Cliffside Capital Ltd.
Management Discussion and Analysis

For the Three Months Ended March 31, 2018

Management Discussion and Analysis Page

CLIFFSIDE CAPITAL LTD.
MANAGEMENT DISCUSSION AND ANALYIS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following management discussion and analysis ("MD&A") of the results of the operations and financial position of Cliffside Capital Ltd. (the "Company") prepared as of March 31, 2018 and approved by the Board of Directors on May 18, 2018, should be read in conjunction with the Company's unaudited consolidated interim financial statements and notes thereto for the three months ended March 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS). All monetary amounts are expressed in Canadian dollars.

Forward- Looking Disclaimer

Certain statements contained in this MD&A constitute forward-looking statements which reflect the Company's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Additional Information

Additional information about the Company can be accessed at www.cliffsidecapital.ca

Nature of the Business

Cliffside Capital Ltd. (the "Company") holds investments in two limited partnerships, CAL LP and ACC LP III (the "Partnerships"). The Partnerships were formed to engage in the business of investing in retail sales contracts originated by CanCap Management Inc. ("CCMI"), and secured by collateral charges on motor vehicles. CAL LP was formed on February 22, 2016 and ACC LP III was formed on October 14, 2016. The Company owns 85-per-cent and 60-per-cent of the partnership units in CAL LP and ACC LP III respectively, and CCMI owns the remaining interest.

The Company trades on the TSX Venture Exchange (the "Exchange") under the symbol CEP. The Company's registered office is located at Suite 200, 11 Church Street, Toronto, M5E 1W1.

Operational Highlights

During the three months ended March 31, 2018, CAL LP and ACC LP III continued utilizing securitization facilities with their respective funders, completing tranches for aggregate securitization proceeds of $15 million, resulting in net increase to securitization debt of $8 million, net of cash holdback. Finance receivables of $13 million were acquired during the three months ended March 31, 2018 resulting in an increase in total consolidated assets by 11%.

For the three months ended March 31, 2018, the Company recorded net income after taxes of $490,796, which includes a one-time gain of $795,332 related to the remeasurement of the Partnerships' deferred purchase price payable as a result of renegotiating new terms with CCMI. The new terms replace the earlier fixed percentage price with a reduced fixed percentage plus a contingent component which is based on excess return on capital over a certain threshold. The new price applies to all retail sales contracts that the Partnerships owned as of January 1, 2018 as well as new acquisitions going forward. As a result, the Partnerships remeasured the outstanding deferred purchase price payable related to all retail sales contracts as of January 1, 2018 and recorded a one-time adjustment to other income.

On January 1, 2018 the Company adopted IFRS 9 and the standard was applied retrospectively, however the Company elected not to restate comparative information. Accordingly, all comparative period information is presented in accordance with IAS 39.

Under IFRS 9, the Company uses a three-stage approach to calculate expected credit losses ("ECL") which is based on the change in credit quality of the finance receivables since initial recognition. Under the first stage, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL is recorded. Under the second stage, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not credit impaired and continue to accrue interest, an amount equal to the lifetime ECL is recorded. Under the third stage, where there is objective evidence of impairment, these financial assets are classified as credit impaired and an amount equal to the lifetime ECL is recorded.

The ECL is calculated by applying a probability of default, exposure at default, and loss given default to the population of finance receivables under each stage at each reporting date. The ECL model is forward looking and uses reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. The new ECL model results in the earlier recognition of the allowance for credit losses, which is not indicative of a change in the expected recovery value of the underlying finance receivables, but rather a function of extending the allowance to provide for expected future losses for a period greater than currently provided for.

The following table provides a breakdown of the impact of the transition from IAS 39 to IFRS 9 to the Consolidated Statement of Financial Position:

	As at January 1, 2018 under IAS 39	**Impact of Adoption of IFRS 9**	**As at January 1, 2018 under IFRS 9**
	$	**$**	**$**
Finance receivables - net	61,901,716	(814,822)	61,086,894
Deferred income taxes	128,850	142,985	271,835
Cumulative deficit	1,102,239	476,146	1,578,385
Non-controlling interest	(1,154,642)	195,691	(958,951)

As a result of adopting IFRS 9, the allowance for credit losses increased by $814,822 resulting in a decrease in net finance receivables. The after tax net impact to opening cumulative deficit was $476,146 and to non-controlling interest was $195,691.

On April 18, 2018, the Company announced the appointment of a new Chief Executive Officer commencing May 22, 2018, the date of the Company's annual general meeting of shareholders, subject to TSX Venture Exchange approval. The new Chief Executive Officer is also the President and Chief Operating Officer of CCMI.

Financial Highlights

Select Statement of Financial Position

As at	**Mar 31, 2018**	**Dec 31, 2017**	**Dec 31, 2016**
	$	**$**	**$**
Cash	4,511,817	3,727,486	716,009
Finance receivables - net	68,507,582	61,901,716	-
Investments in limited partnerships	-	-	4,333,906
Other assets	166,580	292,144	158,871
Total assets	**73,185,979**	**65,921,346**	**5,208,786**
Securitization debt	64,713,719	56,678,509	-
Deferred purchase price payable	2,977,454	3,530,029	-
Other liabilities	120,986	157,947	529,703
Total liabilities	67,812,159	60,366,485	529,703

Equity attributable to shareholders	4,262,244	4,400,219	4,679,083
Non-controlling interest	1,111,576	1,154,642	-
Total liabilities and equity	**73,185,979**	**65,921,346**	**5,208,786**

The Company had cash of $207,050 at March 31, 2018 and the Partnerships held $4,304,767 for a consolidated total of $4,511,817, At December 31, 2017, the Company had cash of $256,591 and the Partnerships held $3,470,895 for a consolidated total of $3,727,486. At December 31, 2016 the Company had cash of $716,009. The Company's cash is primarily made up of proceeds raised from private placements and share issuances in prior years, less its capital investments in the Partnerships and operating costs. The Partnerships' cash is primarily generated from the receipt of payments from customers related to the retail sales contracts, as well as net proceeds from securitization, less amounts payable on acquisition of the retail sales contracts.

Finance receivables consist of retail sales contracts which had initial terms of 24 to 84 months at time of origination and fixed rates of interest ranging from 9% to 26%. All finance receivables are secured by collateral charges on motor vehicles. The balance of $68,507,582 at March 31, 2018 represents the outstanding principal balance and accrued fees owing from customers, as well as capitalized transaction costs, net of administration fees associated with the purchase of the finance receivables of $5,150,625 and net of estimated allowance for credit losses of $1,828,739. The balance of $61,901,716 at December 31, 2017 represents the outstanding principal balance and accrued fees owing from customers, as well as capitalized transaction costs associated with the purchase of the finance receivables of $6,098,352, net of estimated allowance for credit losses of $523,317 and deferred administration fees of $1,299,497. The Company adopted IFRS 9 on January 1, 2018 which resulted in a change in the credit loss provisioning methodology from IAS 39 to the three-stage approach under IFRS 9. As a result, an incremental allowance for credit losses of $814,822 was booked against finance receivables on January 1, 2018.

The investments in limited partnerships represented the Company's interest in the Partnerships during the period the investments were equity accounted for. As of March 31, 2018, the Company does not have any investments that are equity accounted for.

Other assets at March 31, 2018 primarily include deferred financing costs of $34,851 and deferred income taxes of $94,881 for the portion of cumulative tax losses the Company expects to be able to recover against future taxable income. Other assets at December 31, 2017 primarily consisted of deferred financing costs of $77,911 and deferred income taxes of $128,850. Deferred income taxes for the three months ended March 31, 2018 increased by $142,985 as a result of the adoption of IFRS 9 (see Operational Highlights section), which was offset by current taxes of $176,954. Other assets at December 31, 2016 primarily consisted of deferred income taxes of $143,346.

As at March 31, 2018, securitization debt of $64,713,719 was outstanding which is net of a cash holdback held in trust by the funders of $7,371,304. As at December 31, 2017, securitization debt of $56,678,509 was outstanding which is net of a cash holdback held in trust by the funders of $6,443,712.

The Partnerships purchase retail sales contracts from CCMI on a fully serviced basis. A component of the purchase price paid for the purchased receivables is deferred and payable to CCMI over the life of the related finance receivables. As mentioned previously, effective January 1, 2018, the Partnerships renegotiated the deferred purchase price with CCMI. As a result, the Partnerships remeasured the outstanding deferred purchase price payable related to all retail sales contracts as of January 1, 2018 resulting in a one-time reduction to the deferred purchase price payable of $795,332. As at March 31, 2018, the deferred purchase price payable to CCMI amounts to $2,977,454, of which $1,443,626 is estimated to be due within one year. Included within this amount is $168,458 which represents the contingent deferred portion of the purchase price. As at December 31, 2017, the deferred purchase price payable to CCMI amounts to $3,530,029, of which $1,771,760 is estimated to be due within one year.

Other liabilities as at March 31, 2018 and December 31, 2017 consist primarily of trade payables and accruals. Other liabilities as at December 31, 2016 included $425,000 advanced by CAL LP to the Company as well as $104,703 of trade payables and accruals.

Equity attributable to shareholders decreased from $4,400,219 at December 31, 2017 to $4,262,244 at March 31, 2018, due to an adjustment of $476,146 recorded against equity related to the adoption of IFRS 9, offset by net income attributable to shareholders for the three months ended March 31, 2018. Equity attributable to shareholders decreased from $4,679,084 to $4,400,219 from December 31, 2016 to December 31, 2017, due to net loss of

$357,198, which includes one-time loss on acquisition of control of $376,197, and stock based compensation of $23,334.

Non-controlling interest at March 31, 2018 and December 31, 2017 included $1,129,432 of capital invested in the Partnerships by non-controlling parties representing the 15% and 40% of CAL LP and ACC LP III respectively that the Company does not own.

Select Operating Results

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
	$	**$**
Income while investments equity accounted	-	51,617
Income while investments consolidated	2,413,195	187,593
Total income including other income	2,413,195	239,210
Interest expense	819,899	100,243
Provision for credit losses	799,959	64,764
Management fees	15,679	17,880
Other expenses	109,908	23,029
Total expenses	1,745,445	205,916
Net income (loss) before taxes and other items	667,750	33,294
Loss on acquisition of control	-	376,197
Provision for (recovery of) income taxes	176,954	(41,522)
Non-controlling interest	152,625	5,846
Net income (loss) attributable to shareholders	**338,171**	**(307,227)**
Basic and diluted earnings (loss) per share	0.01	(0.01)

For the three months ended March 31, 2018, the Company recorded income while investments were consolidated of $2,413,195, which primarily represents net interest income and other fee income earned by the Partnerships. Net interest income represents interest income earned on finance receivables net of amortization of capitalized transaction costs. Other fee income includes the one-time gain related to the remeasurement of the deferred purchase price payable of $795,332. For the three months ended March 31, 2017, the Company recorded $51,617 of income from the Partnerships during the period the Partnerships were equity accounted for, as well as $187,593 of net interest income and other fee income during the period the Partnerships were consolidated.

Interest expense is incurred by the Partnerships on the securitization debt balance. The amount recorded by the Company for the three months ended March 31, 2018 was $819,899 and $100,243 for the three months ended March 31, 2017. Each tranche of securitization debt has a fixed rate of interest. The weighted average interest rate on the securitization debt was 4.92% and 4.78% for the three months ended March 31, 2018 and 2017, respectively.

As mentioned previously, the Company adopted IFRS 9 on January 1, 2018 which resulted in a higher provision for credit loss than compared to the credit loss provisioning methodology under IAS 39. Below is a breakdown of the provision for credit losses for the three months ended March 31, 2018 and 2017:

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
	$	**$**
Actual write-offs, net of recoveries	309,359	-
Provision for future credit losses under IAS 39	327,993	64,764
Incremental provision for future credit losses under IFRS 9	162,607	-
Total provision for credit losses	**799,959**	**64,764**

The provision for credit losses for the three months ended March 31, 2018 consisted of $309,359 of net write-offs including repossession and recovery costs, as well as $327,993 and $162,607 of allowance for future credit losses. IFRS 9 requires earlier recognition of future credit losses resulting in an incremental provision for the three months ended March 31, 2018. This incremental provision is not indicative of a change in the expected recovery value of the underlying receivables, but rather a function of extending the allowance for credit losses to provide for expected future losses for a period greater than currently provided for under the ‘incurred loss’ model prescribed by IAS 39. The provision for credit losses for the three months ended March 31, 2017 consisted of $64,764 of allowance for future credit losses. The credit losses incurred and provided for as of March 31, 2018 and 2017 are as expected given the size and age of the portfolio.

The Company incurred management fees of $15,679 and $17,880 for the three months ended March 31, 2018 and 2017, respectively, pursuant to a management agreement with LC Asset Management Corporation (see Related Party Transactions section).

Other expenses for the three months ended March 31, 2018 comprised primarily of professional fees of $55,067 and general and administrative expenses of $54,841. Professional fees included one-time set up costs related to the securitization facilities for the Partnerships which were capitalized and amortized into other expenses over the term of the facilities. Other expenses comprised of professional fees of $16,259 and general and administrative expenses of $6,770 for the three months ended March 31, 2017.

During the three months ended March 31, 2018 the Company recognized income tax expense of $176,954 as compared to an income tax recovery of $41,522 during the three months ended March 31, 2017, representing the estimated recovery of future income taxes related to current year tax losses and other deductible temporary differences.

For the three months ended March 31, 2018, the Company reported non-controlling interest of $152,625 and $5,846 for the three months ended March 31, 2017, representing the portion of current period earnings that are not attributable to the Company.

Select Statement of Cash Flow Summary

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
	$	**$**
Cash (used in) provided by operating activities	(7,185,200)	(4,402,837)
Cash (used in) provided by investing activities	-	893,271
Cash (used in) provided by financing activities	7,969,531	6,594,963
Increase (decrease) in cash during period	**784,331**	**3,085,397**

Total cash used in operating activities for the three months ended March 31, 2018 consisted primarily of acquisition of finance receivables of $15,453,140 offset by positive cash flows generated from collections of $6,300,410. Total cash used in operating activities for the three months ended March 31, 2017 consists primarily of acquisition of finance receivables of $4,955,546 for the period post-acquisition, offset by positive cash flows generated from change in working capital amounts and deferred purchase price payable.

No cash was generated by investing activities for the three months ended March 31, 2018. For the three months ended March 31, 2017, the amount represents the cash acquired on acquisition of control of the Partnerships.

The cash generated from financing activities for the three months ended March 31, 2018 and March 31, 2017 represents the financing of operating activities, primarily the acquisition of finance receivables through securitization debt, net of holdbacks and repayments. The Company did not declare or pay any dividends during the period.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. In this MD&A, in addition to financial results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and which do not have standard meanings prescribed by IFRS. These measures include the following:

- **Gross yield** - Total interest income and other income, excluding amortization of capitalized costs for the period, divided by average finance receivables for the same period, annualized.

- **Delinquency rate** - Outstanding principal balance of delinquent finance receivables (those greater than 30 days past due) at the end of a period, divided by the total outstanding principal balance of all receivables at the same date.

The non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Company's primary assets are the finance receivables which are secured by collateral charges on motor vehicles. As such, key performance indicators for the assets in the Partnerships for the prior four quarters are reported below. Note, there is no meaningful comparative information for the same periods in the prior year.

	CAL LP				**ACC LP III**			
	Q1 2018	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**
Gross yield	16.54%	16.60%	16.00%	16.85%	16.93%	17.00%	16.30%	16.27%
Delinquency rate	3.07%	2.11%	1.17%	0.58%	2.69%	2.19%	1.54%	1.00%

The Partnerships' portfolios of retail sales contracts have fairly consistent and strong gross yields which contribute favourably to net earnings. CAL LP's and ACC LP III's gross yields are consistent quarter over quarter.

Management expects delinquency rates to be in the range of 3.5% to 4% once the portfolios mature. As such, as the Partnerships continue to acquire more finance receivables, management expects the delinquency rate will continue to trend towards this expectation.

Overall portfolio performance and delinquency rates for the Partnerships are as expected based on the size and age of the portfolios.

Liquidity and Capital Resources

The Partnerships have $4,304,767 in cash as of March 31, 2018. This cash is used to service principal and interest on the securitization debt as well as to continue to acquire and securitize finance receivables and meet working capital requirements. The Partnerships use cash flow budgeting processes to monitor cash requirements which allows them to better manage their liquidity. The Partnerships have access to funding facilities which have availability of $53 million at March 31, 2018. As the Partnerships continue to acquire more finance receivables and generate positive cash flows, they will distribute some of their cumulative earnings to their limited partners.

Through a combination of two private placements and the Company's initial public offering ("IPO"), the Company raised gross proceeds of $5 million from the issuance of common shares. These proceeds were largely invested in the Partnerships during 2016 leaving the Company with approximately $207,050 of cash on hand at March 31, 2018. Management considers cash on hand, together with earnings to be distributed by the Partnerships, to be sufficient to meet the Company's working capital requirements.

Share Capital

The Company is authorized to issue an unlimited number of common shares. Issued and outstanding common shares are as follows:

	Shares	**Amount ($)**
Ending balance, December 31, 2016	55,000,000	4,735,791
Issuance of common shares	-	-
Ending balance, March 31, 2017	**55,000,000**	**4,735,791**
Ending balance, December 31, 2017	55,550,000	4,790,791
Issuance of common shares	-	-
Ending balance, March 31, 2018	**55,550,000**	**4,790,791**

The basic and diluted weighted average shares outstanding for the three months ended March 31, 2018 and 2017 were 55,550,000 and 55,000,000 respectively.

Escrowed Shares

34,250,000 of the 45,000,000 common shares of the Company issued in 2014 prior to the IPO were deposited with the escrow agent under an escrow agreement (the "Escrowed Shares"). As of March 31, 2018, 15,412,501 shares remain under escrow and an additional 15-per-cent of the original number of Escrowed Shares will be released every July and January such that all Escrowed Shares will be released by July 2019.

Issued and outstanding Escrowed Shares are as follows:

	Shares
Ending balance, December 31, 2016	30,825,000
Released	(5,137,499)
Ending balance, March 31, 2017	**25,687,501**
Ending balance, December 31, 2017	20,550,001
Released	(5,137,500)
Ending balance, March 31, 2018	**15,412,501**

Incentive Stock Options

Issued and outstanding stock options at March 31, 2018 were 4,300,000, of which, 3,800,000 were exercisable. Subsequent to March 31, 2018, the Company announced an upcoming change in the Chief Executive Officer effective May 22, 2018, subject to Exchange approval. As such, the 500,000 options not yet exercisable will be cancelled subsequent to May 22, 2018 and will not vest.

Business Outlook

During the quarter, ACC LP III utilized $8 million of an available $50 million in funding from its facility with a Schedule 1 Bank, which was renewed in December 2017. Additionally, during the quarter, CAL LP utilized an additional $6.5 million in funding, reaching a total utilization of $39 million of its $50 million funding facility with a Canadian life insurance company. CAL LP's facility is up for renewal in Q2 2018 and it is expected that CAL LP will also obtain access to a new $50 million in funding. This additional funding will increase the Partnerships' acquisition capacity for the following 12 months and provide for further growth in assets and returns.

Below are financial highlights of the Partnerships as at and for the period ended March 31, 2018.

	As at Mar 31, 2018		**As at Dec, 2017**	
Select Statement of Financial Position	**CAL LP**	**ACC LP III**	**CAL LP**	**ACC LP III**
	$	**$**	**$**	**$**
Cash	2,434,177	1,870,590	1,903,297	1,567,598
Finance receivables - net	32,811,590	35,695,992	29,959,764	31,941,952
Total assets	35,291,611	37,580,960	31,986,611	33,533,769
Securitization debt	30,276,090	34,437,629	26,567,921	30,110,588
Total liabilities	31,644,633	36,117,701	28,294,163	32,012,565
Partnership equity	3,646,978	1,463,259	3,692,448	1,521,204

Select Operating Results	For the 3 months ended Mar 31, 2018 CAL LP	ACC LP III	For the 3 months ended Mar 31, 2017 CAL LP	ACC LP III
	$	$	$	$
Net interest income	749,685	781,587	67,099	190,036
Total income	1,192,790	1,219,945	75,605	200,747
Interest expense	370,233	449,666		101,473
Provision for credit losses	457,616	342,343	13,042	64,765
Total expenses	885,147	816,177	21,396	176,899
Net income	307,642	403,768	54,209	23,848

Cliffside is targeting growth in assets under management and growth in returns, while maintaining an acceptable level of credit risk to ultimately deliver reliable returns to its shareholders.

Summary of Quarterly Results

	For the period ended							
	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Total income	2,413,195	1,477,666	1,024,658	507,579	239,210	34,249	23,762	569
Total expenses	1,745,445	1,493,027	1,035,785	475,046	587,959	79,441	41,644	7,839
Income (loss) before taxes	667,750	(15,361)	(11,127)	32,533	(348,748)	(45,192)	(17,882)	(7,270)
Recovery of (provision for) income taxes	(176,954)	-	2,948	(58,966)	41,522	31,583	38,137	-
Net income (loss) after taxes	490,796	(15,361)	(8,179)	(26,432)	(307,226)	(13,609)	20,255	(7,270)
Basic and diluted loss per share	0.01	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	0.00	(0.00)

The quarterly highlights presented above are prepared in accordance with IFRS and are presented in Canadian dollars.

In Q2 2016, the Company had no significant operations and income consisted primarily of interest earned on deposits, and expenses consisted primarily of general and administrative expenses. Operations began in Q3 2016 upon completion of the QT with the Company's investment in CAL LP, and grew in Q4 2016 with the Company's investment in ACC LP III. During Q1 2017, the Company began consolidating its interest in the Partnerships resulting in the recognition on a line-by-line basis of the revenues and expenses of the Partnerships, and to recording a loss on acquisition of control of $376,197. Excluding this loss on acquisition of control, Q1 2017 was the Company's first period of generating positive earnings before taxes. Q2 2017 was the first quarter the Company utilized securitization facilities under both Partnerships resulting in increased income and growth in earnings before taxes. In Q3 and Q4 2017, the Partnerships continued acquiring and securitizing finance receivables and generating interest income. In Q1 2018, the Company recorded net income before taxes of $667,750, which includes a one-time gain of $795,332 related to the re-measurement of the Partnerships' deferred purchase price payable as a result of renegotiating terms with CCMI. Net income after taxes amounts to $490,796 of which, $338,171 is attributable to shareholders.

Related Party Transactions

The Company has related party relationships with the below entities.

- LC Asset Management Corporation - The Company entered into a management agreement with LC Asset Management Corporation (the "Manager") dated July 1, 2016 to provide investment advice and manage the operations of the Company. The Company pays the Manager a fee of 1.25-per-cent annually of the Company's gross unconsolidated assets and a potential performance bonus subject to the financial performance of the Company. The Manager is related to the Company as result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the same position for the Manager.

- CCMI and ACC LP – CCMI is the other limited partner in each of the Partnerships. The Partnerships each have an agreement with CCMI and ACC LP for the ongoing purchase of retail sales contracts originated by CCMI which meet certain investment criteria established by the Company. Pursuant to these agreements, CCMI is responsible for providing ongoing portfolio and securitization facility administration services to the Partnerships. Accordingly, a portion of the purchase price is payable upfront, and a portion is deferred and payable over the life of the underlying retail sales contracts. CCMI sells the contracts to the Partnerships through ACC LP. During the period, the Partnerships negotiated new terms to the purchase price resulting in the deferred component being broken down into a fixed monthly amount as well as a contingent amount based on future profits. CCMI sells the contracts to the Partnerships through ACC LP. CCMI and ACC LP are related to the Company as a result of significant common ownership.

During the period, the following related party transactions occurred:

a) Management fees payable to the Manager of $15,678 and $17,880 were incurred during the three months ended March 31, 2018 and 2017 respectively. The total amount payable and outstanding to the Manager is $15,678 as at March 31, 2018.
b) In 2016, CAL LP advanced $425,000 to the Company. The amount was non-interest bearing with no fixed terms of repayment and was repaid in April 2017.
c) The Partnerships acquired retail sales contracts that were originated by CCMI during the period. The Partnerships remeasured the outstanding deferred purchase price payable to CCMI related to all retail sales contracts as of January 1, 2018. As at March 31, 2018, the partnerships also recorded an additional contingent component of the deferred purchase price payable.
d) Included within accounts payable and accrued liabilities is $8,114 of amounts due by the Partnerships to CCMI related to normal course operating expenses. The amount was settled subsequent to March 31, 2018. As at December 31, 2017, included within accounts payable and accrued liabilities was $22,768 of amounts due by the Partnerships to ACC LP II and CCMI, the amount was settled subsequently.
e) Included within other assets are $25,469 of amounts due to the Partnerships from ACC LP, ACC LP II and CCMI related to normal course customer collections. As at December 31, 2017, included within other assets was $59,113 of amounts due to the Partnerships from ACC LP and CCMI related to normal course customer collections. The amount was settled subsequently.
f) There was no compensation expensed to key management personnel for the three months ended March 31, 2018 or 2017.

Changes in Accounting Policies Including Initial Adoption

Standards issued but not yet effective

There are pending changes to IFRS which are not yet effective for the period ended March 31, 2018 which have not been applied in the preparation of the financial statements. The standards issued or amended but not yet effective at March 31, 2018 include the following:

<u>IFRIC 23 *'Uncertainty over Income Tax Treatments'*</u>

The IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" which addresses the accounting for income taxes and clarifies the application of recognition and measurement standards under IAS 12, "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for periods beginning on or after January 1, 2019. Management is currently assessing the impact of this interpretation on its consolidated financial statements.

Adoption of new accounting policies

IFRS 9 'Financial Instruments'

The Company adopted IFRS 9 "Financial Instruments" on January 1, 2018. The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. The following table provides a breakdown of the impact of the transition from IAS 39 to IFRS 9 to the Consolidated Statement of Financial Position:

	As at January 1, 2018 under IAS 39	Impact of Adoption of IFRS 9	As at January 1, 2018 under IFRS 9
	$	$	$
Finance receivables - net	61,901,716	(814,822)	61,086,893
Deferred income taxes	128,850	142,985	271,836
Cumulative deficit	1,102,239	476,146	1,578,385
Non-controlling interest	(1,154,642)	195,691	(958,951)

As a result of adopting IFRS 9, the allowance for credit losses increased by $814,822 resulting in a decrease in net finance receivables. The after tax net impact to opening cumulative deficit was $476,146 and to non-controlling interest was $195,691.

Risks and Uncertainties

In the normal course of business, the Company is exposed to certain risks and uncertainties and manages them, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary sources of liquidity for the Company are from cash raised from equity financing and future distributions from the Partnerships, which would be used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which may be used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity. The Partnerships' financial obligations related to the finance receivables are non-recourse to the Company.

The primary source of liquidity for the Partnerships is cash flows from the collection of finance receivables. As at March 31, 2018, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	In 1 to 3 years	In 4 to 5 years	Greater than 5 years	Total
	$	$	$	$	$
Total receivables	19,362,978	37,054,423	16,822,356	22,875,449	96,115,206

These cash flows are considered to be sufficient to cover the Partnerships financial obligations for the same period as follows:

	Within 1 year	In 1 to 3 years	In 4 to 5 years	Greater than 5 years	Total
	$	$	$	$	$
Securitization debt	14,329,130	25,935,090	11,661,557	12,787,972	64,713,719
Deferred purchase price payable	1,443,626	1,288,981	185,045	59,802	2,977,454
Accounts payable and accrued liabilities	120,986	-	-	-	120,986
	15,893,742	27,224,071	11,846,602	12,847,744	67,812,519

The amounts reported for securitization debt are based on contractual maturities. However, the debt may be due earlier if the corresponding finance receivables run-off sooner. Accordingly, the maturities in the tables above are not a forecast of future cash flows.

Credit Risk

Credit risk arises from the possibility that obligors may be unable to fulfil their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Credit risk has a significant impact on finance receivables. The underlying obligors to the finance receivables typically would not be approved for financing at prime rates. These customers may have had poor or inadequate credit history, or may be purchasing a vehicle that does not meet prime auto lending guidelines.

The performance of the finance receivables depends on a number of factors, including general economic conditions, unemployment levels, risk of fraud, and the circumstances of individual obligors. The maximum exposure to the finance receivables is represented by the carrying amount thereof. Although credit risk has a significant impact on retail receivables, it is mitigated by the Partnerships having a first priority perfected security interest in the related financed vehicles. In the case of obligor defaults, the value of the repossessed collateral provides a source of protection. Every reasonable effort is made to follow-up on delinquent accounts and to keep accounts current and repossession is considered only as a last resort. A repossessed vehicle is sold and proceeds are applied to the amount owing on the account. As such, the Partnerships are also exposed to fluctuations in used vehicle prices.

The finance receivables have no significant concentration of credit risk due to the fact that they are made up of a pool of receivables, with no individual receivable having a significant balance in relation to the outstanding portfolio balance. The receivables are geographically dispersed throughout Canada, the underlying collateral consists of varying vehicle makes, models and types, the underlying obligors of the receivables have varying credit ratings, and the receivables have varying interest rates and terms.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The finance receivables are subject to fixed interest rates and are carried at amortized cost, such that there is no re-measurement of carrying amount as market interest rates fluctuate. Securitization debt is subject to fixed rates of interest for each tranche securitized. The revolving lines of credit have floating rates of interest however significant exposure is not expected due to the short-term nature of the revolving debt.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have significant transactions denominated in foreign currency and therefore is not currently exposed to significant foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Counterparty Risk

The Company and Partnerships are exposed to counterparty risk through their relationship with CCMI and their funders. CCMI is responsible for presenting retail sales contracts to the Partnerships that meet the Company’s investment criteria. There is a risk that CCMI may not be able to present contracts that are acceptable to the Company and the Partnerships would have to find a new source of originations. Additionally, the Partnerships are exposed to the risk that the funders may cease securitizing retail sales contracts in which case the Partnerships would have to find other sources of financing.

Fair Values

The Company’s financial instruments include cash, finance receivables, other assets, securitization debt, deferred purchase price payable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as the balances are either recorded at amortized cost using the effective interest method, or have a short-term nature.

Trading and Share Statistics

Below are details of the Company's share price for the three months ended March 31, 2018 and for the twelve months ended December 31, 2017.

For the period ended	Mar 31, 2018	Dec 31, 2017
Average monthly trading volume	141,687	154,063
Share price		
High	0.17	0.20
Low	0.08	0.07
Close	0.08	0.16
Outstanding shares	55,550,000	55,550,000

Cliffside Capital Ltd.
Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2018

Notice to reader pursuant to National Instrument 51-102

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

The accompanying unaudited condensed interim consolidated financial statements of Cliffside Capital Ltd. have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

Condensed Interim Consolidated Financial Statements **Page**

(in Canadian dollars)

As at	**Mar 31, 2018**	**Dec 31, 2017**
	$	**$**
	(unaudited)	(audited)
Assets		
Cash	4,511,817	3,727,486
Finance receivables - net (note 3)	68,507,582	61,901,716
Deferred income taxes (note 6)	94,881	128,850
Other assets	71,699	163,294
Total assets	**73,185,979**	**65,921,346**
Liabilities		
Accounts payable and accrued liabilities	120,986	157,947
Deferred purchase price payable (note 7)	2,977,454	3,530,029
Securitization debt (note 8)	64,713,719	56,678,509
Total liabilities	67,812,159	60,366,485
Equity (note 9)		
Share capital	4,790,791	4,790,791
Contributed surplus	711,667	711,667
Cumulative deficit	(1,240,214)	(1,102,239)
Equity attributable to shareholders	4,262,244	4,400,219
Non-controlling interest (note 10)	1,111,576	1,154,642
Total equity	5,373,820	5,554,861
Total liabilities and equity	**73,185,979**	**65,921,346**

Approved on behalf of the Board

"Michael Stein" (signed)
Michael Stein

"Fern Glowinsky" (signed)
Fern Glowinsky

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

Cliffside Capital Ltd.
Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(in Canadian dollars)

(unaudited)	For the three months ended Mar 31, 2018	Mar 31, 2017
Income while investments equity accounted		
Income from limited partnerships	-	51,617
Income while investments consolidated		
Net interest income (note 4)	1,551,900	176,802
Other income (note 5)	861,295	10,791
Total income	2,413,195	239,210
Financial expenses		
Interest expense (note 8)	819,899	100,243
Net financial revenue before credit losses	1,593,296	138,967
Provision for credit losses (note 3)	799,959	64,764
Net financial income	793,337	74,203
Operating expenses		
Management fees (note 14)	15,679	17,880
General and administrative	109,908	23,029
Total expenses	125,587	40,909
Net income (loss) before undernoted loss and income taxes	**667,750**	**33,294**
Loss on acquisition of control	-	376,197
Net income (loss) before income taxes	**667,750**	**(342,903)**
Provision for (recovery of) income taxes (note 6) - deferred	176,954	(41,522)
Net income (loss) and comprehensive income (loss)	**490,796**	**(301,381)**
Net income (loss) attributable to shareholders	338,171	(307,227)
Net income (loss) attributable to non-controlling interest (note 10)	152,625	5,846
Net income (loss) and comprehensive income (loss)	**490,796**	**(301,381)**
Earnings (loss) per share attributable to shareholders		
Basic and diluted (note 11)	0.01	(0.01)

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

(in Canadian dollars)

(unaudited)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total**
Balance, December 31, 2016	4,735,791	688,333	(745,041)	-	4,679,083
Net income (loss) and comprehensive income (loss) for the period	-	-	(307,227)	5,846	(301,381)
Non-controlling interest (note 10)	-	-	-	1,143,104	1,143,104
Balance, March 31, 2017	**4,735,791**	**688,333**	**(1,052,268)**	**1,148,950**	**5,520,806**
Balance, December 31, 2017	4,790,791	711,667	(1,102,239)	1,154,642	5,554,861
IFRS 9 transition impact (note 2)	-	-	(476,146)	(195,691)	(671,837)
Net income and comprehensive income for the period	-	-	338,171	152,625	490,796
Balance, March 31, 2018	**4,790,791**	**711,667**	**(1,240,214)**	**1,111,576**	**5,373,820**

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

Cliffside Capital Ltd.
Interim Consolidated Statements of Cash Flows
(in Canadian dollars)

(unaudited)	For the three months ended Mar 31, 2018	Mar 31, 2017
	$	**$**
Operating activities		
Net income (loss) and comprehensive income (loss)	490,796	(301,381)
Adjustments for non-cash items:		
Loss on acquisition of control	-	376,197
Provision for (recovery of) income taxes	176,954	(41,522)
Provision for credit losses	799,959	-
Amortization of capitalized costs	917,015	-
Income from limited partnerships	-	(51,617)
Change in accrued interest receivable	15,067	-
Change in working capital	120,314	155,410
Acquisition of finance receivables	(15,453,140)	-
Collections on finance receivables	6,300,410	(4,955,546)
Change in deferred purchase price payable	(552,575)	415,622
Cash (used in) provided by operating activities	**(7,185,200)**	**(4,402,837)**
Investing activities		
Cash acquired on change in control	-	893,271
Cash (used in) provided by investing activities	**-**	**893,271**
Financing activities		
Proceeds from securitization debt, net of holdback	13,720,715	6,926,368
Repayments of securitization debt	(5,751,184)	(331,405)
Cash provided by financing activities	**7,969,531**	**6,594,963**
Increase (decrease) in cash during period	784,331	3,085,397
Cash, beginning of period	3,727,486	716,009
Cash, end of period	**4,511,817**	**3,801,406**

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

1. Nature of Organization

Description of the business

Cliffside Capital Ltd. (the "Company") holds investments in two limited partnerships, CAL LP and ACC LP III (the "Partnerships"). The Partnerships were formed to engage in the business of investing in retail sales contracts originated by CanCap Management Inc. ("CCMI"), and secured by collateral charges on motor vehicles. CAL LP was formed on February 22, 2016 and ACC LP III was formed on October 14, 2016. The Company owns 85-per-cent and 60-per-cent of the partnership units in CAL LP and ACC LP III respectively, and CCMI owns the remaining interest.

The Company trades on the TSX Venture Exchange (the "Exchange") under the symbol CEP. The Company's registered office is located at 11 Church Street, Suite 200, Toronto, Ontario M5E 1W1.

Approval of consolidated financial statements

The financial statements were approved by the Company's Board of Directors and authorized for issue on May 18, 2018.

2. Summary of Significant Accounting Policies

Basis of presentation

These consolidated financial statements are stated in Canadian dollars, which is the functional currency of the Company and have been prepared using the historical cost convention.

The statement of financial position of the Company is presented on a non-classified basis in order of liquidity of assets and liabilities. Due to the prepayment feature related to the finance receivables, presentation based on liquidity provides information that is reliable and more relevant.

Statement of compliance

These interim financial statements have been prepared by management in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The accounting policies followed in these interim financial statements are consistent with those of the Company's audited annual financial statements for the year ended December 31, 2017, except for the changes to the accounting for financial instruments resulting from the adoption of IFRS 9, "Financial Instruments". Changes in accounting policies resulting from the adoption of IFRS 9 as of January 1, 2018 are described below under *Impairment of financial assets*.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and the Partnerships. The financial statements of the Partnerships are prepared for the same reporting period as the Company, using consistent accounting policies. All intracompany balances, income and expenses, and distributions are eliminated in full. Consolidation of an investee begins when the Company obtains power over the relevant activities of the investee and is able to use its power to affect variable returns. The Company began consolidating its interest in ACC LP III from January 31, 2017 and CAL LP from March 31, 2017.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management of the Company to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are used when accounting for items and matters such as consolidation of investments in limited partnerships, capitalized transaction costs, provision for credit losses, deferred purchase price payable, deferred income taxes, including recoverability of deferred tax assets, and fair value of stock options or other amounts pursuant to the Company's significant accounting policies. Actual results could differ from those estimates. Any changes in estimates are applied on a prospective basis.

In determining whether an entity should be consolidated, the Company makes significant judgments about whether it has control over such entity. The Company considers voting rights, contractual rights under certain arrangements, and other relevant factors in determining if the Company has the power and ability to affect returns from an entity. For more details on significant estimates and judgments used for capitalized transaction costs, provision for credit losses, deferred purchase price payable, deferred income taxes, including recoverability of deferred tax assets, and fair value of stock options, refer to the relevant notes in these consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at March 31, 2018:

Type	**Classification**
Finance receivables - net	Loans and receivables
Other assets	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Deferred purchase price payable	Other financial liabilities
Securitization debt	Other financial liabilities

The Company initially measures all of its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method.
b) Deferred purchase price payable consists of two components - a fixed percentage based on the outstanding finance receivables as of the last day of each month, plus an additional amount based on excess return on capital (earned by the Partnerships) over a certain threshold. The additional amount is termed a contingent consideration since it is contingent on the Partnerships' future earnings. Both components of deferred purchase price payable are measured by considering any changes in conditions and potential financial outcomes compared to what existed at the time of initial recognition and measurement.
c) Other financial liabilities (excluding deferred purchase price payable) are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the expected life of the financial asset or financial liability (or group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method. Capitalized transaction costs in financial assets include the premium associated with purchasing fully serviced retail sales contracts, as well as the Partnerships' share of costs associated with acquiring the underlying contracts, which are amortized into earnings and netted against interest income. Capitalized transaction costs in financial liabilities include securitization costs which are amortized into earnings and included within interest expense.

Financial assets and financial liabilities are offset with the net amount reported on the statement of financial position only when there is a legally enforceable right to offset the recognized amount in all situations and there is an intention to settle on a net basis or the asset and the liability will be settled simultaneously. No amounts have been offset as at March 31, 2018.

Impairment of financial assets

The Company uses a three-stage approach to calculate expected credit losses ("ECL") which is based on the change in credit quality of the finance receivables since initial recognition. Under the first stage, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL is recorded. Under the second stage, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not credit impaired and continue to accrue interest, an amount equal to the lifetime ECL is recorded. Under the third stage, where there is objective evidence of impairment, these financial assets are classified as credit impaired and an amount equal to the lifetime ECL is recorded.

The ECL is calculated by applying a probability of default, exposure at default, and loss given default to the population of finance receivables under each stage at each reporting date. The ECL model is forward looking and uses reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. The new ECL model results in the earlier recognition of the allowance for credit losses, which is not indicative of a change in the expected recovery value of the underlying finance receivables, but rather a function of extending the allowance to provide for expected future losses for a period greater than currently provided for.

Investments in equity accounted entities

Entities over which the Company has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not in control or joint control over those investees.

Under the equity method, the carrying value of an interest in an investee is initially recognized at cost and adjusted for the Company's share of net income, other comprehensive income ("OCI"), and distributions by the equity-accounted investment. The Company determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the carrying value of the investment, including transaction costs, and the recoverable amount of the limited partnership interest and recognizes the impairment in the statement of net income (loss) and net comprehensive income (loss).

Transaction costs that are directly attributable to the acquisition of the investment are accounted for as part of the carrying value of the investment.

Revenue recognition:

Net interest income

The Partnerships recognize interest income and interest expense for all interest-bearing financial instruments using the effective interest method. Recognition of interest income is suspended for any finance receivables that are more than 90 days past due, or sooner in the event collectability is no longer reasonably assured.

The obligors' retail sales contract principal amounts include an administrative fee which may become partially refundable in the event of prepayment prior to the scheduled maturity date of the contract. This amount is amortized into interest income on a daily basis over the term of the retail sales contracts using the effective interest rate.

Interest income is presented net of amortization of capitalized costs associated with originating and purchasing the underlying contracts.

Other income

Other income includes fees charged to obligors for items such as due date changes, past due payments, and non-sufficient funds, all of which are recognized when realized. For the three months ended March 31, 2018, it also included a one-time adjustment related to the remeasurement of the deferred purchase price payable (refer to note 5 for details).

Deferred income taxes

Deferred income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. As at March 31, 2018, the Company has recognized a deferred tax asset for the portion of loss carry-forwards and temporary differences it expects to be recoverable as a result of its completion of the QT and investment in the Partnerships.

Stock-based compensation

The Company issues stock-based compensation to directors, officers, employees and consultants. The fair value of options issued to directors, officers, employees and consultants to the Company is charged to net income (loss) over the vesting period with an offsetting amount recorded to contributed surplus. The fair value of options issued to agents in conjunction with a public offering is charged against share capital with the offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option-pricing model. Consideration paid on the exercise of stock options is recorded as share capital.

Earnings or loss per share

Earnings or loss per share are calculated using the weighted average number of shares outstanding during the reporting period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the reporting period and the proceeds received from the assumed exercise of options are used to acquire shares in the open market at the average price. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation. Shares that are considered contingently returnable are excluded from the calculation of basic and diluted earnings or loss per share.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises income, expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income (loss) in the reporting period, nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income (loss) for the period.

Segment reporting

The only segment the Company currently holds investments in is the automotive financial services segment in Canada.

Adoption of new accounting policies:

IFRS 9 'Financial Instruments'

The Company adopted IFRS 9 "Financial Instruments" on January 1, 2018. The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. The following table provides a breakdown of the impact of the transition from IAS 39 to IFRS 9 to the Consolidated Statement of Financial Position:

	As at January 1, 2018 under IAS 39	Impact of Adoption of IFRS 9	As at January 1, 2018 under IFRS 9
Finance receivables - net	61,901,716	(814,822)	61,086,894
Deferred income taxes	128,850	142,985	271,835
Cumulative deficit	1,102,239	476,146	1,578,385
Non-controlling interest	(1,154,642)	195,691	(958,951)

As a result of adopting IFRS 9, the allowance for credit losses increased by $814,822 resulting in a decrease in net finance receivables. The after tax net impact to opening cumulative deficit was $476,146 and to non-controlling interest was $195,691.

Standards issued but not yet effective:

There are pending changes to IFRS which are not yet effective for the period ended March 31, 2018 which have not been applied in the preparation of the consolidated financial statements. The Company is currently considering but has not yet finalized its assessment of the impact that these standard changes will have on the financial statements. The standards issued or amended but not yet effective at March 31, 2018 include the following:

IFRIC 23 'Uncertainty over Income Tax Treatments'

The IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" which addresses the accounting for income taxes and clarifies the application of recognition and measurement standards under IAS 12, "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for periods beginning on or after January 1, 2019. Management is currently assessing the impact of this interpretation on its consolidated financial statements.

3. Finance Receivables

Finance receivables consist of retail sales contracts which had initial terms of 24 to 84 months at time of origination and fixed rates of interest ranging from 9-per-cent to 26-per-cent. All finance receivables are secured by collateral charges on motor vehicles. The Partnerships acquired finance receivables with principal outstanding of $13 million during the three months ended March 31, 2018, of which, $12 million was securitized and the remaining $1 million was held for securitization in subsequent periods. As at December 31, 2017 the Partnerships had acquired finance receivables with principal outstanding of $65 million, of which, $63 million was securitized during the year and the remaining $2 million was held for securitization in subsequent periods.

The finance receivables can be broken down as follows:

	Mar 31, 2018	Dec 31, 2017
Finance receivables – gross	65,185,696	57,626,178

Add: Transaction costs	6,626,222	6,098,352
Less: Administration fees	(1,475,597)	(1,299,497)
Allowance for credit losses	(1,828,739)	(523,317)
Finance receivables – net	**68,507,582**	**61,901,716**

Finance receivables – gross

Outstanding payments, including principal and interest, contractually due under the finance receivables, as well as transaction costs, as at March 31, 2018 and December 31, 2017 are outlined below. Management expects that a portion of the retail sales contracts will be repaid in full prior to the maturity date. Accordingly, the maturities in the table below are not a forecast of future cash collections.

	Mar 31, 2018	**Dec 31, 2017**
Within 1 year	19,362,978	16,661,247
In 1 to 3 years	37,054,423	32,182,933
In 4 to 5 years	16,822,356	14,878,016
Greater than 5 years	22,875,449	18,986,189
Total receivables	96,115,206	82,708,385
Less: Unearned interest	(30,929,510)	(25,082,207)
Total receivables, net of unearned interest	65,185,696	57,626,178
Add: Transaction costs, net of administration fees	5,150,625	4,798,855
Finance receivables - gross	**70,336,321**	**62,425,033**

Allowance for credit losses

The following illustrates the aging of the finance receivables, excluding transaction costs, net of administration fees, as at March 31, 2018:

	Current	**31 - 60 Days Past Due**	**61 - 90 Days Past Due**	**91+ Days Past Due**	**Total**
Total receivables, net of unearned interest	63,320,726	835,508	514,830	514,632	65,185,696
% of total finance receivables	97.1%	1.3%	0.8%	0.8%	100.0%

The following illustrates the aging of the finance receivables, excluding transaction costs, net of administration fees, as at December 31, 2017:

	Current	**31 - 60 Days Past Due**	**61 - 90 Days Past Due**	**91+ Days Past Due**	**Total**
Total receivables, net of unearned interest	56,373,963	775,442	299,302	177,471	57,626,178
% of total finance receivables	97.8%	1.3%	0.5%	0.3%	100.0%

The Partnerships' allowance for credit losses as at March 31, 2018 and December 31, 2017 can be broken down as follows:

	Mar 31, 2018	**Dec 31, 2017**
Allowance for credit losses, beginning of year	523,317	25,916
IFRS 9 transition impact	814,822	-
Additional allowance for period	799,959	1,012,893

Write-offs, net of recoveries	(309,359)	(515,492)
Allowance for credit losses, end of period	**1,828,739**	**523,317**

4. Net Interest Income

Interest income represents interest earned on the finance receivables. The amount is presented net of amortization of capitalized costs associated with originating and purchasing the underlying retail sales contracts. Below is a breakdown of the amounts at March 31, 2018 and March 31, 2017:

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
Interest income	2,468,915	314,857
Amortization of capitalized costs	(917,015)	(138,055)
Net interest income	**1,551,900**	**176,802**

The amortization of capitalized costs includes amortization of origination costs of $265,414 (2017 - $34,966) as well as amortization of the premium associated with acquiring fully serviced loans from CCMI, a related party (see note 14), of $651,601 (2017 - $103,089).

5. Other income

The breakdown of other income is as follow:

	Mar 31, 2018	**Mar 31, 2017**
Deferred purchase price remeasurement	795,332	-
Fees and other charges	65,963	10,791
Other income	**861,295**	**10,791**

Included in other income is the impact of a one-time remeasurement of the deferred purchase price payable (refer to note 7 for details). The remeasurement resulted in a gain of $795,332 (2017 - $nil) being recorded in other income for the three months ended March 31, 2018.

6. Deferred Income Taxes

A reconciliation of deferred tax assets is as follows:

	Mar 31, 2018	**Dec 31, 2017**
Balance, beginning of year	128,850	143,346
IFRS transition impact	142,985	-
Recognized in net income	(176,954)	(14,496)
Total deferred income taxes	**94,881**	**128,850**

The Company has recognized a deferred income tax asset for the cumulative tax losses it expects to be able to recover. If unutilized, the tax loss carry-forwards expire commencing 2033. The tax benefit of deductible share issuance costs has been allocated directly to share capital.

A reconciliation of income taxes calculated at the statutory Canadian combined federal and provincial corporate tax rate to the income tax provision in the statement of net income (loss) is provided below:

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
Net income (loss) before taxes	667,750	(342,903)
Applicable tax rate	26.5%	26.5%
Expected recovery of income taxes at applicable tax rate	176,954	(90,869)
Increase (decrease) in recovery resulting from:		
Expenses not deductible for tax	-	49,347
Total provision for (recovery of) income taxes	**176,954**	**(41,522)**

Taxable income, if any, is distributed to the Partnerships' limited partners on an annual basis. As a result, the Partnerships are not subject to income tax, as the limited partners are taxed directly.

7. Deferred Purchase Price Payable

The Partnerships purchase retail sales contracts from CCMI, a related party (refer to note 14), on a fully serviced basis. A component of the purchase price for the purchased receivables is deferred and payable to CCMI over the life of the related finance receivables. A breakdown of the amount owing at March 31, 2018 and December 31, 2017 is provided below:

	Mar 31, 2018	**Dec 31, 2017**
Due within 1 year	1,443,626	1,771,760
Due greater than 1 year	1,533,828	1,758,269
Total deferred purchase price payable	**2,977,454**	**3,530,029**

Effective January 1, 2018, the Partnerships renegotiated the deferred purchase price with CCMI. The new price replaces the earlier fixed percentage price with a reduced fixed percentage plus a contingent component which is based on excess return on capital over a certain threshold. The new price applies to all retail sales contracts that the Partnerships owned as of January 1, 2018 as well as new acquisitions going forward. As a result, the Partnerships remeasured the outstanding deferred purchase price payable related to all retail sales contracts as of January 1, 2018 and recorded a one-time adjustment to other income (refer to note 5).

As of March 31, 2018, the contingent component of the deferred purchase price payable was $168,458 (December 31, 2017 - $nil). Subsequent accretion and any changes in estimates resulting in a change to the deferred purchase price payable are recorded in other income in the relevant periods.

CCMI continues to administer the contracts on behalf of the Partnerships who pay a deferred purchase price to CCMI based on the outstanding finance receivables balance at the end of every month. The total amount payable at the time the Partnerships purchase the receivables is calculated as the present value of these estimated future cash payments, and is capitalized within transaction costs under finance receivables. Accordingly, every month, as the associated finance receivables continue to remain outstanding, a portion of the deferred purchase price becomes due and payable. The liability is paid monthly with a total of $790,000 paid by the Partnerships to CCMI for the three months ended March 31, 2018 (twelve months ended December 31, 2017 - $2,298,501).

8. Securitization Debt

Securitization debt represents funding secured by the finance receivables and sold to the securitizers. As of March 31, 2018, the Partnerships had securitized finance receivables for securitization proceeds of $87 million which had principal outstanding at time of securitization of $76 million. Securitization debt is recorded at amortized cost using the effective interest method. Each tranche securitized under the facilities has a fixed rate of interest. The weighted average interest rate on the securitization debt is 4.92-per-cent as at March 31, 2018 (2017 - 4.78-per-cent).

The securitization transaction does not qualify for de-recognition under IFRS due to the fact that the Partnerships retain exposure to prepayment risk and certain credit loss risk. As such, net proceeds received upon securitization are recognized as securitization debt on the statement of financial position and the related finance receivables continue to be recognized as assets. In order to protect against these prepayment and credit loss risks, the securitizers maintain a cash holdback account which is held in reserve for the Partnerships. The securitizers have recourse to draw down on the cash holdback for any obligor defaults experienced in the securitized portfolio and reduce their exposure to potential credit losses. The cash holdback is offset against securitization debt on the statement of financial position. Additionally, as further protection against prepayment and credit loss risks, the securitizers also have an overcollateralization component to every securitization transaction. As a result, the securitizers have recourse against 100-per-cent of the collateral, however purchase less than 100-per-cent of the finance receivables.

Pursuant to the securitization agreements, the securitizers appoint CCMI as the servicer of all retail sales contracts securitized by the Partnerships. The Partnerships, the Company and CCMI are subject to certain financial covenants under the securitization facilities, including minimum tangible net worth requirements, all of which were in compliance during the period.

In accordance with the securitization agreements, the Partnerships transfer all of their rights, title and interest in the securitized finance receivables to the securitizers, and must remit all scheduled or received principal and interest payments to the securitizers. Each securitization transaction has a fixed maturity, interest rate and repayment schedule based on the underlying finance receivables. If the Partnerships fail to meet any covenants under the securitization agreements, the securitizer may take control of the finance receivables and assign a back-up servicer. Under this event, the Partnerships' obligation as it pertains to the securitization debt would be extinguished. As such, the total cash holdback and the finance receivables overcollateralization represent the Partnerships' maximum exposure to their securitized receivables. The securitization debt is non-recourse to the Partnerships.

The securitization debt activity and balance for the three months ended March 31, 2018 and twelve months ended December 31, 2017 is broken down as follows:

	Mar 31, 2018	**Dec 31, 2017**
Securitization debt, opening balance	56,678,509	-
Net proceeds on securitization	14,706,229	72,051,542
Repayments to securitizer	(5,751,184)	(8,854,735)
Additions to cash holdback, net of releases	(927,592)	(6,443,712)
Change in unamortized securitization costs	7,757	(74,586)
Securitization debt, ending balance	**64,713,719**	**56,678,509**

Securitization costs are capitalized and amortized into interest expense over the term of the securitization agreement.

9. Share Capital

a) Authorized and Issued

The Company is authorized to issue an unlimited number of common shares. Issued and outstanding common shares are summarized below:

	Shares	Amount ($)
Ending balance, December 31, 2016	55,000,000	4,735,791
Issuance of common shares	-	-
Ending balance, March 31, 2017	**55,000,000**	**4,735,791**
Ending balance, December 31, 2017	55,550,000	4,790,791
Issuance of common shares	-	-
Ending balance, March 31, 2018	**55,550,000**	**4,790,791**

b) Stock Options

Issued and outstanding stock options at March 31, 2018 were 4,300,000, of which, 3,800,000 were exercisable. Subsequent to March 31, 2018, the Company announced an upcoming change in the Chief Executive Officer effective May 22, 2018, subject to Exchange approval. As such, the 500,000 options not yet exercisable will be cancelled subsequent to May 22, 2018 and will not vest.

d) Escrowed Shares

34,250,000 of the 45,000,000 common shares of the Company issued in 2014 prior to the IPO were deposited with the escrow agent under an escrow agreement (the "Escrowed Shares"). As of March 31, 2018, 15,412,501 shares remain under escrow and an additional 15-per-cent of the original number of Escrowed Shares will be released every July and January such that all Escrowed Shares will be released by July 2019.

Issued and outstanding Escrowed Shares are as follows:

	Shares
Ending balance, December 31, 2016	30,825,000
Released	(5,137,499)
Ending balance, March 31, 2017	**25,687,501**
Ending balance, December 31, 2017	20,550,001
Released	(5,137,500)
Ending balance, March 31, 2018	**15,412,501**

10. Non-Controlling Interest

A breakdown of the non-controlling interest on the statement of financial position as of March 31, 2018 is as follows:

	CAL LP	ACC LP III	TOTAL
Equity invested by third parties in partnerships	529,422	600,010	1,129,432
Non-controlling portion of retained earnings	35,482	8,478	43,960
Non-controlling portion of IFRS 9 transition impact	(43,826)	(151,865)	(195,691)
Non-controlling portion of current period earnings	33,917	118,708	152,625
Non-controlling portion of distributions	(18,750)	-	(18,750)
Total non-controlling interest	**536,245**	**575,331**	**1,111,576**

A breakdown of the non-controlling interest on the statement of financial position as of December 31, 2017 is as follows:

	CAL LP	ACC LP III	TOTAL
Equity invested by third parties in partnerships	529,422	600,010	1,129,432
Non-controlling portion of retained earnings	831	1,017	1,848
Non-controlling portion of current period earnings	34,652	7,461	42,112
Non-controlling portion of distributions	(18,750)	-	(18,750)
Total non-controlling interest	**546,155**	**608,488**	**1,154,642**

Of the non-controlling portion of current period earnings, $152,625 (December 31, 2017 – $30,288 related to the period post acquisition of control) is deducted as non-controlling interest on the statement of net income (loss) and comprehensive income (loss).

11. Earnings (Loss) Per Share

Earnings (loss) per share for the three months ended March 31, 2018 and 2017 were calculated based on the following:

	For the three months ended	
	Mar 31, 2018	**Mar 31, 2017**
Net income (loss) attributable to shareholders ($)	338,171	(307,227)
Weighted average shares outstanding - basic	55,550,000	55,000,000
Earnings (loss) per share – basic ($)	**0.01**	**(0.01)**
Net income (loss) attributable to shareholders ($)	338,171	(307,227)
Weighted average shares outstanding - diluted	55,550,000	55,000,000
Earnings (loss) per share – diluted ($)	**0.01**	**(0.01)**

The Company's share price at March 31, 2018 was $0.08 and hence none of the existing options are dilutive. Accordingly, the basic and diluted earnings per share and the number of shares outstanding are the same.

12. Capital Management

The Company's capital is comprised of equity and securitization debt. The Company's objectives when managing capital are to safeguard the Company's ability to continue and maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The securitization facilities entered into by the Partnerships provide access to $100 million of funding and $11 million of revolving financing in order to fund the acquisition of retail sales contracts.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating period.

13. Financial Instruments and Risk Management

In the normal course of business, the Company is exposed to certain financial risks and uncertainties, and manages them as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary sources of liquidity for the Company are from cash raised from equity financing and future distributions from the Partnerships, which would be used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which may be used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity. The Partnerships' financial obligations related to the finance receivables are non-recourse to the Company.

The primary source of liquidity for the Partnerships is cash flows from the collection of finance receivables. As at March 31, 2018, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Total receivables	19,362,978	37,054,423	16,822,356	22,875,449	96,115,206

These cash flows are considered to be sufficient to cover the Partnerships financial obligations for the same period as follows:

	Within 1 year	**In 1 to 3 years**	**In 4 to 5 years**	**Greater than 5 years**	**Total**
Securitization debt	14,329,130	25,935,090	11,661,557	12,787,942	64,713,719
Deferred purchase price payable	1,443,626	1,288,981	185,045	59,802	2,977,454
Accounts payable and accrued liabilities	120,986	-	-	-	120,986
	15,893,742	27,224,071	11,846,602	12,847,744	67,812,159

The amounts reported for securitization debt are based on contractual maturities. However the debt may be due earlier if the corresponding finance receivables run-off sooner. Accordingly, the maturities in the tables above are not a forecast of future cash flows.

Credit Risk

Credit risk arises from the possibility that obligors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Credit risk has a significant impact on finance receivables. The underlying obligors to the finance receivables typically would not be approved for financing at prime rates. These customers may have had poor or inadequate credit history, or may be purchasing a vehicle that does not meet prime auto lending guidelines.

The performance of the finance receivables depends on a number of factors, including general economic conditions, unemployment levels, risk of fraud, and the circumstances of individual obligors. The maximum exposure to the finance receivables is represented by the carrying amount thereof. Although credit risk has a significant impact on retail receivables, it is mitigated by the Partnerships having a first priority perfected security interest in the related financed vehicles. In the case of obligor defaults, the value of the repossessed collateral provides a source of protection. Every reasonable effort is made to follow-up on delinquent accounts and to keep accounts current and repossession is considered only as a last resort. Refer to note 3 for details on past due accounts as of March 31, 2018. A repossessed vehicle is sold and proceeds are applied to the amount owing on the account. As such, the Partnerships are also exposed to fluctuations in used vehicle prices.

The finance receivables have no significant concentration of credit risk due to the fact that they are made up of a pool of receivables, with no individual receivable having a significant balance in relation to the outstanding portfolio balance. The receivables are geographically dispersed throughout Canada, the underlying collateral consists of varying vehicle makes, models and types, the underlying obligors of the receivables have varying credit ratings, and the receivables have varying interest rates and terms.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The finance receivables are subject to fixed interest rates and are carried at amortized cost, such that there is no re-measurement of carrying amount as market interest rates fluctuate. Securitization debt is subject to fixed rates of interest for each tranche securitized. The revolving lines of credit have floating rates of interest however significant exposure is not expected due to the short term nature of the revolving debt.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have significant transactions denominated in foreign currency and therefore is not currently exposed to significant foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Fair Values

In measuring fair value, the Company uses various valuation methodologies and prioritizes the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in the Company's fair value hierarchy assessment.

- Level 1 - inputs include quoted prices for identical instruments and are the most observable.
- Level 2 - inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 - inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments.

The Company reviews the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. The valuation techniques used in estimating fair values are as follows:

- Finance receivables, securitization debt and deferred purchase price payable - The fair value is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration, estimated losses, estimated prepayments, estimated administration costs, and other fees ancillary to administering the underlying retail sales contracts. These items are categorized within Level 3 of the hierarchy. The carrying value of these items approximates fair value.

	Fair Value Level	Carrying Value ($)	Fair Value ($)
Financial assets at amortized cost			
Finance receivables - net	3	68,507,582	68,507,582
Financial liabilities at amortized cost			
Securitization debt	3	64,713,719	64,713,719

Deferred purchase price payable	3	2,977,454	2,977,454

14. Related Party Transactions

The Company has related party relationships with the below entities.

- LC Asset Management Corporation - The Company entered into a management agreement with LC Asset Management Corporation (the "Manager") dated July 1, 2016 to provide investment advice and manage the operations of the Company. The Company pays the Manager a fee of 1.25-per-cent annually of the Company's gross unconsolidated assets and a potential performance bonus subject to the financial performance of the Company. The Manager is related to the Company as result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the same position for the Manager.
- CCMI and ACC LP – CCMI is the other limited partner in each of the Partnerships. The Partnerships each have an agreement with CCMI and ACC LP for the ongoing purchase of retail sales contracts originated by CCMI which meet certain investment criteria established by the Company. Pursuant to these agreements, CCMI is responsible for providing ongoing portfolio and securitization facility administration services to the Partnerships. Accordingly, a portion of the purchase price is payable upfront, and a portion is deferred and payable over the life of the underlying retail sales contracts. During the period, the Partnerships negotiated new terms to the purchase price resulting in the deferred component being broken down into a fixed monthly amount as well as a contingent amount based on future profits (see note 7 for details). CCMI sells the contracts to the Partnerships through ACC LP. CCMI and ACC LP are related to the Company as a result of significant common ownership.

During the period, the following related party transactions occurred:

a) Management fees payable to the Manager of $15,678 and $17,880 were incurred during the three months ended March 31, 2018 and 2017 respectively. The total amount payable and outstanding to the Manager is $15,678 at March 31, 2018.
b) In 2016, CAL LP advanced $425,000 to the Company. The amount was non-interest bearing with no fixed terms of repayment and was repaid in April 2017.
c) The Partnerships acquired retail sales contracts that were originated by CCMI during the period. The Partnerships remeasured the outstanding deferred purchase price payable to CCMI related to all retail sales contracts as of January 1, 2018. As at March 31, 2018, the partnerships also recorded an additional contingent component of the deferred purchase price payable. Refer to notes 3, 4, 5 and 7 for amounts and further details.
d) Included within accounts payable and accrued liabilities is $8,114 of amounts due by the Partnerships to CCMI related to normal course operating expenses. The amount was settled subsequent to March 31, 2018. As at December 31, 2017, included within accounts payable and accrued liabilities was $22,768 of amounts due by the Partnerships to ACC LP II and CCMI, the amount was settled subsequently.
e) Included within other assets are $25,469 of amounts due to the Partnerships from ACC LP, ACC LP II and CCMI related to normal course customer collections. As at December 31, 2017, included within other assets was $59,113 of amounts due to the Partnerships from ACC LP and CCMI related to normal course customer collections. The amount was settled subsequently.
f) There was no compensation expensed to key management personnel for the three months ended March 31, 2018 or 2017.