Consolidated Financial Statements of

DEALNET CAPITAL CORP.

Years ended December 31, 2018 and 2017

MANAGEMENT'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Dealnet Capital Corp. have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are adequately maintained.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which consists of three independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. KPMG LLP has audited these consolidated financial statements for the year ended December 31, 2018 and their report follows. The financial statements for the year ended December 31, 2017 were audited by another auditor.

"Brent Houlden"
Brent Houlden
President and Chief Executive Officer

"Michael Koshan"
Michael Koshan
Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dealnet Capital Corp.

Opinion

We have audited the consolidated financial statements of Dealnet Capital Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of income (loss) and comprehensive income (loss) for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 23, 2018.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Steven Watts.

Toronto, Canada

March 25, 2019

DEALNET CAPITAL CORP.

Consolidated Statements of Financial Position
(Expressed in thousands of dollars)

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents (note 7)	$ 8,684	$ 12,799
Restricted cash (notes 15(a) and 16)	13,217	18,402
Trade receivables, net of allowance (note 8)	523	4,866
Finance receivables, net (note 9)	182,826	170,681
Other assets (note 10)	5,051	3,514
Property and equipment, net (note 11)	580	2,517
Intangible assets, net (note 12)	1,105	1,754
Goodwill (notes 6 and 13)	–	289
	$ 211,986	$ 214,822
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities (note 14)	$ 3,886	$ 10,314
Debentures and notes payable (note 15)	23,825	53,760
Secured borrowings (note 16)	148,263	130,898
	175,974	194,972
Shareholders' equity:		
Share capital (note 19)	71,123	71,473
Shares to be issued	–	300
Contributed surplus	6,747	6,474
Accumulated other comprehensive loss	(53)	(59)
Deficit	(41,805)	(58,338)
	36,012	19,850
	$ 211,986	$ 214,822

See accompanying notes to consolidated financial statements.

On behalf of the Board:

“Harold Bridge”
Harold Bridge, Chairman

“Brent Houlden”
Brent Houlden, President and Chief Executive Officer

DEALNET CAPITAL CORP.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of dollars, except per share amounts or unless otherwise stated)

Years ended December 31, 2018 and 2017

	2018	2017
Consumer finance:		
Interest income	$ 15,361	$ 14,315
Interest expense	7,889	8,157
	7,472	6,158
Fee and ancillary revenue	2,224	1,986
Direct expense	(1,399)	(1,239)
Provision for credit losses	(453)	(1,508)
	372	(761)
Finance income	7,844	5,397
Engagement:		
Revenue	10,215	15,447
Cost of sales	7,363	11,699
	2,852	3,748
Gross profit	10,696	9,145
Operating expenses:		
Salaries, wages and benefits	9,454	13,184
General and administrative	4,520	9,348
Finance costs, net (note 22)	3,041	704
Depreciation and amortization (notes 11 and 12)	764	1,914
Share-based compensation (note 20)	275	1,289
Impairment loss (notes 12 and 13)	–	31,545
Loss on loss of control of subsidiaries (note 1)	1,422	–
	19,476	57,984
Loss from continuing operations before income taxes	(8,780)	(48,839)
Income taxes:		
Income tax expense	–	–
Deferred tax recovery	–	–
	–	–
Loss from continuing operations	(8,780)	(48,839)
Income from discontinued operations, net of tax (note 6)	25,619	4,141
Net income (loss)	16,839	(44,698)
Other comprehensive income (loss):		
Foreign currency translation	6	(104)
Net income (loss) and comprehensive income (loss)	$ 16,845	$ (44,802)
Income (loss) per common share, basic and diluted	$ 0.06	$ (0.16)
Continuing operations	(0.03)	(0.17)
Discontinued operations	0.09	0.01
Weighted average number of common shares outstanding (000s)	282,887	279,718

See accompanying notes to consolidated financial statements.

DEALNET CAPITAL CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of dollars, unless otherwise stated)

Years ended December 31, 2018 and 2017

	Share capital (note 19)						Accumulated		
	Number		Value				other		
	Preferred shares	Common shares	Preferred shares	Common shares	Shares to be issued	Contributed surplus	comprehensive income (loss)	Deficit	Total
	(000s)	(000s)							
Balance, December 31, 2016	–	260,166	$ –	$ 59,320	$ –	$ 7,049	$ 45	$ (13,640)	$ 52,774
Share issuance on acquisition (note 9)	–	12,523	–	5,511	–	–	–	–	5,511
Issuance of secured debentures (note 15(d))	–	–	–	–	–	722	–	–	722
Share issuance costs	–	–	–	(36)	–	–	–	–	(36)
Share-based payments	–	–	–	–	300	–	–	–	300
Share-based compensation (note 20)	–	–	–	–	–	1,238	–	–	1,238
Stock options exercised	–	107	–	32	–	(2)	–	–	30
Compensation options exercised	–	1,000	–	668	–	(268)	–	–	400
Warrants exercised	–	7,428	–	5,978	–	(2,265)	–	–	3,713
Other comprehensive loss	–	–	–	–	–	–	(104)	–	(104)
Net loss for the year	–	–	–	–	–	–	–	(44,698)	(44,698)
Balance, December 31, 2017	–	281,224	–	71,473	300	6,474	(59)	(58,338)	19,850
Adjustment on initial adoption of IFRS 9 (note 3)	–	–	–	–	–	–		(306)	(306)
Adjusted balance, January 1, 2018	–	281,224	–	71,473	300	6,474	(59)	(58,644)	19,544
Issuance of shares (note 15(d))	11	2,777	267	298	(300)	–	–	–	265
Redemption/cancellation of shares	(11)	(1,473)	(267)	(648)	–	–	–	–	(915)
Share-based compensation (note 20)	–	–	–	–	–	273	–	–	273
Other comprehensive gain	–	–	–	–	–	–	6	–	6
Net income for the year	–	–	–	–	–	–	–	16,839	16,839
Balance, December 31, 2018	–	282,528	$ –	$ 71,123	$ –	$ 6,747	$ (53)	$ (41,805)	$ 36,012

See accompanying notes to consolidated financial statements.

DEALNET CAPITAL CORP.

Consolidated Statements of Cash Flows
(Expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Loss from continuing operations	$ (8,780)	$ (48,839)
Items not involving cash:		
Loss on loss of control of subsidiaries (note 1)	1,422	–
Impairment loss (notes 12 and 13)	–	31,545
Provision for credit losses	453	1,508
Depreciation and amortization (notes 11 and 12)	764	1,914
Share-based compensation (note 20)	275	1,289
Accretion of interest and transaction costs	2,848	450
Change in fair value of estimate on funds held in escrow	–	42
	(3,018)	(12,091)
Change in non-cash working capital balances related to operations:		
Decrease in trade receivables and other assets	769	77
Increase in finance receivable, net	(12,645)	(29,055)
Decrease (increase) in restricted cash	5,185	(3,506)
Repayment of secured debentures (note 15(a))	(16,000)	–
Proceeds from issuance of debentures, net (note 15(a))	–	13,000
Increase in secured borrowings	17,334	12,327
Decrease in accounts payable and other liabilities	(3,538)	(846)
Operating activities of discontinued operations	1,757	4,209
Cash used in operating activities	(10,156)	(15,885)
Financing activities:		
Proceeds from issuance of (repayment of) senior secured debentures, net	(12,018)	10,313
Proceeds from issuance of (repayment of) notes and debentures, net	(4,734)	4,148
Redemption of preferred shares (note 19)	(267)	–
Costs of issuance of common shares	(2)	(36)
Proceeds from warrants exercised (note 19(e))	–	3,713
Proceeds from options exercised (note 19(d and f))	–	430
Decrease in finance lease obligations	(2)	(14)
Financing activities of discontinued operations	(364)	995
Cash provided by (used in) financing activities	(17,387)	19,549
Investing activities:		
Proceeds from the sale of discontinued operations, net of assets	24,167	–
Additions to property and equipment (note 11)	(94)	(722)
Additions to intangible assets (note 12)	(624)	(1,177)
Investing activities of discontinued operations (notes 11 and 12)	(27)	(1,266)
Cash provided by (used in) operating activities	23,422	(3,165)
Effect of foreign exchange on cash	6	(104)
Increase (decrease) in cash and cash equivalents	(4,115)	395
Cash and cash equivalents, beginning of year	12,799	12,404
Cash and cash equivalents, end of the year	$ 8,684	$ 12,799
Cash of discontinued operations, end of year	$ –	$ 442
Cash of continuing operations, end of year	8,684	12,357
Supplemental cash flow information:		
Interest paid	$ 7,995	$ 8,024
Income taxes paid	–	–

See accompanying notes to consolidated financial statements.

1. Corporate information:

Dealnet Capital Corp. (the "Company" or "Dealnet") was incorporated on September 8, 1986 under the laws of the Province of British Columbia and was continued under the laws of the Province of Ontario on May 7, 1991. Effective July 28, 2015, the Company commenced trading on the TSX Venture Exchange ("TSX-V"). The address of the Company's registered office is 4 King Street West, Suite 1700, Toronto, Ontario, M5H 1B6, Canada.

Dealnet operates in two markets, Consumer Finance and Engagement.

The principal focus of Dealnet is Consumer Finance, concentrating on the origination, securitization and servicing of consumer loans and leases within the Canadian home improvement sector.

The Engagement business currently consists of One Contact Canada Inc. and One Contact Inc. (collectively, "One Contact") providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services in Canada and the United States. Previously, Engagement also included Impact Mobile Inc. and Impact Mobile USA Inc. (collectively, "Impact Mobile") and Gemma GP Corp., Gemma Communications LP and Akron Insurance Limited (collectively, "Gemma").

(a) Sale of Impact Mobile:

On July 6, 2018, the Company closed the sale of all of the issued and outstanding shares of Impact Mobile to IMImobile Canada Inc., a wholly-owned subsidiary of IMImobile PLC., for total cash consideration of $27.9 million ($25.3 million paid on closing; $2.5 million due in January 2019 (note 26(b)) and $0.1 million due in January 2020). Accordingly, the operating results and cash flows of the mobile engagement segment ("Mobile Engagement") are presented as discontinued operations. There are no performance conditions associated with the 2019 and 2020 payments (note 6).

(b) Liquidation of Gemma:

In late 2017, Dealnet started to explore various strategic alternatives including the attempted sale of Gemma. On March 9, 2018, Dealnet decided that a sale of the business was not possible and concluded that it was in the best interest of Dealnet to liquidate Gemma pursuant to the provisions of the Bankruptcy and Insolvency Act, R.S.C. 1985, c.B-3, as amended.

1. Corporate information (continued):

The financial contribution of Gemma to the Company's live engagement segment ("Live Engagement") for the period to March 8, 2018, reflected in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2018, is outlined below:

	Gemma	One Contact	Total Live Engagement
Revenue	$ 1,508	$ 8,707	$ 10,215
Cost of sales	1,301	6,062	7,363
Gross profit	207	2,645	2,852
Salaries, wages and benefits	196	1,113	1,309
General and administrative	357	991	1,348
Finance costs, net	–	(23)	(23)
Loss on loss of control of subsidiaries	1,422	–	1,422
Segment profit (loss) (note 24)	(1,768)	564	(1,204)
Depreciation and amortization	27	93	120
Income (loss) before income taxes	$ (1,795)	$ 471	$ (1,324)

The liquidation resulted in the deconsolidation of Gemma and the recognition of a loss on loss of control of Gemma for the period to March 8, 2018, reflected in the year ended December 31, 2018, as follows:

	Gemma
Trade receivables, net of allowance	$ 1,477
Other assets	130
Property and equipment, net	408
Accounts payable and other liabilities	(387)
	1,628
Expected recoveries, net	(206)
Loss on loss of control	$ 1,422

During 2018, the Company has recovered $165 from the Gemma estate upon liquidation of certain assets less expenses. The Company expects to further recover $149 (note 10). This receivable includes $108 of deposits placed with the trustee.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors ("Board") of the Company on March 25, 2019.

(b) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after the elimination of intercompany balances and transactions. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition. The results of operations of subsidiaries disposed during the period are presented as discontinued operations.

(c) Measurement basis:

These consolidated financial statements were prepared on a going concern basis under the historical cost method, except for certain financial assets and liabilities that are measured at fair value.

(d) Functional and presentation currency:

The presentation currency is the Canadian dollar. The consolidated financial statements are prepared in thousands of Canadian dollars, except per share amounts, and as otherwise noted. The functional currency of the Company and its subsidiaries is the Canadian dollar, except for its US subsidiaries, which are in US dollars.

3. Changes in significant accounting policies:

(a) Adoption of IFRS 9, Financial Instruments:

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"). The new standard introduces major changes on the classification and measurement of financial assets and also introduces an expected credit loss ("ECL") model for financial assets that replaces the Incurred Loss Model under IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), with the most significant impact being on the finance receivables.

The adoption of IFRS 9 does not require restatement of comparative period financial statements except for limited circumstances. The Company made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on January 1, 2018 through an increase to the deficit of $306 as at January 1, 2018.

(b) Classification and measurement:

The assessment of the Company's business models was made as of the date of initial application of January 1, 2018. The assessment of whether contractual cash flows on debt instruments represent solely payments of principal and interest on the principal amount outstanding was made based on the facts and circumstances as at the initial recognition of the financial assets.

3. Changes in significant accounting policies (continued):

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash and cash equivalents	FVTPL	Amortized cost
Restricted cash	FVTPL	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Consumer finance loans	Loans and receivables	Amortized cost
Other assets:		
Due from dealers	Loans and receivables	Amortized cost
Due from vendor	Loans and receivables	Amortized cost
Amounts due from sale of contracts	Loans and receivables	Amortized cost
Due from Gemma estate	Loans and receivables	FVTPL
Security deposits	Loans and receivables	Amortized cost

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

(c) Impairment of financial assets:

Under IFRS 9, the Company is required to apply an ECL model to all financial assets not held at fair value through profit and loss ("FVTPL"), where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the consolidated statements of financial position dates.

3. Changes in significant accounting policies (continued):

The effect of adopting IFRS 9 on the carrying amounts of the Company's financial assets at January 1, 2018 relates solely to the new impairment requirements. The following table summarizes the Transition Adjustment required to adopt IFRS 9 as at January 1, 2018:

	As at December 31, 2017	IFRS 9 transition adjustment	As at January 1, 2018
Consumer finance leases	$ 119,131	$ (169)	$ 118,962
Consumer finance loans	51,550	(137)	51,413
Deficit	$ 58,338	$ 306	$ 58,644

The reconciliation of the of the Company's closing allowances for credit losses in accordance with IAS 39, as at December 31, 2017 and the opening allowance for credit losses for consumer finance leases in accordance with IFRS 9, as at January 1, 2018, is as presented below:

	As at December 31, 2017	IFRS 9 transition adjustment	As at January 1, 2018
Leases - allowance for credit losses	$ 814	$ 169	$ 983
Stage 1 (Performing)			$ 741
Stage 2 (Under-Performing)			61
Stage 3 (Non-Performing)			181
Total			$ 983

3. Changes in significant accounting policies (continued):

The reconciliation of the Company's closing allowances for credit losses in accordance with IAS 39, as at December 31, 2017 and the opening allowance for credit losses for consumer finance loans in accordance with IFRS 9, as at January 1, 2018, is as presented below:

	As at December 31, 2017	IFRS 9 transition adjustment	As at January 1, 2018
Loans - allowance for credit losses	$ 353	$ 137	$ 490

Stage 1 (Performing)	$ 341
Stage 2 (Under-Performing)	9
Stage 3 (Non-Performing)	140
Total	$ 490

(d) Adoption of IFRS 15, Revenue from Contracts with Customers:

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company elected to adopt IFRS 15 using the modified retrospective method, which did not involve restating comparative figures for 2017. The Company elected to apply the following expedients permitted under IFRS 15, in its initial adoption:

- not restating completed contracts that begin and end in the same period; and

- not restating contracts that were complete under IAS 18, Revenue ("IAS 18"), before January 1, 2017.

There was no significant impact of adoption of IFRS 15, and no adjustment to equity at January 1, 2018 or revenues reported in the consolidated financial statements for the year ended December 31, 2018. The Company's decision to apply the above expedients did not impact the amount of revenue reported or any related contract asset and liability balances.

4. Summary of significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

(b) Restricted cash:

Restricted cash are funds raised from third parties which may only be used for the purpose of funding eligible HVAC and home improvement contracts. These funds are secured against consumer finance contracts.

Also included in restricted cash are cash reserves maintained to support credit risks for secured debentures and secured borrowings.

(c) Consumer finance income and receivables:

The Company provides financing to consumers through direct financing leases and loans.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus residual values accruing to the Company less unearned finance income. Unearned finance income is recognized over the life of the lease using the effective interest rate method, which provides a constant rate of return throughout the lease term.

Prior to adoption of IFRS 9, loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

4. Summary of significant accounting policies (continued):

(d) Financial instruments:

(i) Recognition and initial measurement:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial instrument is initially measured at fair value plus, in the case of an item not at FVTPL, transaction costs.

(ii) Classification and subsequent measurement:

Financial assets are classified and subsequently measured at: i) FVTPL; ii) amortized cost; iii) debt measured at fair value through other comprehensive income ("FVOCI"); iv) equity investments designated at FVOCI; or v) financial instruments designated at FVTPL. The classification is based on both the contractual cash flow characteristics of the financial asset and the business model under which the financial asset is managed. Financial assets are not reclassified unless the business model under which they are managed has changed. All reclassifications are applied prospectively from the reclassification date.

Debt investments are recorded at amortized cost for financial assets that are both i) held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and ii) for which the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest method. This category includes cash and cash equivalents and restricted cash (previously classified and measured at FVTPL under IAS 39); and trade receivables, consumer finance loans and other assets (previously classified as loans and receivables and measured at amortized cost under IAS 39).

Debt investments are recorded at FVTPL for financial assets that are held for trading or designated at FVTPL upon initial recognition when certain criteria are met. Upon initial recognition, attributable transaction costs are recognized in the consolidation statements of net income (loss) and comprehensive income (loss) as incurred. Financial instruments in this category are subsequently measured at fair value with realized and unrealized gains and losses recognized in the consolidation statements of net income (loss) and comprehensive income (loss). This category only includes Due from Gemma estate.

4. Summary of significant accounting policies (continued):

In the periods presented, the Company does not have any financial assets classified or designated as FVOCI, nor does it have any financial assets classified or designated as FVTPL.

Financial liabilities are subsequently measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL. The Company's financial liabilities include accounts payable and other liabilities, debentures and notes payable, and secured borrowings. Consistent with IAS 39, all financial liabilities held by the Company are subsequently measured at amortized cost.

(e) Impairment of financial assets:

Under IFRS 9, the Company applies an ECL model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the consolidated statements of financial position dates. The scope of IFRS 9's impairment provisions includes trade receivables, consumer finance leases and loans and other assets.

For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

For consumer finance leases and loans and other assets, the Company is required to assess and segment its portfolios into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each date of the consolidated statements of financial position.

Financial assets are categorized as under-performing if there has been a significant increase in credit risk since initial recognition. The Company utilizes delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a lease or loan. In all cases, the Company considers that there has been a significant increase in credit risk since initial recognition when contractual payments are more than 30 days past due or when a customer has experienced a significant decrease in their external credit score (Beacon score). Financial assets are categorized as non-performing if there has been a default, which the Company considers to have occurred when there is objective evidence that such finance assets will likely be charged off in the future or when contractual payments are 90 days past due.

4. Summary of significant accounting policies (continued):

For performing leases and loans, the Company recognizes an allowance for credit losses equal to the expected losses that result from default events that are possible within the ensuing twelve months ("12-month ECLs"). For under-performing and non-performing leases and loans, the Company is required to record an allowance for the expected credit losses that result from all possible default events over their expected lives ("lifetime ECLs").

The key inputs in the measurement of ECL allowances are as follows:

- The probability of default is an estimate of the likelihood of default over a given time horizon;

- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time, mitigated by dealer reserves and future expected escalations provided by the originating dealers (note 14);

- The exposure at default is an estimate of the exposure at a future default date; and

- Forward looking indicators.

Ultimately, the ECL is calculated based on a probability-weighted estimate of credit losses of the lease and loan portfolio or the other assets over their expected lives, discounted at the asset's effective interest rate, and considers reasonable and supportable information about past events, current conditions (including Beacon scores) and forecasts of future events and economic conditions that may impact the credit profile of the finance receivables. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking indicators such as unemployment rates, inflation and interest rates, are incorporated in the risk parameters as relevant.

The Company formulates three economic scenarios: a base case, which is a median scenario assigned a 70% probability of occurring, and two less likely scenarios, one upside and one downside, assigned 10% and 20% probability of occurring respectively.

The measurement of ECLs under IFRS 9 does not necessarily affect the actual cash flows generated from or net charge-off rate of the Company's financial assets, but instead reflects the expectations of future cash flows and cash shortfalls. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4. Summary of significant accounting policies (continued):

Financial assets that are written off are subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

In the comparative period, the impairment of financial assets was based on the incurred loss model. Under IAS 39, financial assets not classified as FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment. For impaired assets measured at amortized cost, an impairment loss was calculated as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(f) Policy applicable prior to January 1, 2018, Allowance for credit losses (IAS 39):

Leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 90 days. When receivables are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Leases and loans that have been assessed individually and found not to be impaired are then assessed collectively to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of the historical performance of data from the lease and loan portfolio such as credit quality, levels of arrears and historical loss rate.

Credit risk within the Company's lease receivables portfolio is further mitigated by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance and is entitled to seek additional cash reserves from the dealers when the reserve balance is below the contractual amount. Receivables arising from terminated delinquent finance lease contracts, where available, are also recoverable in full through the garnishment of future escalation payments otherwise due to the originating dealers.

Under both IFRS 9 and IAS 39, the Company also relies on the registration of a notice of security interest ("NOSI") in the real property registry to minimize credit losses of leases and loans.

4. Summary of significant accounting policies (continued):

(g) Engagement revenue recognition:

The Company earns live and mobile engagement revenue from contracts with customers. Revenue from these contracts is recognized in accordance with the five-step model in IFRS 15:

(i) Identify the contract with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price, which is the total consideration provided by the customer;

(iv) Allocate the transaction price among the performance obligations in the contact based on their relative fair values; and

(v) Recognize revenue when the relevant criteria are met for each performance obligation.

Although IFRS 15 introduces significant new guidance, particularly around identification of separate performance obligations based on whether goods or services are distinct, its application did not have a material impact on the timing or amount of revenue recognized by the Company.

(i) Live services:

The Company earns revenue from Live services including providing outsourced services, such as call centers, loyalty program administration, utility customer care, and telecom and technical support services, to a broad-based clientele in both Canada and the United States, mainly from agent-related services. This revenue consists of initial implementation fees, which are collected at the beginning of a contract, and ongoing monthly production fees, which are typically variable based on certain metrics in the contracts. The Company concluded that the outsourced services represent a single performance obligation, which is satisfied over time as services are provided, and the implementation fees are non-refundable upfront fees.

4. Summary of significant accounting policies (continued):

Production fees are typically recognized in the period in which calls are received and services are performed based on staffing hours or the number of contacts/calls handled by service agents using contractual rates. The revenue from implementation fees is typically recognized in each period on a straight-line basis over the non-cancellable period of the contract, which is typically shorter than the stated contract term. Payments received from customers in advance of services provided are recorded in deferred revenue as a contract liability on the consolidated statements of financial position.

(ii) Mobile services:

The Company's Mobile services include SMS message delivery services and program and campaign hosting services, along with related ancillary services.

The Company uses its connectivity to mobile carriers to earn revenue from mobile messaging over short codes. Mobile content, in the form of SMS and MMS messages, is transmitted by the Company, for its customers, to and from the mobile carriers. The Company concluded that provision of this messaging service represents a single performance obligation satisfied over time, with revenue from messaging recorded when the message is sent. The Company charges a fixed monthly hosting fee for short code connectivity, which was determined to be a separate performance obligation, also satisfied over time, for which is recognized monthly as it is earned. The Company also charges a fixed fee for initial short code set up and provisioning, to establish the functionality desired by the customer. The Company concluded short code set up and provisioning is a separate performance obligation, satisfied at the point in time that a provisioned short code is registered on behalf of the customer. It is at that point that the customer is able to benefit from use of the short code. Revenue for short code set up and provisioning is recognized as the functional short codes are made available for the customer's use.

The Company also earns revenue from providing various types of hosting and maintenance services for various recurring customer survey initiatives, SMS broadcasts, automated file exchange services and similar activities. The Company typically earns fixed monthly fees for these services. The Company concluded that provision of these hosting services represents a performance obligation which is satisfied over time, with revenue being recognized monthly as it is earned.

4. Summary of significant accounting policies (continued):

The 2018 amounts reported were not significantly impacted by adoption of IFRS 15, and would have been largely the same had IFRS 15 not been adopted on January 1, 2018.

In the comparative period, engagement revenue was recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue was measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognized in the period when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability is reasonably assured and services have been rendered.

(h) Policy applicable prior to January 1, 2018, Trade receivables:

Trade receivables consist primarily of amounts owed to the Company by clients and are presented net of an allowance for doubtful accounts. Contracts with individual clients determine when receivables are due, generally within 30-90 days, and whether interest is accrued on late payments. The Company reviews its trade receivables at each reporting date to assess the adequacy of the allowance for doubtful accounts and to determine whether bad debt expense should be recorded in the consolidated statements of income (loss) and comprehensive income (loss).

(i) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over the estimated useful lives of the property and equipment. Depreciation commences once the asset is in use. The periods of depreciation are as follows:

Computer hardware	3 to 5 years
Office equipment	3 to 5 years
Leasehold improvements	5 years or the life of the leasehold, whichever is lower

The useful lives, method of depreciation and the assets' residual values are reviewed at least annually and the remaining useful life is adjusted prospectively, if appropriate.

4. Summary of significant accounting policies (continued):

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which they relate may not be recoverable.

(j) Intangible assets:

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition. The Company's intangible assets include computer software, customer and dealer relationships, and brand and trademarks and are measured at amortized cost. All of the Company's intangible assets have a finite life and are amortized on a straight-line basis over their useful lives. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Computer software	3 to 5 years
Customer and dealer relationships	10 years
Brand and trademarks	10 years

(k) Business combinations and goodwill:

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed in the consolidated statements of income (loss) and comprehensive income (loss). When the Company acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in the consolidated financial statements.

4. Summary of significant accounting policies (continued):

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating unit ("CGU") to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be impairment.

(l) Impairment of non-financial assets:

For the purposes of assessing impairment of non-financial assets such as property and equipment, intangible assets and goodwill, assets are grouped at the lowest level for which there are separately identifiable cash inflows. An impairment loss is recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The Company's determination of the recoverable amount utilizes detailed budgets, forecast calculations, quoted market prices or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses, for assets other than goodwill, may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income (loss) and comprehensive income (loss). Impairment losses relating to goodwill are not reversed in future periods.

Goodwill is allocated to CGUs or a group of CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not larger than an operating segment.

4. Summary of significant accounting policies (continued):

(m) Assets held for sale and discontinued operations:

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the consolidated statements of financial position.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of the disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the consolidated financial statements, unless otherwise noted, and are presented net of tax in the consolidated statements of income (loss) and comprehensive income (loss) for the current and comparative periods.

(n) Fair value of financial instruments (IFRS 9 and IAS 39):

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

4. Summary of significant accounting policies (continued):

(o) Convertible debentures:

Convertible debentures are initially recorded at amortized cost and accounted for as compound financial instruments with separable debt and equity components. The debt component is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for debt instruments of similar term and risk assuming no conversion feature. The debt component is deducted from the total carrying value of the compound instrument to derive the carrying amount allocated to the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized as finance costs in the consolidated statements of income (loss) and comprehensive income (loss).

(p) Extinguishment of debt:

Equity and debt instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the instruments issued. If the fair value of the instruments issued cannot be measured reliably, it is measured at the fair value of the financial liability extinguished. Any differences between the carrying amount of the financial liability and the fair value of the consideration are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

(q) Secured borrowings:

Securitization programs represent the transfer of pools of finance receivables to third parties in exchange for cash being returned to the Company.

The Company securitizes its finance receivables as part of its consumer financing operations. Finance leases and loans are funded through the use of both the Company's own cash and the secured debenture facilities available to the Company by pledging such receivables as security for amounts borrowed from lenders. The Company retains servicing responsibilities for the pledged finance lease and loan receivables and the lenders have the right to enforce their security interest in the pledged receivables if the Company defaults under these facilities.

4. Summary of significant accounting policies (continued):

Transfers of pools of finance receivables under certain arrangements, including transfers where security interest or legal ownership is transferred, do not result in derecognition of the finance receivables from the Company's consolidated statements of financial position and continue to be recognized on the Company's consolidated statements of financial position and accounted for as finance receivables as disclosed in note 16. As such, these transactions result in the recognition of secured borrowings when cash is received from the third parties under the securitization programs.

The secured borrowings are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability to the net cash received at securitization date.

Deferred financing costs are presented as a reduction of secured borrowings and relate to direct costs incurred to initially obtain the total funding arrangements. These amounts are accreted as expenses over a period matching the repayment terms of the secured borrowing obtained during the initial commitment period.

(r) Share-based compensation:

The Company established an Omnibus Equity Incentive Plan for directors, officers, employees and certain independent contractors whereby the Board may award options, deferred share units ("DSUs"), performance share units ("PSUs") and restricted share units ("RSUs") as compensation for services rendered. The Plan is intended to promote a greater alignment of long-term interests between executives, directors and shareholders of the Company.

(i) Stock options:

The Company measures compensation expense for all share-based compensation awards made to employees, consultants and directors using estimated fair values. The fair value of share-based compensation is determined using the Black-Scholes option pricing model.

4. Summary of significant accounting policies (continued):

Employee share-based compensation is expensed using the straight-line method for each individual tranche over the vesting period. The offsetting entry to the share-based compensation expense is an increase to contributed surplus. Non-employee share-based compensation is measured at the earlier of completion of performance, when a performance commitment is reached or when the options have vested.

(ii) Deferred share units:

The Board determines the amount, timing and vesting conditions associated with each award of DSUs. Additionally, directors may elect to receive up to 40% of their annual retainer in DSUs. DSUs granted pursuant to such an election are fully vested over a period of 12 months.

Each DSU has a fair market value on the date of grant as determined by the volume weighted average trading price of the common shares on the principal market for the five days preceding the date of grant.

DSUs are recognized on the consolidated statements of financial position as a liability in accounts payable and other liabilities and are measured at fair value. Fair value is a function of the number of DSUs outstanding, the value of the Company's common shares and, if applicable, the portion of the associated vesting period that has elapsed.

(s) Foreign currency translation:

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

On consolidation, the revenue and expenses of subsidiaries with a different functional currency than the Company's presentation currency are translated in these consolidated financial statements at the average exchange rate for the reporting period, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation are recognized in other comprehensive income (loss).

4. Summary of significant accounting policies (continued):

(t) Income taxes:

Current income tax assets and liabilities in the consolidated financial statements are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income (loss) and comprehensive income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

(ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. Summary of significant accounting policies (continued):

Deferred income tax assets are recognized for all deductible temporary differences and carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforwards of unused tax credits and unused tax losses can be utilized, except:

(i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(ii) In respect of deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items not recognized through profit or loss is recognized outside of profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4. Summary of significant accounting policies (continued):

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances change. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed total goodwill) if it is incurred during the measurement period or in the consolidated statements of income (loss) and comprehensive income (loss).

(u) Income (loss) per share:

Income (loss) per share amounts are calculated by dividing the net income (loss) for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share amounts are calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all dilutive instruments, such as options, warrants and convertible debentures, into common shares.

(v) Standards issued but not yet effective:

IFRS 16, Leases ("IFRS 16"):

IFRS 16 was issued in January 2016 and replaces IAS 17, Leases ("IAS 17"), and is effective for periods beginning on or after January 1, 2019. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The standard introduces a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use-asset" for most lease contracts. The Company plans to adopt the standard for the year ending December 31, 2019.

The Company has opted to apply the standard retrospectively without restatement of prior periods. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and for lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment that are considered of low value.

4. Summary of significant accounting policies (continued):

The estimated impact on the Company's financial position as at the January 1, 2019 date of adoption is a right-of-use asset of approximately $1 million and lease liability of $1 million. Management is still in the process of finalizing the impact.

5. Critical accounting estimates and use of judgments:

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management's estimates and judgments are discussed below.

(a) Classification of financial assets:

The Company makes significant judgements in assessing the business model within which the assets are held and in assessing whether the contractual terms of a financial asset generate cash flows that constitute solely payments of principal and interest on the principal amounts outstanding, including prepayment and extension options and non-recourse or limited recourse provisions.

(b) Models and assumptions used:

The Company uses various models and assumptions in estimating the ECLs for its financial assets. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk (note 23).

(c) Business combinations:

Business combinations require management to exercise judgment in measuring the fair value of assets acquired and liabilities and contingent liabilities incurred or assumed.

5. Critical accounting estimates and use of judgments (continued):

Management uses judgment in estimating the fair value of intangible assets, such as customer and dealer relationships, and brand and trademarks, acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the intangible asset.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

(d) Goodwill and intangible asset impairment:

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to their recoverable amount. When impairment indicators are present, the recoverable amount of the CGU or group of CGUs, which is the higher of its estimated fair value less costs to sell and its value in use, is determined. Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of the CGUs, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management, which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

(e) Valuation of compound financial instruments:

Convertible debenture conversion options require an estimation of the fair value of a similar liability that does not have an associated equity component by using a suitable discount rate at initial recognition. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Additionally, significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

5. Critical accounting estimates and use of judgments (continued):

(f) Stock options:

Compensation expense relating to stock option awards granted by the Company to employees and certain non-employees in exchange for services rendered is based on the fair value of the option. The stock option fair value is determined using the Black-Scholes option pricing model, which requires the use of assumptions including the Company's estimated volatility rate and is, by its nature, subject to measurement uncertainty.

6. Asset disposition:

On July 6, 2018, the Company closed the sale of all of the issued and outstanding shares of Impact Mobile for a total cash consideration of approximately $27.9 million. The Company received $25.3 million of cash on closing with the $2.5 million due in January 2019 (note 26(b)) and $0.1 due in January 2020. Accordingly, the operating results and cash flows of the Impact Mobile business are presented as discontinued operations separate from the Company's continuing operations.

The Company recognized a gain on sale within income from discontinued operations, net of taxes as follows for the year ended December 31, 2018:

Proceeds on disposal, net of transaction costs of $961	$ 26,971
Reclassification of accumulated exchange differences from other comprehensive income related to the sale of foreign operation	4
Net assets disposed	(2,425)
	24,550
Income taxes	–
Gain on sale of Impact Mobile, net	$ 24,550

Unrecognized tax losses were utilized to fully offset the taxes owing on the gain on sale of Impact Mobile.

6. Asset disposition (continued):

In connection with the sale, the Company repaid the $12,000 senior secured debentures in full (note 15(d)) and redeemed all of the issued and outstanding preferred shares of $267 (note 19).

The following table summarizes the carrying value of the major classes of assets and liabilities of the disposal group as at date of sale (July 6, 2018):

Assets		
Cash and cash equivalents	$	165
Trade receivables, net of allowance		1,961
Other assets		286
Property and equipment, net		1,099
Intangible assets, net		854
Goodwill (note 13)		289
		4,654
Liabilities		
Accounts payable and other liabilities		1,261
Finance lease obligations		649
Contract liabilities		319
		2,229
Net assets disposed	$	2,425

6. Asset disposition (continued):

For all periods presented, the financial results of the Mobile Engagement have been segregated from the ongoing Live Engagement and are presented separately as discontinued operations, net of tax, in the following tables:

	2018	2017
Engagement:		
Revenue	$ 6,430	$ 10,576
Cost of sales	1,855	2,952
Gross profit	4,575	7,624
Operating expenses:		
Salaries, wages and benefits	2,828	2,543
General and administrative	403	661
Finance costs, net	41	24
Depreciation and amortization (notes 11 and 12)	206	205
	3,478	3,433
Income from discontinued operations before income taxes and gain on sale	1,097	4,191
Income taxes (note 18)	28	50
Income from discontinued operations before gain on sale	1,069	4,141
Gain on sale, net of tax	24,550	–
Income from discontinued operations, net of tax	$ 25,619	$ 4,141

7. Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, deposits held with regulated financial institutions and other short-term, liquid investments with original maturities of three months or less.

8. Trade receivables:

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Management regularly measures the credit quality of trade receivables based on individual customer and market factors.

As at December 31, 2018, 100% (2017 - over 99%) of the Company's trade receivables are considered current and the Company has recorded an allowance for doubtful accounts of nil (2017 - $40).

9. Finance receivables:

Finance receivables consist of the following:

	2018	2017
Consumer finance leases, net (a)	$ 104,433	$ 119,131
Consumer finance loans, net (b)	78,393	51,550
	$ 182,826	$ 170,681

(a) Consumer finance leases, net:

	2018	2017
Aggregate minimum payments	$ 155,514	$ 182,317
Unearned income	(52,978)	(66,423)
Fair value of leases acquired	1,610	2,764
Unamortized initial direct cost	1,092	1,287
Allowance for credit losses	(805)	(814)
Consumer finance leases, net	$ 104,433	$ 119,131

9. Finance receivables (continued):

On January 13, 2017, the Company acquired a portfolio of consumer finance lease contracts valued at approximately $27.6 million. The acquisition was effected through a cash payment of $22.5 million and the issuance of 12,523,364 common shares valued at $5,511 (note 19(b)). The Company simultaneously securitized $19.9 million of finance contracts from the portfolio to fund the cash portion of the transaction. As at December 31, 2017, finance contracts of $663 remained outstanding and the balance is reflected as due from vendor under Other assets (note 10(c)) and 6,630,014 common shares were being held in escrow to be released over the two-year period ending December 31, 2019 (note 19(b)). During the third quarter of 2018, the Company settled the remaining receivable through the cancellation of 1,473,336 common shares and released the remaining 5,156,678 common shares from escrow (note 19(b)).

During the fourth quarter of 2017, the Company, through its wholly owned subsidiary, sold a total of 632 lease contracts back to its originating dealer, from whom the Company purchased the contracts in September 2016. The contracts were sold at net book value for a total cash consideration of $3,784 plus applicable taxes. As at December 31, 2017, $441 of purchase price remained outstanding and is included as Amount due from sale of contracts under other assets (note 10(d)). No gain or loss was recorded for the sale transaction. This outstanding amount was collected in full plus interest in May 2018 (note 10(d)).

The following table presents the aging of the consumer finance leases, by contract balance:

	2018		2017	
	IFRS 9		IAS 39	
1-30 days past due	$ 1,253	1.2%	$ 2,062	1.8%
31-60 days past due	552	0.5%	828	0.7%
61-90 days past due	318	0.3%	665	0.6%
Greater than 90 days past due	6,175	6.0%	4,702	4.0%
Total past due	8,298	8.0%	8,257	7.1%
Current	94,238	92.0%	107,637	92.9%
Total consumer finance leases	$ 102,536	100.0%	$ 115,894	100.0%

As at December 31, 2018, the Company has an allowance for expected credit losses for leases of $805 under IFRS 9 (2017 - $814 prior to IFRS 9 adjustment of $169 as disclosed in note 3).

9. Finance receivables (continued):

Credit risk ratings are assigned to each lease in Stage 1 based on the customer's external credit risk score.

The following table sets out the Company's credit risk exposure for leases as at December 31, 2018:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 45,894	$ –	$ –	$ 45,894
680 to 750	27,517	–	–	27,517
Less than 680	17,361	–	–	17,361
Under-Performing	–	7,918	–	7,918
Non-Performing	–	–	6,548	6,548
Net consumer finance leases before allowance for expected credit losses	90,772	7,918	6,548	105,238
Allowance for expected credit losses	(123)	(238)	(444)	(805)
Consumer finance leases, net	$ 90,649	$ 7,680	$ 6,104	$ 104,433

The Company formulates a "base case" view of the forward-looking perspective of relevant economic variables as well as a representative range of other possible forecasts scenarios. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company used the following assumptions to estimate ECL for leases under three different scenarios:

Assumptions	Base case	Optimistic case	Pessimistic case
Probability of default (Stages 1 and 2)	1	0.90	1.10
NOSI recovery time (Stage 1, 2 and 3)	1	0.75	1.25
Loss given default (Stage 3)	1	0.60	1.40

9. Finance receivables (continued):

As of December 31, 2018, if the Company used only the "base case" scenario, the ECL for leases would be approximately $685 compared to $1,171 under the "pessimistic case" scenario and $422 under the "optimistic case" scenario. In all cases the percent of accounts in each stage was assumed to remain stable.

An analysis of the changes in the classification of allowance for expected credit losses for leases is as follows:

	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
As at January 1, 2018	$ 741	$ 61	$ 181	$ 983
Transfers to (from):				
Stage 1	(37)	7	30	–
Stage 2	16	(41)	25	–
Stage 3	22	12	(34)	–
Originations	4	3	7	14
Principal payments	(513)	(16)	(50)	(579)
Write-offs against allowance	–	–	(16)	(16)
Changes in credit risk	(110)	212	301	403
As at December 31, 2018	$ 123	$ 238	$ 444	$ 805

(b) Consumer finance loans, net:

	2018 IFRS 9	2017 IAS 39
Consumer finance loans	$ 79,446	$ 52,163
Accrued interest	540	333
Fair value of loans acquired	74	110
Vendor buy-down subsidies	(909)	(781)
Unamortized initial direct cost	193	78
Allowance for credit losses	(951)	(353)
Consumer finance loans, net	$ 78,393	$ 51,550

9. Finance receivables (continued):

The following table presents the aging of the consumer finance loans, by contract balance:

	2018		2017	
	IFRS 9		IAS 39	
1-30 days past due	$ 992	1.2%	$ 737	1.4%
31-60 days past due	288	0.4%	110	0.2%
61-90 days past due	230	0.3%	113	0.2%
Greater than 90 days past due	833	1.0%	388	0.8%
Total past due	2,343	2.9%	1,348	2.6%
Current	77,103	97.1%	50,815	97.4%
Total consumer finances loans	$ 79,446	100.0%	$ 52,163	100.0%

As at December 31, 2018, the Company has an allowance for expected credit losses for loans of $951 (2017 - $353 prior to IFRS 9 adjustment of $137 as disclosed in note 3).

Credit risk ratings are assigned to each loan in Stage 1 based on the customer's external credit risk score.

The following table sets out the Company's credit risk exposure for loans as at December 31, 2018:

Credit risk score	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Greater than 750	$ 23,183	$ –	$ –	$ 23,183
680 to 750	32,277	–	–	32,277
Less than 680	17,401	–	–	17,401
Under-Performing	–	5,514	–	5,514
Non-Performing	–	–	969	969
Net consumer finance loans before allowance for expected credit losses	72,861	5,514	969	79,344
Allowance for expected credit losses	(222)	(374)	(355)	(951)
Consumer finance loans, net	$ 72,639	$ 5,140	$ 614	$ 78,393

9. Finance receivables (continued):

The Company formulates a "base case" view of the forward-looking perspective of relevant economic variables as well as a representative range of other possible forecasts scenarios. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company used the following assumptions to estimate ECL for loans under three different scenarios:

Assumptions	Base case	Optimistic case	Pessimistic case
Probability of default (Stages 1 and 2)	1	0.90	1.10
NOSI recovery time (Stage 1, 2 and 3)	1	0.75	1.25
Loss given default (Stage 3)	1	0.60	1.40

As of December 31, 2018, if the Company used only the "base case" scenario, the ECL for loans would be approximately $846 compared to $1,156 under the "pessimistic case" scenario and $557 under the "optimistic case" scenario. In all cases the percent of accounts in each stage was assumed to remain stable.

An analysis of the changes in the classifications of allowance for expected credit losses for loans is as follows:

	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
As at January 1, 2018	$ 341	$ 9	$ 140	$ 490
Transfers to (from):				
Stage 1	(18)	6	12	–
Stage 2	1	(6)	5	–
Stage 3	14	2	(16)	–
Originations	82	136	53	271
Principal payments	(155)	(1)	(28)	(184)
Write-offs against allowance	–	–	(9)	(9)
Changes in credit risk	(43)	228	198	383
As at December 31, 2018	$ 222	$ 374	$ 355	$ 951

10. Other assets:

Other assets consist of the following:

	2018	2017
Due from dealers (a)	$ 1,749	$ 1,478
Due from purchaser (b)	2,638	–
Due from vendor (c)	–	663
Amount due from sale of contracts (d)	–	441
Due from Gemma estate (note 1)	149	–
Prepaid expenses and other receivables	275	460
Security deposits	84	270
HST receivable	156	202
	$ 5,051	$ 3,514

(a) As at December 31, 2018, the Company has receivables of $1,749 (2017 - $1,478) owing from dealers which it anticipates to be fully recoverable by future escalation payments. During the year, the Company wrote-off $233 of unrecoverable dealer reserves (2017 - nil) and the amount was included in provision for credit losses on the consolidated statements of income (loss) and comprehensive income (loss).

(b) The Company has a net receivable of $2,638 outstanding from the purchaser of Impact Mobile of which $2,500 is due in January 2019 (and subsequently collected) and the remainder is due in 2020 (notes 6 and 26(b)).

(c) As at December 31, 2017, the Company has a net receivable of $663 outstanding from the vendor on the acquisition of a portfolio of consumer finance lease contracts on January 13, 2017 (note 9(a)). In the third quarter of 2018, the Company settled the remaining receivable.

(d) In late 2017, the Company sold a total of 632 lease contracts at net book value for cash consideration of $3,784 plus applicable taxes. As at December 31, 2017, $441 of the purchase price remained outstanding (note 9(a)). This amount was collected in full plus interest in May 2018.

11. Property and equipment:

Property and equipment consist of the following:

	Computer hardware	Office equipment	Leasehold improvements	Total
Cost				
As at January 1, 2017	$ 1,061	$ 413	$ 874	$ 2,348
Additions	273	60	401	734
Additions - discontinued operations	1,266	–	–	1,266
Disposals	(120)	–	–	(120)
Disposals - discontinued operations	–	(4)	–	(4)
Translation	(5)	(12)	(8)	(25)
As at December 31, 2017	2,475	457	1,267	4,199
Additions	25	16	40	81
Additions - discontinued operations	9	–	–	9
Disposals - discontinued operations (note 6)	(1,617)	(5)	–	(1,622)
Disposals - loss on loss of control of subsidiaries (note 1)	(399)	(153)	(390)	(942)
Translation	7	15	9	31
As at December 31, 2018	$ 500	$ 330	$ 926	$ 1,756
Accumulated depreciation				
As at January 1, 2017	$ 594	$ 199	$ 449	$ 1,242
Depreciation - continuing operations	204	78	180	462
Depreciation - discontinued operations (note 6)	114	1	–	115
Disposals	(120)	–	–	(120)
Disposals - discontinued operations	–	(4)	–	(4)
Translation	(3)	(7)	(3)	(13)
As at December 31, 2017	789	267	626	1,682
Depreciation	105	62	217	384
Depreciation - discontinued operations (note 6)	149	–	–	149
Disposals - discontinued operations	(520)	(3)	–	(523)
Disposals - loss on loss of control of subsidiaries (note 1)	(253)	(105)	(177)	(535)
Translation	3	11	5	19
As at December 31, 2018	$ 273	$ 232	$ 671	$ 1,176
Net book value				
As at December 31, 2018	$ 227	$ 98	$ 255	$ 580
As at December 31, 2017	1,686	190	641	2,517

The net book value of leased assets included is nil (2017 - $1,129).

12. Intangible assets:

Intangible assets consist of the following:

	Customer relationships	Dealer relationships	Brand and trademarks	Computer software and other	Total
Cost					
As at January 1, 2017	$ 1,374	$ 12,666	$ 703	$ 1,043	$ 15,786
Additions	–	–	–	1,177	1,177
As at December 31, 2017	1,374	12,666	703	2,220	16,963
Additions	–	–	–	624	624
Additions - discontinued operations	–	–	–	18	18
Disposals - discontinued operations (note 6)	(1,074)	–	–	(237)	(1,311)
Disposals - loss on loss of control of subsidiaries	(300)	–	–	(870)	(1,170)
As at December 31, 2018	$ –	$ 12,666	$ 703	$ 1,755	$ 15,124
Amortization and impairments					
As at January 1, 2017	$ 115	$ 1,109	$ 61	$ 462	$ 1,747
Amortization - continuing operations	63	950	53	386	1,452
Amortization - discontinued operations (note 6)	67	–	–	23	90
Impairment	240	10,607	589	484	11,920
As at December 31, 2017	485	12,666	703	1,355	15,209
Amortization - continuing operations	–	–	–	380	380
Amortization - discontinued operations (note 6)	55	–	–	2	57
Disposals - discontinued operations (note 6)	(240)	–	–	(217)	(457)
Disposals - loss on loss of control of subsidiaries	(300)	–	–	(870)	(1,170)
As at December 31, 2018	$ –	$ 12,666	$ 703	$ 650	$ 14,019
Net book value					
As at December 31, 2018	$ –	$ –	$ –	$ 1,105	$ 1,105
As at December 31, 2017	889	–	–	865	1,754

12. Intangible assets (continued):

In 2017, the Company determined that an indicator of impairment existed for its dealer relationships and brand and trademarks within its Consumer Finance segment as substantially all dealer relationships acquired by the Company were no longer being used and the future cash flows were not expected to recover the economic benefits of these assets. As at September 30, 2017, the Company recognized an impairment loss of $10,607 for its dealer relationships and $589 for brand and trademarks. In addition, all related deferred tax assets and liabilities were reduced to nil.

In addition, as part of its annual goodwill impairment test performed as at September 30, 2017 (note 13), the Company determined that the carrying values of its customer relationships and computer software intangible assets within the Live Engagement segment exceeded its fair value. As a result, the Company recognized an impairment loss of $484 for its computer software intangible asset and $240 for its customer relationships intangible asset in this segment.

13. Goodwill:

Goodwill consists of the following:

	2018	2017
As at January 1	$ 289	$ 19,914
Disposal of Mobile Engagement (note 6)	(289)	–
Impairment of Live Engagement	–	(1,771)
Impairment of Consumer Finance	–	(17,854)
As at December 31	$ –	$ 289

The Company performs its annual test for the potential impairment of goodwill and intangible assets when circumstances indicate the carrying value may be impaired. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The Company did not perform its annual testing in 2018 as its remaining CGU with carrying value of goodwill, Mobile Engagement, was sold in July 2018 (note 6).

During the third quarter of 2017, the market capitalization of the Company fell below the book value of its equity, indicating a potential impairment of goodwill. As a result, management performed impairment tests as at September 30 and December 31, 2017.

13. Goodwill (continued):

The Company has three CGUs, or groups of CGUs, to which goodwill had been allocated for testing purposes: Consumer Finance, Mobile Engagement, and Live Engagement. Prior to September 30, 2017, the carrying values of goodwill for Consumer Finance, Mobile Engagement, and Live Engagement CGUs were $17,854, $289 and $1,771, respectively. For the purpose of impairment testing, the recoverable amounts for these CGUs were determined based on the higher of the value-in-use method and the fair value less costs to sell method.

The value-in-use method is based on estimated future cash flows over a five-year period referenced to the most recent financial forecasts approved by management, discounted to a present value. The discount rates the Company applied in determining the value-in-use comprised a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business.

	2017	
	Pre-tax discount rate	Perpetual growth rate
Mobile Engagement	16%	3%
Consumer Finance	31%	3%

For the Live Engagement, the impairment testing performed indicated that the carrying value of the goodwill exceeded the fair value less costs to sell, resulting in the recognition of impairment loss of $1,771 as at September 30, 2017.

For the Consumer Finance, the impairment testing indicated that the carrying value of the goodwill exceeded the expected future cash flows, resulting in the recognition of impairment loss of $17,854 as at December 31, 2017.

14. Accounts payable and other liabilities:

Accounts payable and other liabilities consist of the following:

	2018	2017
Accounts payable and accruals	$ 1,523	$ 4,869
Dealer reserves	914	942
Payroll liabilities	1,160	2,281
Other taxes payable	268	929
Finance lease obligations	–	1,037
Contract liabilities (a)	21	256
	$ 3,886	$ 10,314

(a) Of the $256 contract liabilities at January 1, 2018, $46 was recognized in engagement revenue on the consolidated statements of income (loss) and comprehensive income (loss) and $128 was for Mobile Engagement up to its date of sale and included in income from discontinued operations, net of tax on the consolidated statements of income (loss) and comprehensive income (loss) (note 6).

15. Debentures and notes payable:

Debentures and notes payable consist of the following:

	2018	2017
Secured debentures (a)	$ 18,911	$ 34,768
Secured promissory note (b)	4,900	7,129
Unsecured convertible vendor take-back note (c)	–	2,490
Senior secured debentures (d)	–	9,336
	23,811	53,723
Interest payable	14	37
	$ 23,825	$ 53,760

15. Debentures and notes payable (continued):

Movements in debentures and notes payable are as follows:

	Secured debentures	Secured promissory note	Unsecured convertible vendor take-back note	Senior secured debentures	Total
	(a)	(b)	(c)	(d)	
Balance, January 1, 2017	$ 21,635	$ 3,000	$ 2,420	$ –	$ 27,055
Principal	20,000	7,500	–	12,000	39,500
Attributed to equity component	–	–	–	(780)	(780)
Bond discount	–	–	–	(1,200)	(1,200)
Issuance costs	–	–	–	(747)	(747)
Repayment	(7,000)	(3,371)	–	–	(10,371)
Interest accretion	133	–	70	63	266
Balance, December 31, 2017	34,768	7,129	2,490	9,336	53,723
Repayment	(16,000)	(2,229)	(2,500)	(12,000)	(32,729)
Interest accretion	143	–	10	2,664	2,817
Balance, December 31, 2018	$ 18,911	$ 4,900	$ –	$ –	$ 23,811

(a) Secured debentures:

On January 12, 2016, the Company issued a $10 million secured debenture, with capacity to issue up to $100 million, a term of 10 years, and a fixed interest rate of 5.99%. The funds received may only be used for the purpose of funding eligible HVAC, home improvement and other unsecured finance contracts. As part of this transaction, the Company issued 2,000,000 common share purchase warrants, each warrant being able to purchase one common share of the Company at an exercise price of $0.67 per share, expiring on January 12, 2019. Subsequent to year-end, these warrants expired.

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The Company estimated the fair value of the equity component to be $722 (including $33 of transaction costs). The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 7%, which assumes no equity component. The fair value of the equity component was netted against the liability and is being accreted over the term of the loan.

15. Debentures and notes payable (continued):

On May 5, 2016, the Company issued a $3 million secured debenture under this existing facility at a fixed interest rate of 5.85%, maturing on June 30, 2017. The debenture was extended to mature on January 11, 2018 at a rate of 9.0%. This was repaid in full upon maturity of the debenture.

On November 28, 2016, the Company issued a $10 million secured debenture at a fixed interest rate of 6%. The debenture has a term of five years with an option to extend for an additional five years at the holder's option.

In April 2017, the Company, through a wholly owned subsidiary, issued $20 million of debentures under an existing facility to mature on October 13, 2017, bearing interest at 9.0%. This was extended to mature on January 11, 2018 under the same terms. On November 29, 2017, the Company repaid $7 million of the secured debentures and repaid $13 million upon maturity in January 2018.

Included in restricted cash was $5 (2017 - $4,384) of funds received under the secured debentures. These funds can only be used for the originations of finance receivable contracts.

Also included in restricted cash are total cash reserves of $2,000 (2017 - $3,600) to support the credit risk associated with the two secured debentures (2017 - four secured debentures). In addition, the debentures are secured against consumer finance contracts with a book value of $20.0 million (2017 - $31.9 million).

(b) Secured promissory note:

As part of the February 18, 2016 acquisition of EcoHome Financial Inc. ("EcoHome"), the Company issued an $8 million promissory note to Chesswood Group Limited ("Chesswood") bearing interest at 4.0% per annum, to mature on April 28, 2016. The note represented the intercompany warehouse funding to EcoHome for leases and loans that had not yet been securitized with EcoHome funders prior to the acquisition of EcoHome. As at January 1, 2017, $3 million of the remaining principal outstanding was extended to mature on October 16, 2017, with interest at 5.5% per annum.

15. Debentures and notes payable (continued):

On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the note, inter alia, to evidence an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million, bearing interest at the prime rate plus 3% per annum, with monthly repayment of $186 plus interest, and final principal repayment of $1 million due on the maturity date of October 16, 2020. In addition, the promissory note is secured against consumer finance contracts with a book value of $5,936 (2017 - $8,584).

(c) Unsecured convertible vendor take-back note:

As part of the February 18, 2016 acquisition of EcoHome, the Company issued Chesswood a $2.5 million convertible note, which matured on February 18, 2018 and was convertible into common shares of Dealnet at a conversion price of $0.64 per share. The note bears interest at the rate of 6% per annum. In determining the value of the liability, the Company applied an interest rate of 9%, which assumes no conversion feature. The Company repaid the note in full upon its maturity.

(d) Senior secured debentures:

On December 22, 2017, the Company issued 12,000 non-convertible senior secured debentures with a face value of $1,000 each under a non-brokered private placement. The debentures were sold at a 10% discount on closing, with cash proceeds of $10.8 million and a term of 24 months. The debentures bear interest at 6.0% per year, secured by the Company's right, title and interest in all securities in Impact Mobile, and are redeemable at any time on 30-day advance written notice. The term may be accelerated on certain prescribed events and conditions. If repayment occurs after the first anniversary of the issuance date, the amount payable will be at 110% of the principal.

As part of the transaction, the Company issued a total of 48 million warrants or 4,000 non-transferrable share purchase warrants to the holder for every $1,000 Debenture purchased. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months (note 19(c)). If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. The Company incurred total transaction costs of $805, $300 of which was paid by the issuance of 2,777,777 common shares in April 2018, and $267 by the issuance of 10,662 preferred shares (note 19(a)). The common shares were restricted for trading until July 6, 2018.

15. Debentures and notes payable (continued):

The Company used the residual method to allocate the liability and equity portions of the secured debenture. The fair value of the warrants issued with the senior secured debentures was determined using the Black-Scholes option pricing model to be $722 net of allocated transaction costs of $58 (note 19(c)). The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest rate of 26%, which assumes no equity component. The fair value of the equity component was netted against the liability and was being accreted over the 12 months.

On July 9, 2018, concurrent with the sale of Impact Mobile, the Company repaid the $12 million debentures in full. The unamortized finance costs of $1,379 were expensed and included in finance costs on the consolidated statements of income (loss) and comprehensive income (loss) (note 22). Pursuant to the terms of the common share purchase warrants that were issued with the Debentures, the expiry date of the warrants issued was accelerated to December 22, 2018 (note 19(c)). No warrants were exercised.

16. Secured borrowings:

The following table provides a summary of financial receivables transferred that do not qualify for derecognition, together with the associated liabilities:

	2018	2017
Carrying value		
Carrying value of finance receivables transferred	$ 148,373	$ 125,585
Cash reserves	11,212	10,418
Available collateral	$ 159,585	$ 136,003
Principal	$ 148,130	$ 130,913
Interest payable	139	–
Deferred financing cost	(25)	(43)
Fair value increment	19	28
Carrying value of associated liabilities	$ 148,263	$ 130,898
Fair value		
Fair value of finance receivables transferred	$ 146,027	$ 123,096
Cash reserves	11,212	10,418
	$ 157,239	$ 133,514
Fair value of associated liabilities	$ 146,842	$ 128,371

The weighted average stated interest rate of the outstanding liabilities is 4.57% as at December 31, 2018 (2017 - 4.11%) and excludes deferred financing costs and premiums or discounts. Included in restricted cash are cash reserves held with counterparties and forming part of the collateral security for these facilities of $11,212 as at December 31, 2018 (2017 - $10,418).

16. Secured borrowings (continued):

In November 2017, the Company renewed its securitization facility with a major Canadian life insurance company for an additional $50 million. During 2018, the Company securitized $41.6 million under this facility (2017 - $31.2 million). In October 2018, the Company renewed this facility for an additional $40 million.

As part of this November 2017 renewal, the Company also entered into a warehouse facility of $15 million with a term of 270 days from the funding date, bearing interest at 90-day Banker's Acceptance rates plus 3.5%. As at December 31, 2018, the Company utilized $11.2 million (2017 - nil) of the $15 million warehouse facility.

Under the existing securitization facility with a Schedule 1 bank, the Company securitized $4 million during 2018 (2017 - $18.1 million). In November 2018, the Company renewed this existing facility and entered into a warehouse facility of $5 million. The facility has a term of 90 days from the funding date, bearing interest at the prime rate plus 3% per annum. As at December 31, 2018, the Company has not utilized the existing facility.

In February of 2018, the Company terminated its securitization facility with a major Canadian financial institution and paid in full the outstanding balance of $7,134 (2017 - $7,338), net of cash reserves released of $779.

The Company retains a significant portion of the risk and reward associated with the transferred assets. The transferee has recourse only to the transferred assets and cash reserves.

The Company was in compliance with all financial and reporting covenants with all its lenders as at December 31, 2018.

17. Contingencies:

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company believes such claims are without merit and will consult with its legal counsel to vigorously defend its position.

18. Income taxes:

The Company has nil deferred income tax recovery for 2018 (2017 - nil). A reconciliation of income tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for 2018 and 2017 is as follows:

	2018	2017
Loss from continuing operations before income taxes	$ (8,780)	$ (48,839)
Income from discontinued operations before income taxes	25,647	4,191
Income (loss) before income taxes	$ 16,867	$ (44,648)
Income taxes at statutory rate of 26.5% (2017 - 26.5%)	$ 4,470	$ (11,832)
Impact of foreign income tax rate differential	(14)	23
Non-deductible stock-based compensation	73	341
Tax benefits not recognized	(323)	6,090
Goodwill impairment	–	5,201
Other permanent differences	(4,178)	227
Income tax expense	$ 28	$ 50
Allocated to current income tax expense as follows:		
From continuing operations	$ –	$ –
From discontinued operations (note 6)	28	50
Income tax expense	$ 28	$ 50
Deferred income tax		
Relating to origination and reversal of temporary differences	$ 856	$ –
Relating to previously unrecognized temporary differences of a prior period that has been used to reduce deferred tax expense	(856)	–
	$ –	$ –

18. Income taxes (continued):

The significant components of deferred income tax assets and liabilities are as follows:

	2018	2017
Non-capital losses carried forward	$ –	$ 275
Finance receivables and secured borrowings	(6,233)	(7,472)
Tangible and intangible assets	8,512	10,612
Reserves	(2,458)	(3,924)
Deferred financing costs	175	509
Other	4	–
Net deferred income tax asset (liability)	$ –	$ –

Deferred income tax assets are recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. Accordingly, the deferred tax assets have been recognized to the extent that there are deferred tax liabilities.

The following represents the deductible temporary differences that have not been recognized in the consolidated financial statements.

	2018	2017
Scientific research and experimental development	$ –	$ 476
Deferred financing costs	467	6,357
Reserves	386	700
Tangible and intangible assets	288	2,555
Non-capital losses carried forward	15,446	18,764
Other	39	–
	$ 16,626	$ 28,852

The Company offsets the deferred income tax assets and deferred income tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

18. Income taxes (continued):

The Company has tax losses of $13,803 (2017 - $17,156 of which $1,037 related to discontinued operations) and $1,643 (2017 - $1,608) in Canada and the United States, respectively, available to be applied against future years' taxable income. In order to record a deferred income tax asset, it must be more likely than not that the deferred income tax asset resulting from the tax losses available for carryforward will be realized. Given the Company's history of losses, the Company has not recognized the full benefit of these losses. The tax losses in Canada expire in years ranging from 2030 through 2038 and the tax in the United States expire in years ranging from 2035 through 2037.

19. Share capital:

Share capital consists of the following:

	2018	2017
Common shares	$ 71,123	$ 71,473

As at December 31, 2017, an unlimited number of common shares with no par value were authorized.

Pursuant to the shareholders' approval on October 23, 2015, the Company filed articles of amendment to create a new class of shares to be classified as "Preferred Shares". An unlimited number of Preferred Shares were created and the Preferred Shares can be issuable in one or more series.

	Number (000s)	Value
Preferred shares		
Balance, December 31, 2017	–	$ –
Issued (note 15(d))	11	267
Redeemed (note 6)	(11)	(267)
Balance, December 31, 2018	–	$ –

19. Share capital (continued):

	Number (000s)	Value
Common shares		
Balance, January 1, 2017	260,166	$ 59,320
Share issuance - acquisitions (b)	12,523	5,511
Share issuance costs (b)	–	(36)
Stock options exercised (f)	107	32
Warrants exercised (e)	7,428	5,978
Compensation options exercised (d)	1,000	668
Balance, December 31, 2017	281,224	71,473
Share-based payments (a)	2,777	298
Cancellation (b)	(1,473)	(648)
Balance, December 31, 2018	282,528	$ 71,123

	Number (000s)	Weighted average exercise price
Common share warrants		
As at January 1, 2017	16,971	$ 0.53
Issued (c) and (d)	48,500	0.12
Exercised (e)	(7,428)	0.50
Expired	(8,043)	0.52
As at December 31, 2017	50,000	0.14
Expired (c)	(48,000)	0.12
As at December 31, 2018	2,000	0.67

Common share and common share warrant transactions during 2018 and 2017 are as follows:

(a) In April 2018, the Company issued 2,777,777 common shares to settle transaction costs of $300 incurred on the issuance of the $12 million senior secured debentures as disclosed in note (15(d)).

19. Share capital (continued):

(b) On January 13, 2017, the Company issued 12,523,364 common shares valued at $5,511 as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million (note 9(a)) and incurred share issuance costs of $36. The common shares issued were subject to a hold period of four months expiring on May 14, 2017. Of the 6,630,014 common shares held in escrow to be released over a two-year period ending December 31, 2019, 1,473,336 common shares were cancelled as part of the settlement reached with the vendor to settle the outstanding receivable on acquisition of the portfolio of consumer finance lease contracts (notes 9(a) and 10(c)). Additionally, the common shares are subject to a three-year timed-release escrow commencing on closing. The remaining 5,156,678 common shares were released from escrow on August 20, 2018.

(c) On December 22, 2017, the Company issued a total of 48 million warrants as part of the issuance of 12,000 non-convertible senior secured debentures (note 15(d)). Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.12 per share for a period of 24 months. If the share price as denoted by the 10-day volume weighted average price exceeds $0.20, the holders are required to exercise the warrants within 30 days. Given the sale of Impact Mobile on July 9, 2018, the expiry date of the warrants issued were accelerated to expire on December 22, 2018 (note 15(d)).

(d) During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds $400 (book value - $668). In addition, the Company issued 999,819 common shares and 499,909 warrants.

(e) During the first quarter of 2017, a total of 7,427,499 common shares were issued upon the exercise of an equal number of warrants with a weighted exercise price of $0.50 for cash proceeds of $3,713 (book value - $5,978).

(f) During 2017, the Company issued 106,675 common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 each for cash proceeds of $30 and a book value of $32.

19. Share capital (continued):

The fair value of the warrants issued during the year ended December 31, 2017 was determined using the Black-Scholes option pricing model using the following assumptions:

	2017
Average fair value of warrants issued	$0.02
Exercise price	$0.12 - $0.20
Share price on date of issuance	$0.11
Risk-free interest rate	1.2%
Expected term	1 year
Estimated volatility	61%
Dividend yield	nil

The following is a schedule of exercisable common share purchase warrants as at December 31, 2018:

Expiry date	Outstanding	Weighted average exercise price	Remaining contractual life
	(000s)		(in days)
January 12, 2019	2,000	$ 0.67	12

Subsequent to year-end these warrants expired.

20. Share-based compensation:

Share-based compensation expense consists of the following:

	2018	2017
Stock options (a)	$ 273	$ 1,238
Deferred share units (b)	2	51
	$ 275	$ 1,289

(a) Stock options:

The Company awards stock options to employees, officers, directors and others at the recommendation of the Board under an incentive stock plan (the "Plan"). Options are granted at the fair value of the shares on the day granted (as decided by the Board), and vest over various terms with varying terms of exercise. Compensation expense is recognized over the vesting term. The changes in the number of stock options were as follows:

	2018		2017	
	Number (000s)	Weighted average exercise price	Number (000s)	Weighted average exercise price
As at January 1	17,488	$ 0.45	22,331	$ 0.50
Issued	8,950	0.08	1,600	0.26
Exercised	–	–	(107)	0.28
Expired/forfeited	(7,865)	0.46	(6,336)	0.58
As at December 31	18,573	0.27	17,488	0.45

On August 24, 2018, the Company granted a total of 8,950,000 stock options to directors, employees and consultants. During 2017, the Company granted 1,600,000 stock options to employees and consultants.

The stock options vest over a period of 18 months (2017 - 18 months), exercisable for a period of 5 years (2017 - 4 to 5 years) at a weighted average price of $0.08 (2017 - $0.26). The fair value of these options was estimated to be $474 (2017 - $202) on the date of grant using the Black-Scholes option pricing model.

20. Share-based compensation (continued):

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at December 31, 2018 are as follows:

	Options outstanding	Weighted average exercise price	Remaining contractual life	Options vested	Options unvested
	(000s)		(in years)	(000s)	(000s)
Expiry date					
2019	3,633	$ 0.37	0.38	3,633	–
2020	1,510	0.30	1.51	1,510	–
2021	3,930	0.59	2.62	3,930	–
2022	1,250	0.24	3.65	1,083	167
2023	8,250	0.08	4.65	–	8,250
	18,573	0.27	3.06	10,156	8,417

The fair value of the employee and broker compensation options was determined using the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Average fair value of options granted	$0.05	$0.13
Exercise price	$0.08	$0.09 - $0.36
Share price on date of issuance	$0.08	$0.09 - $0.39
Risk-free interest rate	2.2%	0.9% - 1.7%
Expected life	5 years	4 to 5 years
Estimated volatility	82%	54% - 77%
Dividend yield	nil	nil

Beginning in 2017, the Company changed its basis for volatility to one based on the Company's own historical volatility from that based on the average of a peer group of public companies in the financial services sector.

20. Share-based compensation (continued):

(b) Deferred share units:

DSUs outstanding as at December 31, 2018 are as follows:

	Number (000s)
As at January 1, 2017	–
Issued	1,188
Redeemed	(32)
Forfeited	(334)
As at December 31, 2017	822
Redeemed	(90)
Forfeited	(193)
As at December 31, 2018	539

As at December 31, 2018, the fair value of DSUs recorded on the consolidated statements of financial position as accounts payable and other liabilities were $41 (2017 - $47).

21. Related party transactions:

Compensation of key management personnel for the years ended December 31 is as follows:

	2018	2017
Salaries, bonuses and benefits	$ 3,068	$ 2,497
Termination benefits	111	1,217
Share-based compensation	156	613
	$ 3,335	$ 4,327

The amounts disclosed in the table are the amounts reflected in the consolidated financial statements during the reporting period and considered to be compensation to key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board. The total number of key management personnel was 11 during 2018 (2017 - 14).

21. Related party transactions (continued):

Included in the 2018 amounts are $1,055 (2017 - nil) relating to key management personnel compensation on the sale of Impact Mobile.

Other related party transactions:

In December 2017, certain officers, directors and key management personnel invested $2,627 in the senior secured debentures (note 15(d)).

In July 2018, the senior secured debentures were redeemed (note 15(d)). Interest and accretion charges of $827 (2017 - $19) related to the senior secured debentures were included in finance costs, net in the consolidated statements of income (loss) and comprehensive income (loss).

22. Finance costs, net:

Finance costs, net consist of the following:

	2018	2017
Interest	$ 395	$ 200
Accretion of finance costs	2,673	327
Foreign exchange loss	(27)	177
	$ 3,041	$ 704

Interest and accretion of finance costs for the year ended December 31, 2018 relate primarily to the senior secured debentures which were paid in full on July 9, 2018 (note 15(d)).

23. Financial instruments:

The effect of initially applying IFRS 9 on the Company's consolidated financial statements is described in note 4. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

23. Financial instruments (continued):

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels, Level 1, Level 2 or Level 3, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities. The Company holds various forms of financial instruments as follows:

2018	IFRS 9 Category	Level 1	Level 2	Level 3	Total
Financial instruments					
Cash and cash equivalents (i)	Amortized cost	$ 8,684	$ –	$ –	$ 8,684
Restricted cash (i)	Amortized cost	13,217	–	–	13,217
Trade receivables (i)	Amortized cost	–	523	–	523
Consumer finance loans, net (ii)	Amortized cost	–	77,987	–	77,987
Other assets (i)	Amortized cost	–	4,471	–	4,471
Due from Gemma estate (i)	FVTPL	–	149	–	149
Accounts payable and other liabilities (i)	Amortized cost	–	(3,886)	–	(3,886)
Debentures and notes payable (iv)	Amortized cost	–	–	(23,186)	(23,186)
Secured borrowings (iii)	Amortized cost	–	(146,842)	–	(146,842)

2017	IAS 39 Category	Level 1	Level 2	Level 3	Total
Financial instruments					
Cash and cash equivalents (i)	FVTPL	$ 12,799	$ –	$ –	$ 12,799
Restricted cash (i)	FVTPL	18,402	–	–	18,402
Trade receivables (i)	Loans and receivables	–	4,866	–	4,866
Consumer finance loans, net (ii)	Loans and receivables	–	50,582	–	50,582
Other assets (i)	Loans and receivables	–	2,852	–	2,852
Accounts payable and other liabilities (i)	Financial liabilities	–	(10,058)	–	(10,058)
Debentures and notes payable (iv)	Financial liabilities	–	–	(53,036)	(53,036)
Secured borrowings (iii)	Financial liabilities	–	(128,371)	–	(128,371)

There were no transfers between any levels between 2017 and 2018.

23. Financial instruments (continued):

Inputs and valuation techniques used for the financial instruments are as follows:

(i) Carrying amounts are expected to be reasonable approximations of fair value for cash and for financial instruments with short maturities, including trade, other receivables, due from Gemma estate and accounts payable.

(ii) Fair value of finance receivables, net consider only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the origination date and current date.

(iii) Fair value of secured borrowings consider only changes in components of the valuation model that are observable in active markets, namely, a change in the Government of Canada bond yields between the issued date and current date.

(iv) Fair value of notes and debentures are calculated using a valuation model that considers the future stream of cash flows discounted at the market swap yield adjusted for risk premium.

(a) Risk management policies:

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash and cash equivalents, restricted cash, trade receivables, due from dealers and finance receivables. The carrying amounts of financial assets represent the maximum credit exposure. Cash accounts are maintained with major international financial institutions of reputable credit and, therefore, bear minimal credit risk.

23. Financial instruments (continued):

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks. As at December 31, 2018, the Company has no allowance for credit losses (2017 - $40).

The Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board. The Credit and Risk Committee of the Board has established and monitors credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

The Company's loan receivables consist of unsecured consumer loans and, accordingly, the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing the borrower's capacity and willingness to pay through its underwriting policies and by ensuring that all loan contracts greater than $15 or ones that have become delinquent are registered with a NOSI as described in note 4, allowance for credit losses. As at December 31, 2018, the Company recorded an allowance for expected credit losses for loans of $951 (2017 - $353 prior to IFRS adjustment of $137 as disclosed in note 3).

Credit risk within the Company's lease receivables portfolio is mitigated by ensuring all lease contracts greater than $15 or ones that have become delinquent are registered with a NOSI and by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance and is entitled to seek additional cash reserves from the dealers. As at December 31, 2018, the Company held $914 (2017 - $942) in dealer reserves within accounts payable and other liabilities (note 14). In addition, the Company has recorded an allowance for expected credit losses for leases of $805 (2017 - $814 prior to IFRS adjustment of $169 as disclosed in note 3).

As at December 31, 2018, the Company has $1,749 (2017 - $1,478) due from dealers reported under other assets (note 10). The receivables arose from terminated delinquent finance lease contracts. The Company intends to recover the outstanding balances through garnishment of future escalation payments otherwise due to the originating dealers.

23. Financial instruments (continued):

(c) Interest rate risk:

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on the term facility and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

(d) Currency risk:

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to loss for the year. As at December 31, 2018, the Company did not hedge any currency exposures.

(e) Liquidity risk:

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of secured borrowings, debentures, and notes payable. In addition, a growth in origination volume requires the use of upfront cash. The exposure to secured borrowings is primarily managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements. With respect to debentures, notes payable and origination growth, the mitigation of liquidity risk is dependent on the Company's ability to extend current debt facilities or to raise additional funds through secure private debt placements or equity.

23. Financial instruments (continued):

The following tables set out the remaining undiscounted contractual payments and maturities of the Company's financial assets, financial liabilities and other commitments including interest as at December 31, 2018:

	2019	2020	2021	2022	2023	2024+	Total
Finance assets							
Cash and cash equivalents	$ 8,684	$ –	$ –	$ –	$ –	$ –	$ 8,684
Restricted cash	1,629	1,684	3,726	2,086	1,868	2,224	13,217
Trade receivables	523	–	–	–	–	–	523
Finance receivables leases (a)	20,412	18,654	18,939	19,271	19,197	59,041	155,514
Finance receivables loans (a)	15,304	15,368	16,388	21,042	26,363	9,732	104,197
Other assets	4,413	138	–	–	–	69	4,620
Total financial assets	$ 50,965	$ 35,844	$ 39,053	$ 42,399	$ 47,428	$ 71,066	$ 286,755
Finance liabilities							
Accounts payable and other liabilities	$ (3,877)	$ (9)	$ –	$ –	$ –	$ –	$ (3,886)
Secured debentures	–	–	(10,000)	–	–	(10,000)	(20,000)
Secured promissory note	(2,229)	(2,671)	–	–	–	–	(4,900)
Secured borrowings (b)	(31,357)	(20,475)	(33,027)	(25,399)	(22,851)	(15,021)	(148,130)
Interest payable	(7,266)	(6,105)	(4,801)	(3,096)	(1,767)	(1,964)	(24,999)
	(44,729)	(29,260)	(47,828)	(28,495)	(24,618)	(26,985)	(201,915)
Property leases	(1,033)	(586)	(319)	(319)	(319)	(398)	(2,974)
Total financial liabilities	$ (45,762)	$ (29,846)	$ (48,147)	$ (28,814)	$ (24,937)	$ (27,383)	$ (204,889)

(a) Repayments of secured borrowings are funded through cash flows from related finance receivables.

(b) The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including prepayment rates, charge-offs and modifications. Accordingly, the scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

24. Reportable segment information:

The Company currently operates in three reportable segments, namely Consumer Finance, Live Engagement and Mobile Engagement.

The Consumer Finance segment operates solely in Canada and provides consumer financing solutions through a network of home improvement dealers.

The Live Engagement segment operates in Canada and the United States providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back-office services. Given the liquidation of Gemma on March 9, 2018, the financial results of the Live Engagement segment for the year ended December 31, 2018 reflect primarily the contribution of One Contact.

The Mobile Engagement services segment operates in Canada and the United States providing end-to-end mobile marketing solutions allowing businesses to interact directly with mobile subscribers. Impact Mobile was sold on July 6, 2018 and has been segregated as discontinued operations (notes 1 and 6).

The Company's chief operating decision makers monitor the operating results of these business units separately for the purposes of assessing performance and allocating resources. The primary measure that is used in assessing operating performance of the operating segment is segment profit, which is defined as revenue less cost of sales, salaries and wages and general administration expenses.

24. Reportable segment information (continued):

In 2018, revenues from one customer in the Company's Live Engagement segment represented approximately 15.5% of the Company's total revenue.

2018	Live Engagement	Consumer Finance	Corporate	Continuing operations	Discontinued operations (note 6)
Revenue:					
Canada	$ 4,092	$ 17,585	$ –	$ 21,677	$ 5,338
United States	6,123	–	–	6,123	1,092
	10,215	17,585	–	27,800	6,430
Cost of sales	7,363	9,741	–	17,104	1,855
Gross profit	2,852	7,844	–	10,696	4,575
Expenses:					
Salaries, wages and benefits	1,309	3,485	4,660	9,454	2,828
General and administrative	1,348	1,586	1,586	4,520	403
Finance costs, net	(23)	1	3,063	3,041	41
Impairment loss	1,422	–	–	1,422	–
	4,056	5,072	9,309	18,437	3,272
Segment profit (loss)	$ (1,204)	$ 2,772	$ (9,309)	(7,741)	1,303
Depreciation and amortization				(764)	(206)
Share-based compensation				(275)	–
Income (loss) before income taxes				$ (8,780)	$ 1,097

2017	Live Engagement	Consumer Finance	Corporate	Continuing operations	Discontinued operations (note 5)
Revenue:					
Canada	$ 10,960	$ 16,301	$ –	$ 27,261	$ 8,520
United States	4,487	–	–	4,487	2,056
	15,447	16,301	–	31,748	10,576
Cost of sales	11,699	10,904	–	22,603	2,952
Gross profit	3,748	5,397	–	9,145	7,624
Expenses:					
Salaries, wages and benefits	2,884	4,336	5,964	13,184	2,543
General and administrative	3,334	2,435	3,579	9,348	661
Finance costs, net	127	–	577	704	24
Impairment loss	2,495	29,050	–	31,545	–
	8,840	35,821	10,120	54,781	3,228
Segment profit (loss)	$ (5,092)	$ (30,424)	$ (10,120)	(45,636)	4,396
Depreciation and amortization				(1,914)	(205)
Share-based compensation				(1,289)	–
Income (loss) before income taxes				$ (48,839)	$ 4,191

24. Reportable segment information (continued):

Total assets:

Total assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

2018	Live Engagement	Consumer Finance	Corporate	Discontinued operations (note 6)	Consolidated
Canada	$ 741	$ 206,930	$ 3,945	$ –	$ 211,616
United States	370	–	–	–	370
Total assets	$ 1,111	$ 206,930	$ 3,945	$ –	$ 211,986

2017	Live Engagement	Consumer Finance	Corporate	Mobile Engagement	Consolidated
Canada	$ 3,668	$ 196,955	$ 8,436	$ 4,436	$ 213,495
United States	533	–	–	794	1,327
Total assets	$ 4,201	$ 196,955	$ 8,436	$ 5,230	$ 214,822

25. Income (loss) per share:

Basic and diluted income (loss) per share ("EPS") amounts have been determined by dividing net income (loss) for the year by the weighted average number of common shares outstanding throughout the year.

	2018	2017
Weighted average number of common shares (000s)	282,887	279,718
Income (loss) per common share, basic	$0.06	$(0.16)
Continuing operations	$(0.03)	$(0.17)
Discontinued operations	$0.09	$0.01

Convertible debentures, share options and warrants have not been included in the calculation as they are anti-dilutive for the years presented and the Company reported net loss from its continuing operations.

26. Subsequent events:

(a) In February 2019 the Company entered into a twelve-month credit facility of $10 million with a private lender. This interim credit facility will finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility is established. This credit facility bears interest of prime rate plus 8.05%. To date, the Company has borrowed $5 million under this facility.

(b) In January 2019, the Company received $2.5 million from the purchaser of Impact Mobile (notes 6 and 10(b)).

27. Comparative information:

Certain of the comparative information has been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.