**Unaudited Condensed Interim Consolidated Financial Statements of**

# ADVENT-AWI HOLDINGS INC.

**For the three months ended March 31, 2019 and 2018**
**(expressed in Canadian dollars)**

# 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 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 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)

| | Mar. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 4) | 8,641,646 | 8,775,648 |
| Trade and other receivables | 645,334 | 1,096,716 |
| Inventories (note 5) | 227,573 | 453,693 |
| Marketable securities (note 6) | 7,000,000 | 7,000,000 |
| Note receivable (note 7) | 21,886 | 54,975 |
| Prepaid expenses and deposits - current | 9,183 | 44,125 |
| Loans receivable - current (note 8) | 1,723,208 | 1,595,412 |
| | 18,268,830 | 19,020,569 |
| **Non-current assets** | | |
| Marketable securities | 238,000 | 238,000 |
| Loans receivable (note 8) | 206,675 | 417,045 |
| Prepaid expenses and deposits | 61,639 | 62,457 |
| Right-of-use assets | 161,753 | - |
| Property, plant and equipment (note 9) | 1,070,101 | 1,374,157 |
| Investment properties (note 10) | 1,639,825 | 1,649,997 |
| Deferred income tax assets | 162,572 | 161,138 |
| | 3,540,565 | 3,902,794 |
| **Total assets** | 21,809,395 | 22,923,363 |

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

(Unaudited, expressed in Canadian dollars)

| | Mar. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| | $ | $ |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade accounts payable | 635,248 | 1,435,677 |
| Other payables and accrued liabilities | 1,097,850 | 1,326,248 |
| Government remittances payable | 25,848 | 22,605 |
| Tenant deposits | 38,090 | 38,090 |
| Income taxes payable | 436,730 | 571,037 |
| | 2,233,766 | 3,393,657 |
| **Non-current liabilities** | | |
| Lease liabilities | 162,833 | - |
| Loans payable (note 11) | 150,000 | 150,000 |
| **Total liabilities** | 2,546,599 | 3,543,657 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share capital** (note 12) | 4,274,676 | 4,274,676 |
| **Contributed surplus** | 623,971 | 623,971 |
| **Retained earnings** | 14,390,986 | 14,512,875 |
| **Capital attributable to shareholders of Advent-AWI Holdings Inc.** | 19,289,633 | 19,411,522 |
| **Non-controlling interests** | (26,837) | (31,816) |
| **Total equity** | 19,262,796 | 19,379,706 |
| **Total liabilities and shareholders' equity** | 21,809,395 | 22,923,363 |

**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 (Loss) and Comprehensive Income (Loss)**
(Unaudited, expressed in Canadian dollars)

| | 3 months ended Mar. 31 | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| **Revenue** (note 20) | | |
| Wireless income | 1,124,034 | 2,207,505 |
| Financing income (note 8) | 181,114 | 153,655 |
| **Total revenue** | 1,305,148 | 2,361,160 |
| **Cost of sales** (note 5) | (702,589) | (1,277,274) |
| **Gross profit** | 602,559 | 1,083,886 |
| **Expenses** (note 20) | | |
| General and administration (note 13) | 612,716 | 874,634 |
| Advertising and promotion | 15,279 | 23,211 |
| Depreciation - right-of-use assets | 38,061 | - |
| Amortization of property, plant and equipment | 17,564 | 31,141 |
| Amortization of investment properties | 10,172 | 11,497 |
| Loss on sale of property, plant and equipment | 128,651 | - |
| **Total expenses** | 822,443 | 940,483 |
| Operating income (loss) | (219,884) | 143,403 |
| **Investment income** | | |
| Rental income | 47,240 | 44,556 |
| Interest income | 11,934 | 29,420 |
| | 59,174 | 73,976 |
| **Income (loss) before income taxes** | (160,710) | 217,379 |
| Provision for (recovery of) income taxes (note 14) | (43,800) | 56,900 |
| **Net income (loss) and comprehensive income (loss) for the period** | (116,910) | 160,479 |
| Net income (loss) attributable to | | |
| Shareholders of Advent-AWI Holdings Inc. | (121,889) | 158,186 |
| Non-controlling interests | 4,979 | 2,293 |
| | (116,910) | 160,479 |
| **Basic and diluted, earnings (loss) per share for net income (loss) attributable to the ordinary equity holders of the company** (note 15) | (0.010) | 0.014 |

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 $ |
|---|---|---|---|---|---|
| **Three months ended Mar. 31, 2019** | | | | | |
| Balance - December 31, 2018 | 4,274,676 | 623,971 | 14,512,875 | (31,816) | 19,379,706 |
| Income attributable to non-controlling interests | - | - | - | 4,979 | 4,979 |
| Net loss attributable to shareholders of Advent-AWI Holdings Inc. for the period | - | - | (121,889) | - | (121,889) |
| Balance - March 31, 2019 | 4,274,676 | 623,971 | 14,390,986 | (26,837) | 19,262,796 |
| **Three months ended Mar. 31, 2018** | | | | | |
| Balance - December 31, 2017 | 4,274,676 | 623,971 | 12,868,490 | (49,816) | 17,717,321 |
| Income attributable to non-controlling interests | - | - | - | 2,293 | 2,293 |
| Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period | - | - | 158,186 | - | 158,186 |
| Balance - March 31, 2018 | 4,274,676 | 623,971 | 13,026,676 | (47,523) | 17,877,800 |

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 Mar. 31, 2019 | 3 months ended Mar. 31, 2018 |
|---|---|---|
| | $ | $ |
| **Cash flows provided by (used in) operating activities** | | |
| Net income (loss) for the period | (116,910) | 160,479 |
| Items not affecting cash | | |
| Amortization of property, plant and equipment | 17,564 | 31,141 |
| Amortization of investment properties | 10,172 | 11,497 |
| Depreciation - right-of-use assets | 38,061 | - |
| Interest expense | 1,207 | - |
| Lease payment | (38,188) | - |
| Loss on disposal of property, plant and equipment | 128,651 | - |
| Interest income | (11,934) | (29,420) |
| Current income tax expense | (42,366) | 59,828 |
| Deferred income tax assets | (1,434) | (2,928) |
| Interest accretion of note receivable | (6,911) | (5,564) |
| | (22,088) | 225,033 |
| Changes in non-cash working capital items | | |
| Trade and other receivables | 451,382 | 769,209 |
| Inventories | 226,120 | 424,489 |
| Loans receivable | 82,574 | (303,058) |
| Prepaid expenses and deposits | 35,760 | 3,673 |
| Trade accounts payable | (800,429) | (1,173,241) |
| Other payables and accrued liabilities | (228,398) | (174,238) |
| Government remittances payable | 3,243 | 12,382 |
| | (229,748) | (440,784) |
| Taxes paid | (91,941) | (93,758) |
| **Net cash flows used in operating activities** | (343,777) | (309,509) |

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 Mar. 31, 2019 $ | 3 months ended Mar. 31, 2018 $ |
|---|---|---|
| Balance carried forward | | |
| **Net cash flows used in operating activities** | (343,777) | (309,509) |
| **Cash flows provided by (used in) investing activities** | | |
| Purchase of property, plant and equipment | (1,444) | (41,546) |
| Disposal of property, plant and equipment | 159,285 | - |
| Repayment of note receivable | 40,000 | 40,000 |
| Decrease in marketable securities | - | 234,322 |
| Interest received | 11,934 | 29,420 |
| **Net cash flows from investing activities** | 209,775 | 262,196 |
| **Net cash used in operations** | (134,002) | (47,313) |
| **Cash and cash equivalents - beginning of period** | 8,775,648 | 12,642,682 |
| **Cash and cash equivalents - end of period** | 8,641,646 | 12,595,369 |

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

## 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 March 31, 2019.

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

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

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

These unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 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 months ended March 31, 2019 and 2018 were approved by the Board of Directors for issue on May 28, 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, commissions earned on sale 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 it is earned and measurable.

    c) Quarterly bonus commission revenue is recorded in the last month of each quarter when targets are achieved. Annual bonus commission is recorded when received.

2) Financing revenue earned from microfinancing is recognized when earned and on an accrued basis.

3) Rental income includes rent from tenants under lease. All tenant rents are recognized in accordance with the underlying lease terms.

4) Interest income is recognized when earned.

**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.

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

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

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

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

## 4. Cash and cash equivalents

| | Mar. 31, 2019<br>$ | Mar. 31, 2018<br>$ |
|---|---|---|
| Cash at bank and on hand | 8,641,646 | 10,595,369 |
| Term deposit | - | 2,000,000 |
| Cash and cash equivalents | 8,641,646 | 12,595,369 |

The term deposit of $2,000,000 in 2018 was at 0.95% per annum and matured on March 31, 2018.

## 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 three months ended March 31, 2019 amounted to $702,589 (2018 - $1,277,274). There have been no inventory writedowns 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

| | Mar. 31, 2019<br>$ | Mar. 31, 2018<br>$ |
|---|---|---|
| Term deposits (i) | 7,000,000 | - |
| Guaranteed investment certificate (ii) | 238,000 | - |
| Balance - End of year | 7,238,000 | - |

i) The term deposits mature between April 3, 2019 to July 15, 2019, earning interest at a rate between 1.90% to 2.30% per annum. $4,000,000 matured after March 31, 2019, and were renewed at an interest rate between 2.15% to 2.30% per annum with a maturity date between September 30, 2019 and November 16, 2019.

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

(Unaudited, expressed in Canadian dollars)

## 7. Note receivable

In April 2014, the Company entered into an agreement with a buyer to sell its 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.

## 8. Loans receivable

Loans receivable are unsecured short-term loans bearing interest ranging from 31% to 48% per annum, with a weighted average rate of 41% per annum, from individual customers, from $1,500 to $5,000 with 9 to 36-month flexible repayment terms with no early repayment penalties. Financing income earned in the period is $181,114 (2018 - $153,655).

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 (2018 - $96,600), which represents its proportionate share of the outstanding balance. During the three months ended March 31, 2019, the Company's share of interest income was $6,289 (2018 - $1,769), 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 | (32,777) | (316,091) | - | - | - | - | - | (348,868) |
| Additions | - | - | - | 1,049 | - | 395 | - | 1,444 |
| Balance, March 31, 2019 | 159,538 | 1,320,659 | 393,704 | 201,412 | 7,720 | 204,626 | 7,377 | 2,295,036 |
| **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 | - | (60,930) | - | - | - | - | - | (60,930) |
| Amortization for the year | - | 4,786 | 8,094 | 1,524 | 442 | 2,101 | 615 | 17,562 |
| Balance, March 31, 2019 | - | 475,547 | 355,501 | 186,610 | 3,273 | 197,551 | 6,453 | 1,224,935 |
| **Net carrying amount** | | | | | | | | |
| Balance, December 31, 2018 | 192,315 | 1,105,059 | 46,297 | 15,277 | 4,889 | 8,781 | 1,539 | 1,374,157 |
| Balance, March 31, 2019 | 159,538 | 845,112 | 38,203 | 14,802 | 4,447 | 7,075 | 924 | 1,070,101 |

(Unaudited, expressed in Canadian dollars)

## 10. Investment properties

| **Cost** | Land<br>$ | Building<br>$ | Total<br>$ |
|---|---|---|---|
| Balance, January 1, 2018 | 721,428 | 1,375,389 | 2,096,817 |
| Balance, December 31, 2018 | 721,428 | 1,375,389 | 2,096,817 |
| Balance, March 31, 2019 | 721,428 | 1,375,389 | 2,096,817 |
| **Amortization** | | | |
| Balance, January 1, 2018 | - | 400,833 | 400,833 |
| Amortization for the year | - | 45,987 | 45,987 |
| Balance, December 31, 2018 | - | 446,820 | 446,820 |
| Amortization for the period | - | 10,172 | 10,172 |
| Balance, March 31, 2019 | - | 456,992 | 456,992 |
| **Net carrying amount** | | | |
| Balance, December 31, 2018 | 721,428 | 928,569 | 1,649,997 |
| Balance, March 31, 2019 | 721,428 | 918,397 | 1,639,825 |

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 location. The Company did not obtain an independent valuation for its investment properties. The fair value measurement has been classified as Level 3 in the fair value hierarchy.

(Unaudited, expressed in Canadian dollars)

## 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.

## 12. Share capital

Authorized
100,000,000 common shares without par value

Issued and outstanding

| | Number of shares | Amount $ |
|---|---|---|
| Balance - December 31, 2018 and March 31, 2019 | 11,935,513 | 4,274,676 |

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:

| | **Mar. 31, 2019** | **Mar. 31, 2018** |
|---|---|---|
| | $ | $ |
| Share capital | 4,274,676 | 4,274,676 |
| Contributed surplus | 623,971 | 623,971 |
| Retained earnings | 14,390,986 | 13,026,676 |
| Non-controlling interests | (26,837) | (47,523) |
| | 19,262,796 | 17,877,800 |

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

(Unaudited, expressed in Canadian dollars)

## 13. General and administration expenses

General and administration expenses consist of the following :

| | Mar. 31, 2019<br>$ | Mar. 31, 2018<br>$ |
|---|---|---|
| Bank service charges | 25,865 | 22,137 |
| General and office expenses | 54,155 | 69,527 |
| Insurance | 22,108 | 27,347 |
| Interest | 1,207 | - |
| Professional fees | 33,084 | 34,137 |
| Rent and occupancy costs | 98,591 | 172,098 |
| Salary and payroll costs | 369,857 | 535,785 |
| Telephone expenses | 7,849 | 13,603 |
| | 612,716 | 874,634 |

## 14. Income taxes

Components of the provision for income taxes are as follows:

| | Mar. 31, 2019<br>$ | Mar. 31, 2018<br>$ |
|---|---|---|
| Current income tax expense (recovery) | (42,366) | 59,828 |
| Deferred income tax recovery | (1,434) | (2,928) |
| Provision for (recovery of) income taxes | (43,800) | 56,900 |

## 15. Earnings (loss) per share

| | Mar. 31, 2019<br>$ | Mar. 31, 2018<br>$ |
|---|---|---|
| Net earnings (loss) applicable to common shares | (121,889) | 158,186 |
| Basic and diluted weighted average number of common shares outstanding | 11,935,513 | 11,935,513 |
| Basic and diluted earnings (loss) per share | (0.010) | 0.014 |

Basic earnings (loss) per share was based on the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings (loss) per share was equal to basic earnings (loss) per share as there were no dilutive instruments outstanding in the three-month periods ended March 31, 2019 and March 31, 2018.

(Unaudited, expressed in Canadian dollars)

## 16. Commitments

The table below shows the future minimum payments under leases as at March 31, 2019:

| | $ |
|---|---|
| 2019 remaining | 96,376 |
| 2020 | 71,230 |
| | 167,606 |

During the three months ended March 31, 2019, the Company recognized a capital lease expense of $39,268.

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 March 31, 2019, the carrying value of the security was $423,887 (2018 - $430,924). There was no utilization of this line of credit as at March 31, 2019 (2018 - $nil).

(Unaudited, expressed in Canadian dollars)

## 17. Financial instruments

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

| Financial instrument | Fair value hierarchy | IAS 39 Classification | IFRS 9 Classification Measurement | Mar. 31, 2019 $ | Mar. 31, 2018 $ |
|---|---|---|---|---|---|
| Cash and cash equivalents | Level 2 | Loans and receivables | Amortized cost using the effective interest method | 8,641,646 | 12,595,369 |
| Trade and other receivables | Level 2 | Loans and receivables | Amortized cost using the effective interest method | 645,334 | 1,501,217 |
| Note receivable | Level 2 | Loans and receivables | Amortized cost using the effective interest method | 21,886 | 156,249 |
| Loans receivable | Level 2 | Loans and receivables | Amortized cost using the effective interest method | 1,929,883 | 1,612,786 |
| Marketable securities | Level 2 | Loans and receivables | Amortized cost using the effective interest method | 7,238,000 | - |
| Trade accounts payable and other payables and accrued liabilities | Level 2 | Other financial liabilities | Amortized cost using the effective interest method | 1,733,098 | 1,720,230 |
| 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 amount of cash and cash equivalents, accounts receivable, trade accounts payable and other payables and accrued liabilities approximate the fair values due to the relatively short period to maturity of the instruments. The fair value of the marketable securities and note receivable as at March 31, 2019 is $7,238,000 and $21,886 (2018 - $nil and $156,249), 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 line of credit, which bears interest as described in note 16. Since no funds have been drawn from the lines of credit as at March 31, 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 1.90% to 2.3%, and the guarenteed investment certificate earns interest at a fixed rate of 2.25%. Any fluctuation in the interest rate will not have a significant impact on the Company.

(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, marketable securities 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 76% of the trade receivables as at March 31, 2019 (2018 - 91%) were owed by one customer, Rogers Communications Inc. For the period ended March 31, 2019, approximately 88% (2018 - 79%) of the Company's gross revenue was from this customer. Based on historical default rates and the credit quality of this customer, no provisions have been recorded and no collateral is requested for the Company's trade receivables. The agreement with this customer expires on September 30, 2020.

The note receivable is from the purchaser of the B.C. operations, and is secured by real properties in the Vancouver area. The value of the properties is estimated to be $426,000 at 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 March 31, 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. In addition, the Company has an available line 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:

| | **Mar. 31, 2019** | **Mar. 31, 2018** |
|---|---|---|
| | $ | $ |
| Salaries and other benefits | 176,315 | 225,015 |

(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 sale 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 statement of financial position information by reportable segment at March 31, 2019 was as follows:

| | Wireless Business | Financing Business | Total |
|---|---|---|---|
| | $ | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8,504,399 | 137,247 | 8,641,646 |
| Trade and other receivables | 486,844 | 158,490 | 645,334 |
| Inventories | 227,573 | - | 227,573 |
| Marketable securities | 7,000,000 | - | 7,000,000 |
| Loans receivable - current | - | 1,723,208 | 1,723,208 |
| Note receivable | 21,886 | - | 21,886 |
| Prepaid expenses and deposits - current | 9,183 | - | 9,183 |
| | 16,249,885 | 2,018,945 | 18,268,830 |
| **Non-current assets** | | | |
| Marketable securities | 238,000 | - | 238,000 |
| Loans receivable | - | 206,675 | 206,675 |
| Prepaid expenses and deposits | 21,528 | 40,111 | 61,639 |
| Right-of-use assets | 161,753 | - | 161,753 |
| Property, plant and equipment | 1,047,832 | 22,269 | 1,070,101 |
| Investment properties | 1,639,825 | - | 1,639,825 |
| Deferred income tax assets | 124,872 | 37,700 | 162,572 |
| | 3,233,810 | 306,755 | 3,540,565 |
| **Total assets** | 19,483,695 | 2,325,700 | 21,809,395 |

(Unaudited, expressed in Canadian dollars)

| | Wireless Business | Financing Business | Total |
|---|---|---|---|
| | $ | $ | $ |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade accounts payable | 525,828 | 109,420 | 635,248 |
| Other payables and accrued liabilities | 1,097,850 | - | 1,097,850 |
| Tenant deposits | 38,090 | - | 38,090 |
| Government remittances payable | 25,848 | - | 25,848 |
| Income taxes payable | 436,730 | - | 436,730 |
| | 2,124,346 | 109,420 | 2,233,766 |
| **Non-current liabilities** | | | |
| Lease liabilities | 162,833 | - | 162,833 |
| Loans payable | - | 150,000 | 150,000 |
| Due to related parties | (2,155,000) | 2,155,000 | - |
| | (1,992,167) | 2,305,000 | 312,833 |
| **Total liabilities** | 132,179 | 2,414,420 | 2,546,599 |
| **SHAREHOLDERS' EQUITY** | | | |
| **Share capital** | 4,274,576 | 100 | 4,274,676 |
| **Contributed surplus** | 623,971 | - | 623,971 |
| **Retained earnings (deficit)** | 14,496,799 | (105,813) | 14,390,986 |
| **Capital attributable to shareholders of Advent-AWI Holdings Inc.** | 19,395,346 | (105,713) | 19,289,633 |
| **Non-controlling interests** | (43,830) | 16,993 | (26,837) |
| **Total equity (deficiency)** | 19,351,516 | (88,720) | 19,262,796 |
| **Total liabilities and shareholders' equity** | 19,483,695 | 2,325,700 | 21,809,395 |

(Unaudited, expressed in Canadian dollars)

Condensed interim consolidated statement of income (loss) information by reportable segment for the three months ended March 31, 2019 was as follows:

| | Wireless Business | Financing Business | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Revenue** | 1,124,034 | 181,114 | 1,305,148 |
| **Cost of sales** | (702,589) | - | (702,589) |
| **Gross profit** | 421,445 | 181,114 | 602,559 |
| **Expenses** | | | |
| General and administration | 453,616 | 159,100 | 612,716 |
| Advertising and promotion | 15,279 | - | 15,279 |
| Depreciation - right-of-use assets | 38,061 | - | 38,061 |
| Amortization of property, plant and equipment | 12,543 | 5,021 | 17,564 |
| Amortization of investment properties | 10,172 | - | 10,172 |
| Loss on sale of property, plant and equipment | 128,651 | - | 128,651 |
| **Total expenses** | 658,322 | 164,121 | 822,443 |
| Operating income (loss) | (236,877) | 16,993 | (219,884) |
| **Investment income** | | | |
| Rental income | 47,240 | - | 47,240 |
| Interest income | 11,934 | - | 11,934 |
| | 59,174 | - | 59,174 |
| **(Loss) income from operations before income taxes** | (177,703) | 16,993 | (160,710) |

## 21. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's condensed interim consolidated financial statement presentation.