%
Hardware upgrade	9,902	10,924	-1,022	-9%

ONTARIO (CONTINUING)				
	2015	**2014**	**+/-**	**%**
Voice activation	17,542	14,400	3,142	22%
Data activation	15,702	14,326	1,376	10%
Hardware upgrade	9,902	10,162	-260	-3%

BC (DISCONTINUED)				
	2015	**2014**	**+/-**	**%**
Voice activation	0	515	-515	-100%
Data activation	0	461	-461	-100%
Hardware upgrade	0	762	-762	-100%

Readers are reminded that the discontinued B.C. business was in operation for four months only up to April 30, 2014. As such, the following discussion will focus on the continuing Ontario business.

New voice and data activations increased by of 3,142 (22%) and 1,376 (10%), respectively, in 2015, when compared with 2014. Customer upgrade activities, however, recorded a slight decrease of 260, or 3% year-over-year.

New activations generally come from children coming of age, switchers from other service providers as well as newcomers (immigrants and students) to the country. The Company has an advantage in gaining new customers with its focus on the Asian ethnic market, with new immigrants and students arriving throughout the year. The announcement by the new Liberal Government in Ottawa that it will welcome 305,000 immigrants this year, 20,000 more than 2015 and the highest number in several decades, will help in this regard. This does not include refugees, such as the 25,000 Syrian refugees admitted to Canada. The Company has been concentrating on building networks and connections in new immigrant support groups and student associations in order to capture this share of the new business.

The revamp of the Fido brand started in Q1 2015. Instead of merely positioning Fido to be an affordable brand, it plans to position it to be the brand for the new millennial generation. This initiative seemed to have borne fruit, especially in Q2 and Q3, as the Fido side of the business saw a healthy increase in volume. A good example of this strategy of aiming for the millennials is the introduction of Fido Pulse wireless plans, delivering more value by including a 24-month subscription to Spotify Premium, one of the world's most innovative music streaming services, and access to exclusive Daily VICE, an edgy, groundbreaking news app.

We believe Rogers' direction of "owning" the family with Share Everything plans and bundle services is correct. With the arrival of a new CEO and reorganization completed, and the renewed emphasis on customer service, we are hopeful that Rogers' value preposition will stand above that of its competitors.

Here is a breakdown of Rogers and Fido separately:

ROGERS (CONTINUING)				
	2015	2014	+/-	%
Voice activation	7,442	6,464	978	15%
Data activation	7,045	6,791	254	4%
Hardware upgrade	7,406	8,254	-848	-10%

FIDO (CONTINUING)				
	2015	2014	+/-	%
Voice activation	10,100	7,936	2,164	27%
Data activation	8,657	7,535	1,122	15%
Hardware upgrade	2,496	1,908	588	31%

In 2015, Rogers' new voice and data activations increased by 978 and 254, or 15% and 4%, respectively. This is a reversal of the decreasing trend in the past two years. The push towards getting high ARPU customers sometimes at the expense of volume seemed to have eased off in 2015 and there was a renewed push towards growing volume with value, especially during the Q3 *back-to-school* period. This was reflected in the more aggressive promotions during that period and also the lifting of ARPU as a gateway towards certain bonuses, thus freeing up dealers to hunt for volume. This is a welcoming sign for the Company as it plays in the consumer retail space and is much more sensitive to price.

Fido new voice and data activations registered strong increases of 2,164 and 1,122, or 27% and 15%, respectively, over last year. Fido has always been the spearhead of growth for the Company. The rebranding of Fido in 2015 and a strong tie to new immigrants and student communities contributed to this growth.

Rogers' hardware upgrade decreased by 848, or 10% year-over-year, while Fido's hardware upgrade went in the other direction and increased by 588, or 31%.

The year 2015 was a special year for wireless customers because of the "double cohort" situation created by the CRTC Wireless Code introduced in late 2013. In other words, we saw two groups of customers with two- or three-year term plans expiring in the same year. All wireless carriers have been trying to retain their existing customers while attracting new customers from competitors freed by the double cohort. Overall, the Company did not experience a huge fluctuation in terms of influx or exodus of customers, which was similar to Rogers' experience. Here is what Rogers noted in its MD&A: "We believe the increases in gross and net additions to our postpaid subscriber base and stable postpaid churn this year were results of our strategic focus on enhancing the customer experience by providing higher-value offerings, such as our new Share Everything plans, and improving our customer service. Significantly, this was achieved during the industry's 'double cohort' period and with heightened competitive activity." So, it seems as all the carriers are holding their own, although the Company did win some new business for both Rogers and Fido, while losing some slightly on Rogers' upgrade.

Customers are holding on to their smart phones longer than before, not only because of higher prices (due to the CRTC Wireless Code), but also because there has not been much significant technological breakthrough in smart phone lately – which previously resulted in much buzz and anticipation.

The launch of new phones like the Samsung S6 and Apple iPhone 6S during the year did help, especially on the upgrade side. However, there is no exclusivity to these phone models any more for Rogers and all major carriers have them in their lineup. They are now more of a retention tool (i.e. you have to have them to retain customers). The launch of new phones is always a well-anticipated event among phone followers, and for keeping the early adopters. It is key to retaining the most loyal customers. The Company's ability to sell both the Rogers and Fido brands gives it an advantage to capture both ends of the market and help to reduce customers leaving the Rogers family.

In terms of revenue from continuing operations:

Revenue from Continuing Operations
2015 Revenue (excluding investment income) - $17,056,334 2014 Revenue (excluding investment income) - $15,985,088

Revenue of the continuing (Ontario) operations increased by $1,071,246 or 6.7%, mainly in phone hardware sales. Here is a look at the breakdown of its major revenue sources:

Ontario (Rogers & Fido)	2015	2014	Changes	Percentage
Phone sales	10,851,359	10,040,819	810,540	8%
New activation commission	1,684,835	1,563,823	121,012	8%
Customer upgrade commission	558,939	540,900	18,039	3%
Residual commission	2,532,535	2,393,924	138,611	6%
Bonus commission	1,025,716	1,029,902	-4,186	0%
Service charges	694	2,070	-1,376	-66%
Cable & Others	402,256	413,650	-11,394	-3%
Total	17,056,334	15,985,088	1,071,246	7%

The increase in revenue ($1,071,246 or 7%) was mainly from increase in hardware sales. Having said that, increase in hardware sales in 2015 was mainly due to the increased price of the Samsung S6 and Apple iPhone 6S models launched throughout the year. The Company normally makes minimal profit on hardware sales and in many incidences throughout the year even discounted hardware in order to gain volume.

New activation commission benefitted from the increase in voice and data activations. Customer upgrade commission increased slightly even though total upgrade volume dropped. This was due to the change in commission scheme in Q3 2015 that rewards signing customer to higher MSF (Monthly Service Fee) plans. This change in commission payout applies to both new and upgrade transactions, and further confirms Rogers' desire to move customers up to higher ARPU.

Residual commission increased by $138,611, or 6% over 2014, even though the subscriber base actually decreased in number. This is due to an increase in average residual per subscriber, indicating customers are subscribing to higher MSF plans (especially Rogers), and customers adding data to their voice plans (especially Fido). Again this is a welcome sign for the Company as residual provides a steady income stream for the Company.

Bonus commission held steady with a small drop of $4,186 over last year. The Company still managed to achieve the majority of bonus metrics throughout 2015. Rogers has been changing these metrics on quarterly and annual targets every year according to their objectives. These objectives may or may not always fit into the Company's market and customer characteristics. Bonus is obviously a very important revenue stream for the Company and management is taking every step necessary to attain them. To that end, the Company needs to follow Roger's direction and quickly and efficiently switch its business focus and strategy to echo those of Rogers.

Gross profit margin
2015 – 37%
2014 – 39%

Gross profit margin for the continuing operations decreased from 39% in 2014 to 37% in 2015. As discussed earlier, the increase in hardware cost drives up hardware revenue and depresses margin. There has also been discounting of hardware throughout the year in the chase for volume, especially at quarter-end, in order to achieve quota numbers.

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

- New activation commission and upgrade commission can be changed at short notice, depending on Rogers' priorities and focus.

- Dealer bonus commission targets and achievement metrics vary from quarter to quarter and from year to year, and also may be favourable or unfavourable to the Company.
- Residual commission is a steady source of income but it is becoming more and more challenging to maintain customers amid heavy competition and the government's plan to open up the market to even more competition in the future.
- Rogers has introduced other revenue sources – Smart Home Monitoring, Rogers Bank and 4K TV, but these are still not a sizable source of income as of yet.

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

2015 General and Administration expenses - $4,649,014
2014 General and Administration expenses - $4,756,087

Decrease $107,073 or 2%

General & Administration expenses decreased by $107,073, or 2% year-over-year. The biggest decrease is in rent & occupancy costs as the result of store closings in 2015; the store closures also reduced salary and payroll costs, general office expenses and telephone expenses. However, these were offset by increases in insurance and bank service charges.

2015 Advertising and Promotion expenses - $107,466
2014 Advertising and Promotion expenses - $214,111

Decrease of $106,645 or 50%

Following the trend of 2014, the Company again spent less in advertising and promotion in 2015 than 2014, further dropping these expenses by 50%. Rogers is moving towards one branded retail strategy and as a result is giving less and less leeway to dealers to do their own advertising and promotion. Instead, it is centralizing this from their marketing department. An example of this is Rogers has eased up pressuring dealers to utilize their co-op dollars. This is a welcome move for many dealers, especially those who do not have a niche marketing team set up.

The Company plays heavily in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves. Hence, we will continue to advertise and promote ourselves in the ethnic media channels when appropriate. The advertising and promotion we do since 2014 has been more tactical in nature, to yield faster results.

Besides receiving a co-op subsidy from Rogers on advertising and promotion activities, the Company also receives marketing funds from phone manufacturers throughout the year, thus further reducing its overall sales & marketing costs. However, these subsidies depend on product timing (whether there is a new product launch) and budget, so it may not be repeated in the future.

2015 Amortization of Property and Equipment - $150,433
2014 Amortization of Property and Equipment - $123,834

Increase of $26,599 or 21%

Increase in amortization of property and equipment was a result of the retrofit of stores that were completed throughout 2014, as well as a retrofit of the B.C. office unit purchased to become the head office of the Company.

2015 Amortization of Investment properties - $45,986
2014 Amortization of Investment properties - $35,892

Increase of 10,094 or 28%

Starting in 2014, the Company reclassified four properties as investment properties, with their corresponding amortization expenses listed separately. The increase in 2015 expenses was caused by the addition of three properties throughout 2014, with 2015 recording a full year of amortization. (See also “off balance sheet arrangements”.)

2015 income before income taxes (continuing) - $1,659,107
2014 income before income taxes (continuing) - $1,380,227
Increase of $278,880 or 20%

2015 net income after taxes (continuing) - $1,217,474
2014 net income after taxes (continuing) - $1,014,570
Increase of $202,904 or 20%

2015 income from discontinued operation (net of taxes) - $0
2014 income from discontinued operation (net of taxes) - $560,429

2015 EPS (continuing) - $0.102
2014 EPS (continuing) - $0.085

Summary of consolidated quarterly results

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Revenue	3,857,041	3,460,932	3,403,006	5,264,109	3,755,731	3,951,070	4,256,428	5,093,105
Gross margin	39%	28%	47%	39%	38%	36%	41%	34% RC
Net income	331,356	222,969	275,412	184,833	337,287	267,641	364,154	248,392
Basic and diluted earnings per share	0.031	0.019	0.023	0.015	0.028	0.022	0.031	0.021

In 2015, revenue followed the more traditional trend in Canadian retail sales in the post-Christmas holiday first quarter, which is normally the slowest quarter of the year. The usual trend is for sales to generally build up in Q2 and peak in Q4. The Company follows this trend in general but we have seen revenue spikes in Q3 instead, owing to the ``back to school`` selling season that now rivals Christmas.

Here are some of the many factors that affect sales and revenue:

- The launch of new hardware – the launch of iPhone 6S at the end of Q3 is the main reason why activations, upgrades and thus revenue was highest in the 4th quarter. Not all new phone launches generate the same kind of results. An example is the launch of the Samsung S6 in Q2, which created some noise and activities but was not at the same level as what iPhone 6S did. Nevertheless, a new model launch is always welcome especially at a time when Rogers wants to stay ahead of the technological curve amongst competitors.
- The focus of Rogers is still on achieving higher ARPU customers, even though its promotions that affect new acquisitions have eased in number.

This may be a disadvantage for the Company, which plays in the retail, consumer end of the market.

- BYOD (bring your own device) has become more and more popular and continues to depress phone sales revenue. This can be seen during Q3's back to school period. Even though activations increased on both Rogers and Fido, the majority of these activations (over 60%) were from overseas students who preferred to use their own phones that they brought from their home country. On the other hand, Rogers also encourages customers to utilize their existing devices on sharing plans, which is an excellent tool to reduce churn, but at the same time no hardware revenue is generated. We also observed consumers using their smartphones for a longer period. This is due to smartphones becoming more expensive and because of no groundbreaking technology in these and other new devices.
- Aiming to improve ARPU, Rogers is restricting premium smartphones (iPhone 6S and Samsung S6 models) to their premium high MSF plans only. This further affects volume and also encourages customers towards BYOD.

Fourth Quarter discussion

	Q4 2015	Q4 2014	+/-	%
Voice activation	4,218	3,305	913	28%
Data activation	3,609	3,538	71	2%
Hardware upgrade	2,851	3,067	-216	-7%

The momentum that started in Q2 then carried over to Q3, but slowed down slightly in Q4. Nevertheless, new voice and data activations still increased by 28% and 2% , respectively, although customer upgrades dropped by 7%. As discussed in previous MD&As, the fourth quarter holiday season may no longer be the strongest selling season for the Company. The "back-to-school" Q3 period proved to be stronger for the Company in fiscal 2015. It is interesting to see if this trend will continue, but would nevertheless depend heavily on outside factors such as Rogers' promotions and new hardware launches.

One would expect the launch of iPhone 6S at the end of Q3 would have caused a huge spike in business in Q4, especially in customer upgrades, but it did not happen. One reason cited is that the iPhone 6S was not that much different than the iPhone 6. While the iPhone 6S fared better than the Samsung S6, it was not at the same level compared to the introduction of the iPhone 6 a year earlier.

Rogers & Fido (combined)	Q4 2015	Q4 2014	+/-	%
Phone sales	3,294,154	3,556,516	-262,362	-7%
New activation commission	439,391	348,905	90,486	26%
Customer upgrade commission	144,794	179,220	-34,426	-19%
Residual commission	640,092	624,945	15,147	2%
Bonus commission	433,958	424,347	9,611	2%
Cable & Others	140,717	130,177	10,540	8%
Total	5,093,105	5,264,109	-171,004	3%

In terms of revenue, Q4 accounted for 30% of the entire year's revenue, 3% less than last year. Phone sale revenue decreased by 7% compared with last year, caused by the drop in hardware upgrades. New activation commission increased by 26%, thanks to the increase in new transactions, but customer upgrade commission decreased by 19% over 2014.

Both residual and bonus commission increased by 2% while cable commission increased by 8%, thanks to an aggressive Internet campaign over the holiday period.

As discussed earlier, the Company closed one of its Rogers locations during Q4, and relocated its Fido store in the same mall at this location. The lease on the Fido location was expiring in Q4, so the relocation did not incur any penalty. We believe that the demographic of this area is a better fit for Fido. With Rogers positioning its brand in a more premium category, we are continuing to evaluate our store network to see how our locations would fit into Rogers' new strategies and objectives, and to balance the mix between its Rogers and Fido locations to maximize potential business.

The Company continued to work on the new micro finance venture during Q4. The Company owns 70% interest in this new company with the remaining two shareholders owning 15% each.

As mentioned earlier in this MD&A, the Company declared and completed payment of a dividend of $0.05 per common share in Q4.

Liquidity

Cash and cash equivalents & short-term investments as at December 31, 2015 - $12,320,370 Cash and cash equivalents & short-term investments as at December 31, 2014 - $12,787,400 Decrease of $467,030 or 4%

Working capital as at December 31, 2015 - $12,431,306 Working capital as at December 31, 2014 - $11,566,174 Increase of $865,132 or 7%

The Company used its internally available funds to pay for the dividend payment of 5 cents per share in Q4, which amounts to $596,776. Payment of this dividend caused cash and cash equivalent to drop by 4% at year-end but we believe this will not have a negative impact on the operating cash flow of the Company.

The liquidity of the company has always been generated from the Company's operations. Bank credit facilities were not used and there was no outstanding balance as at December 31, 2015.

Summary of contractual obligations

Number of leases at December 31, 2015 – 12 (December 31, 2014 – 15)

The Company closed three stores in 2015 and therefore had three fewer leases when compared with 2014. The terms of these three leases all ended in 2015. As a result, the Company did not incur any early termination costs in the closing of these locations.

The Company extended one lease in Ontario during the year for another five years.

In the sale of the Company's B.C. stores, the Company assigned three leases to the purchaser. Two leases have since expired. The remaining lease will expire in August 2016. Since the likelihood of the assignee's default is low, we believe it does not need be included as a contractual obligation.

Future minimum operating lease commitments are as follows:

YEAR	TOTAL
2016	345,434
2017	310,976
2018	239,034
2019	111,052
2020	41,228
	1,047,724

Capital resources

The Company has two operating lines of credit. The first one is under Am Call Wireless, a subsidiary of Advent, and has a limit of $300,000, guaranteed by Advent, and has a general security agreement and an assignment of book debts, inventory and fire insurance proceeds, bearing interest at the prevailing prime rate plus 1%.

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

There was no amount owing under either of these lines of credit as at December 31, 2015.

Off balance sheet arrangements

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

The Ontario property has been leased out since 2009. This commercial condominium unit was originally intended for another store but it was decided that the location was not suitable for selling wireless products at the time. This lease was extended for another three years when it expired on December 31, 2014, under the same terms and conditions. The Company has no intention to open a store at that location in the immediate future, and is keeping it as an investment property.

Since May 1, 2014, the Company leased out two owned and previously self-occupied stores to the purchaser of its B.C. operations. One store in Burnaby, B.C., was leased for three years, expiring April 30, 2017, and is still occupied by the purchaser at time of this MD&A. The other store in Richmond B.C. was on a month-to-month term, and the purchaser moved out during Q3 2015. The store was then leased to another tenant for six years, from August 1, 2015, to November 30, 2021.

Beginning December 1, 2014, the Company leased out one of its two units at Aberdeen Square, Vancouver, B.C., for two years. The original intention for the purchase of Aberdeen Square was for the Company's B.C. business, but since the business was sold, it was decided to convert them into investment properties.

These properties have been reclassified on the balance sheet as investment properties. Total rent received was $129,463 in 2015 (2014 - $61,759). The market value of these properties combined is estimated to be $2,544,000. The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

The Company intends to continue leasing these properties out at a reasonable return, but will evaluate other options, such as taking them back for company business purposes or selling them at a price that would generate a reasonable return in the eyes of management. The Company is also actively soliciting tenants for the second unit at Aberdeen Square in Richmond, B.C.

Transaction with related parties

The Company purchased a commercial office unit in Vancouver, B.C., in Q4 2014, to be its head office location, held by 1013929 B.C. Ltd., a subsidiary formed for this purpose. A lease was signed between 1013929 B.C. Ltd. (Landlord) and Advent Wireless Inc. (tenant) for three years from January 1, 2015, to December 31, 2017.

Salaries and fees paid to the Company's directors and executive officers in 2015 were $805,569 (2014 - $801,868).

Proposed transactions

Other than the micro finance subsidiary discussed earlier in this MD&A, there are no other contemplated transactions to report.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at December 31, 2015 (December 31, 2014 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company did not issue any stock options during 2015 and there was no stock option outstanding as at December 31, 2015.

Changes in Accounting Policies

Significant new and revised accounting standards adopted in the year

IAS 40, Investment Property, clarifies the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property and management also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment is effective for annual periods beginning on or after 1 July 2014, but can be applied to individual acquisitions of investment property before that date if, and only if, the information necessary to apply the amendment is available.

The interpretation had no impact on the Company's consolidated financial statements.

Future accounting and reporting changes

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, 2016.

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.

IFRS 15, Revenue from Contracts with Customers, applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant and equipment and intangible assets. This new standard sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance obligations, changes in contract asset and liability account balances and key judgments and estimates. This new standard is effective for fiscal years beginning on or after January 1, 2017, with early application permitted.

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.

IAS 34, Interim Financial Reporting, has been amended to clarify what is meant by "information disclosed elsewhere in the interim financial report". The amendment further amends IAS 34 to require a cross-reference from the interim consolidated financial statements to the location of that information. The amendment is retrospective.

IFRS 7, Financial Instruments: Disclosure, has two amendments relating to servicing contracts and interim consolidated financial statements. For servicing contracts, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. The amendment for interim consolidated financial statements clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

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

Critical accounting estimates

The preparation of these 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 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 the 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 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.

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 these amounts should be reported on a gross basis in the condensed interim consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

<u>Disclosure controls and procedures and internal control over financial reporting</u>

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted Venture Issuers from certifying disclosure controls and procedures as well as Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2015. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at December 31, 2015.

Financial Instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q4 2015. The Company has no plans to use any of these in the foreseeable future.

Risk factors

A new credit risk arose since 2014 from the $800,000 promissory note given by the purchaser of the discontinued operations in B.C. The Company was able to minimize exposure by obtaining a mortgage on two commercial strata units as collateral. The market value of the collateral is estimated to be $316,000 as of December 31, 2015 (December 31, 2014 - $316,000).

The credit risk of the promissory note is reducing over time as it is being paid down by 60 monthly instalments. At the time of this MD&A, the Company has received payments on time. The purchaser is an experienced operator in the B.C. market, which further mitigates credit risk.

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

The Company's economic dependence on Rogers is the main risk factor. Advent is in an industry in which the carrier pays the dealer commission to bring in new customers and service existing ones. It is also part of an industry in which hardware (mainly wireless handsets) is heavily subsidized by the carrier – phones are sold to consumers at a hefty discount and the dealer recovers the cost of hardware through a back-end hardware subsidy from the carrier. A good example is the iPhone, BlackBerry and Android smart phones, where the phone could sell for as little $399 on a two-year contract or about $900 dollars without a contract.

This economic dependence explains why 98% of the accounts receivable in Q4 2015, the same as 98% in Q4 2014, was from Rogers. Management has decided that no bad debt provision is required on the Rogers receivables as past collection experience and the credit quality of Rogers are good.

For the year-ended December 31, 2015, approximately 85% (2014 – 83%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 15% (2014 – 17%) was generated through the Company's 15 retail stores (as at year-end) in Ontario (2014 – 18 stores in Ontario).

Unless there is a change in the Canadian model of subsidizing hardware, this economic dependence on Rogers is going to be the same in the near future. Additionally, since Advent is so heavily dependent on Rogers' product, several of the risk factors affecting Rogers affect Advent.

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

A risk factor that became more tangible after the federal elections in May 2011, in which the Conservative Party won a majority government, became a reality in early 2012 and has been exacerbated even further in 2013. The federal government decided to further open up the Canadian telecom services industry to foreign investors by easing up on foreign ownership rules. The federal government introduced a bill to allow foreign telecommunication companies to invest in and acquire a controlling stake in Canadian companies that have a market share of 10% or less, so as to inject competition into the Canadian market. Whether and by how much all this changes under the new Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A.

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

[NOTE: Please also review Rogers' year-end 2014 and Q3 2015 MD&A section on regulations affecting the telecom industry and on general risk for more details on the above and to understand additional potential risks and uncertainties.]

The popular media has been headlining reports based on studies that claim alleged links between radio frequency emissions from wireless handsets and various health concerns, including cancer, and interference with various medical devices, including hearing aids and pacemakers. The Company and Rogers have yet to come across definitive reports or studies linking such health issues to radio frequency emissions; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

Additionally, in July 2013, a class action was launched in British Columbia against providers of wireless communications in Canada and manufacturers of wireless devices, alleging adverse health effects incurred by long-term users of cellular devices. The plaintiffs are seeking unspecified damages and punitive damages, effectively equal to the reimbursement of the portion of revenues the defendants have received that can reasonably be attributed to the sale of cellular phones in Canada. While mentioning this suit in its Q3 2015 MD&A, Rogers is not recording a liability for this contingency.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS with their own GSM network. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Rogers' own CEO, Guy Laurence, commented after releasing its Q4 2015 and year-end results: "Q4 was the most fiercely competitive quarter probably in the history of Canadian mobile." Rogers says in its MD&A for this period: "There is no assurance that our current or future competitors will not provide services that are superior to ours or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, enter markets we operate in, or introduce competing services. Any of these factors could reduce our business market share or revenue, or increase churn."

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

Indications are that Rogers is not only aware of this but is taking active steps to manage this issue. For instance, Rogers Wireless launched the first Canadian commercial deployment of Long Term Evolution ("LTE") network services in Ottawa, Toronto, Montreal and Vancouver and now reaches more than 70% of the Canadian population. LTE is a next generation technology that enables unparalleled connectivity, offering speeds that are between three and four times faster than HSPA+ with peak theoretical download rates of up to 150 Megabits per second (Mbps) and upload speeds of up to 7*0 Mbps.* In the race to connect homes and business in Canada to the fastest broadband speeds available, Rogers unveiled in October 2015 a capital spending program to connect roughly four million homes to the Internet at a speed of up to one gigabit per second – considered the Holy Grail. Earlier this year, it purchased a large chunk of 700-megahertz spectrum at a federal government auction, more than any of the other telecoms. This spectrum will allow its customers to use their cellphones in elevators and basements and it runs off LTE.

For the first time, Rogers is also listing as a risk the possibility of cyber attacks against its network and the network of its suppliers, as something that could lead to service disruptions, legal suits and other actions. More on this can be found in Rogers' 2015 MD&A under the Risks section. Undoubtedly, such an event would also affect the results of The Company.