

Interim Condensed Consolidated Financial Statements of



For the three months ended March 31, 2016 and 2015

(Unaudited – Expressed in Canadian dollars)

## **NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

# DECISIVE DIVIDEND CORPORATION

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited – expressed in Canadian dollars)

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 291,068
Accounts receivable (note 5)	1,013,999	1,360,131
Inventories (note 6)	2,847,493	2,700,359
Prepaid expenses and deposits	219,812	365,768
<b>Total current assets</b>	<b>4,081,304</b>	<b>4,717,326</b>
Property, plant and equipment (note 7)	910,844	963,387
Intangible assets (note 8)	2,448,170	2,499,001
Goodwill (note 9)	1,681,706	1,662,373
<b>Total assets</b>	<b>\$ 9,122,024</b>	<b>\$ 9,842,087</b>
<b>Liabilities</b>		
Bank indebtedness	\$ 23,020	\$ -
Accounts payable and accrued liabilities (note 11)	1,034,883	1,193,815
Dividend payable (note 16)	94,336	93,764
Warranty provision	111,952	117,696
Current portion of long-term debt (note 12)	372,600	372,600
<b>Total current liabilities</b>	<b>1,636,791</b>	<b>1,777,875</b>
Deferred taxes	770,000	775,000
Long-term debt (note 12)	2,869,683	2,962,833
<b>Total liabilities</b>	<b>5,276,474</b>	<b>5,515,708</b>
<b>Equity</b>		
Share capital (note 13)		
Capital stock	4,458,604	4,378,009
Share option reserves	289,382	310,780
Accumulated other comprehensive income	302,016	426,840
Cumulative deficit	(1,204,452)	(789,250)
<b>Total equity</b>	<b>3,845,550</b>	<b>4,326,379</b>
<b>Total liabilities and equity</b>	<b>\$ 9,122,024</b>	<b>\$ 9,842,087</b>

Commitments and Contingencies (note 17)  
Events after the Reporting Period (note 19)

Approved on behalf of the Board of Directors:

"James Paterson" Director      "Michael Conway" Director

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

## DECISIVE DIVIDEND CORPORATION

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited – expressed in Canadian dollars)

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
<b>Sales</b>	\$ 2,587,631	\$ 1,243,943
<b>Cost of goods sold (note 4)</b>	1,480,157	777,111
<b>Gross profit</b>	1,107,474	466,832
<b>Expenses</b>		
Amortization and depreciation	75,745	38,628
Interest and bank charges	55,309	7,988
Rent and occupancy	80,000	38,592
Professional fees	82,038	115,881
Compensation	374,227	139,472
Selling, general and administration	579,679	226,584
Total expenses	1,246,998	567,145
Loss before other item and income taxes	(139,524)	(100,313)
<b>Other item</b>		
Interest income	1,186	1,051
Loss before income tax	(138,338)	(99,262)
<b>Income tax expense (recovery)</b>		
Current tax expense	-	26,167
Deferred tax recovery	(5,000)	-
Total income tax expense (recovery)	(5,000)	26,167
<b>Net loss</b>	\$ (133,338)	\$ (125,429)
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	(124,824)	48,187
<b>Total comprehensive loss</b>	\$ (258,162)	\$ (77,242)
<b>Net loss per common share:</b>		
Basic	\$(0.04)	\$(0.05)
Diluted	\$(0.03)	\$(0.04)
<b>Weighted average shares outstanding:</b>		
Basic	3,757,305	2,566,135
Diluted	3,951,383	2,923,501

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## DECISIVE DIVIDEND CORPORATION

Interim Condensed Consolidated Statements of Changes in Equity  
(Unaudited – expressed in Canadian dollars)

	<u>Capital Stock</u>		Share Reserves	Accumulated Other Comprehensive Income	Cumulative Deficit	Total Equity
	Number	Amount				
<b>Balance, December 31, 2014</b>	<b>2,090,000</b>	<b>\$ 1,560,558</b>	<b>\$ 185,052</b>	<b>\$ -</b>	<b>\$ (504,411)</b>	<b>\$ 1,241,199</b>
Shares issued on private placement less issuance costs of \$308,814 (note 13)	1,004,250	1,699,686	-	-	-	1,699,686
Shares issued on acquisition (note 13)	330,000	576,090	-	-	-	576,090
Exercise of stock options (note 13)	26,032	39,730	(13,698)	-	-	26,032
Issuance of warrants on private placement (note 13)	-	-	62,169	-	-	62,169
Comprehensive loss for the period	-	-	-	48,187	(125,429)	(77,242)
<b>Balance, March 31, 2015</b>	<b>3,450,282</b>	<b>\$ 3,876,064</b>	<b>\$ 233,523</b>	<b>\$ 48,187</b>	<b>\$ (629,840)</b>	<b>\$ 3,527,934</b>
Exercise of stock options (note 13)	293,068	481,120	(182,052)	-	-	299,068
Exercise of warrants (note 13)	7,220	20,825	(6,385)	-	-	14,440
Issuance of stock options (note 13)	-	-	265,694	-	-	265,694
Comprehensive income for the period	-	-	-	378,653	514,044	892,697
Dividends declared (note 16)	-	-	-	-	(673,454)	(673,454)
<b>Balance, December 31, 2015</b>	<b>3,750,570</b>	<b>\$ 4,378,009</b>	<b>\$ 310,780</b>	<b>\$ 426,840</b>	<b>\$ (789,250)</b>	<b>\$ 4,326,379</b>
Shares issued on employee stock purchase plan (note 13)	10,830	35,197	-	-	-	35,197
Exercise of stock options (note 13)	12,000	45,398	(21,398)	-	-	24,000
Comprehensive loss for the period	-	-	-	(124,824)	(133,338)	(258,162)
Dividends declared (note 16)	-	-	-	-	(281,864)	(281,864)
<b>Balance, March 31, 2016</b>	<b>3,773,400</b>	<b>\$ 4,458,604</b>	<b>\$ 289,382</b>	<b>\$ 302,016</b>	<b>\$(1,204,452)</b>	<b>\$ 3,845,550</b>

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

## DECISIVE DIVIDEND CORPORATION

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited – expressed in Canadian dollars)

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
<b>Operating activities</b>		
Net loss	\$ (133,338)	\$ (125,429)
Items not affecting cash:		
Amortization and depreciation	110,502	38,628
Interest and bank charges	55,309	7,988
Income taxes	(5,000)	26,167
	27,473	(52,646)
Change in non-cash operating working capital:		
Accounts receivable	346,132	10,502
Inventory	(147,134)	(34,245)
Prepays	145,956	20,015
Accounts payable and accrued liabilities	(140,256)	383,846
Warranty liabilities	(5,744)	-
	198,954	380,118
Interest paid	(55,309)	(7,988)
Income taxes paid	-	-
Cash provided by operating activities	171,118	319,484
<b>Financing activities</b>		
Proceeds from issuance of shares	40,522	2,610,622
Proceeds from long-term debt	-	3,500,000
Repayment of long-term debt	(93,150)	-
Share issuance costs	-	(246,645)
Cash dividends	(281,293)	-
Cash provided by (used in) financing activities	(333,921)	5,863,977
<b>Investing activities</b>		
Purchase of Valley Comfort Systems Inc.	-	(6,915,104)
Capital assets purchase	(7,128)	(10,500)
Cash used in investing activities	(7,128)	(6,925,604)
Impact of foreign exchange on cash	(144,157)	48,188
Decrease in cash and cash equivalents during the period	(314,088)	(693,955)
Cash and cash equivalents, beginning of period	291,068	1,448,560
Cash and cash equivalents, end of period	\$ (23,020)	\$ 754,605

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

# DECISIVE DIVIDEND CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2016 and 2015  
(Unaudited - expressed in Canadian dollars)

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## 1. Nature and Operations

The Company was incorporated under the British Columbia Business Corporations Act on October 2, 2012 and is listed on the TSX Venture Exchange Inc. ("the Exchange"), trading under the symbol "DE". The address of the Company's registered office is #104, 1420 St. Paul Street, Kelowna, B.C. V1Y 2E6.

The Company is an acquisition-oriented corporation focused on opportunities in manufacturing. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows.

As at March 31, 2016, the principal wholly-owned operating subsidiaries of the Corporation are Valley Comfort Systems Inc. (VCSI) and Blaze King Industries.

## 2. Basis of Preparation and Statement of Compliance

### *a) Statement of compliance*

These interim condensed consolidated financial statements (the "interim financial statements") for the three months ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

These interim condensed consolidated financial statements of the Company were approved by the Board of Directors of the Company for issue on May 30, 2016.

### *b) Basis of measurement*

The consolidated financial statements have been prepared using the historical cost basis specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below, except for certain financial assets and liabilities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

### *c) Presentation currency*

The consolidated financial statements are presented in Canadian dollars.

### *d) Judgments*

The preparation of financial statements requires management to make judgments that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## **DECISIVE DIVIDEND CORPORATION**

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - expressed in Canadian dollars)

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### **2. Basis of Preparation and Statement of Compliance (Continued)**

In making judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these financial statements.

The critical judgments that the Company's management has made in the application of the accounting policies include functional currency and income tax, which are described in note 3.

#### *e) Accounting estimates and assumptions*

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

#### *i. Business Combinations*

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

The Company's acquisition of VCSI has been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued by the Company.



# DECISIVE DIVIDEND CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

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## 2. Basis of Preparation and Statement of Compliance (Continued)

The initial recognition of intangible assets acquired that require critical accounting estimates are manufacturing technology, customer relationships, and brand name. To determine the fair value of the manufacturing technology intangible asset, the Company adopted the multi-period excess earning method. This valuation technique values the intangible assets based on the discounting of the excess earnings. The prospective earnings of the manufacturing technology were isolated by identifying and subtracting earnings attributable to the contributory assets, thereby estimating the 'excess earnings' of the manufacturing technology. Significant assumptions include, among others, the determination of projected revenues, cash flows, obsolescence rates, discount rates and anticipated average income tax rates.

To determine the fair value of the customer relationships intangible asset, the Company adopted the distributor method. This valuation technique values the intangible assets based on the discounting of the customer relationships' specific cash flows. Under a distributor method approach, the cash flows considered were those a distributor would earn from the existing customers, net of the contributory assets, necessary to support the customer relationships. Significant assumptions include, among others, the determination of projected revenues, cash flows, attrition rates, discount rates and anticipated average income tax rates. To determine the fair value of the brand name intangible asset, the Company adopted the relief from royalty method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

### *ii. Depreciation and Amortization of Long-lived Assets*

The Company makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets. Changes to these estimates, which can be significant, could be caused by changes in the utilization of major manufacturing equipment and buildings and uncertainties relating to technological obsolescence. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense.

### *iii. Impairment of non-financial assets and goodwill*

In assessing impairment, management estimates the recoverable amount of each assets or cash-generating unit ("CGU") based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### *iv. Inventories*

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

# DECISIVE DIVIDEND CORPORATION

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## 2. Basis of Preparation and Statement of Compliance (Continued)

### v. *Warrant liabilities*

The Company provides for warranty expenses by analyzing historical failure rates, warranty claims, current sales levels and current information available about returns based on warranty periods. Uncertainty relates to the timing and amount of actual warranty claims which can vary from the Company's estimation.

## 3. Significant Accounting Policies

### a) *Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in note 1. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

Control exists where the parent entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

### b) *Revenue recognition*

The Company recognizes product revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer.

Revenue arises from the sale of goods. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

### c) *Foreign currency translation*

#### i. *Functional and presentation currency*

Items included in the financial statements of each consolidated entity in the Decisive group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). For the year ended December 31, 2015 and period ended March 31, 2016, the Company has determined that Blaze King USA has a United States dollar functional currency, while all the other entities have a Canadian dollar functional currency. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the appropriate average rate of the period (where this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

# DECISIVE DIVIDEND CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Unaudited - expressed in Canadian dollars)

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## 3. Significant Accounting Policies (Continued)

If the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

### ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

### d) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred. Changes in expenditure for warranties is recognized when the Company incurs an obligation, which is typically when the related goods are sold.

### e) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to note 9 for a description of impairment testing procedures.

### f) Other intangible assets

Intangible assets are recorded at cost. The Company has some intangible assets with indefinite lives (which include Brand) which are not amortized, and other intangible assets with finite lives that are amortized as follows:

Customer relationships	5 year straight line basis
Manufacturing technology	10 year straight line basis

The depreciation method and estimates of useful lives ascribed to other identifiable intangible assets are reviewed at least each financial year end and if necessary amortization is adjusted on a prospective basis.

### g) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The expected useful lives used to compute depreciation is as follows:

# DECISIVE DIVIDEND CORPORATION

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## 3. Significant Accounting Policies (Continued)

Building and facilities	10 year straight line basis
Portable structures	10% declining-balance basis
Equipment	20% declining-balance basis
Computers and software	30% to 100% declining-balance basis
Automobiles	30% declining-balance basis

### *h) Impairment – non financial and indefinite life assets*

The carrying amount of the Company's non-financial assets (which include property, plant and equipment, and intangibles with a definite life) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The carrying amount of the Company's indefinite life assets (which include Brand and Goodwill) is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If deemed unsupported, the change in the useful life from indefinite to finite life is made and amortization recognized on a prospective basis. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each CGU and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for each CGU reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

### *i) Financial instruments*

#### *i. Recognition, initial measurement and de-recognition*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

## DECISIVE DIVIDEND CORPORATION

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### 3. Significant Accounting Policies (Continued)

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

#### *ii. Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement of financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition (1) loans and receivables or (2) financial assets at fair value through profit or loss ("FVTPL").

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### *iii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of the discounting is immaterial. The Company's cash and cash equivalents, and accounts receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

#### *iv. Financial assets at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial instruments classified as fair value through profit or loss.

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### 3. Significant Accounting Policies (Continued)

v. *Held-to-maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables.

Investments are classified as held to maturity if the company has the intention and ability to hold them until maturity.

Held-to-maturity investments are initially measured at fair value, including transaction costs and subsequently at amortized cost using the effective interest method. Any changes in the carrying amount of the investment are recognized in profit or loss. The Company does not have any held-to-maturity investments.

vi. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories and are initially measured at fair value. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income or loss. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

vii. *Classification and subsequent measurement of financial liabilities*

The Company's financial liabilities include debt and accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method except for financial liabilities designated as FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

j) *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

## **DECISIVE DIVIDEND CORPORATION**

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - expressed in Canadian dollars)

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### **3. Significant Accounting Policies (Continued)**

#### *k) Income taxes*

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized either in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *l) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### *m) Short-term employee benefits*

Short-term employee benefits, including holiday pay, are current liabilities included in employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

#### *n) Provisions, contingent assets and contingent liabilities*

Provisions for product warranties (which include the VCSI Companies' wood stove warranty), legal disputes and onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognized only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognized for future operating losses.



## DECISIVE DIVIDEND CORPORATION

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### 3. Significant Accounting Policies (Continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### *o) Share capital*

The Company records proceeds from share issuances net of issue costs and any tax effects in equity. Common shares held by the Company are classified as treasury stock and recorded as a reduction to equity.

#### *p) Share-based payments and share options reserves*

Certain employees and directors of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options, determined at the date of the grant, is charged to earnings or loss, with an offsetting credit to share-based payment reserve, over the vesting period. If and when the share options are exercised, the applicable original amounts of share-based payment reserve are transferred to issued capital.

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in earnings or loss with a corresponding entry to share-based payment reserve.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from share-based payment reserve and credited to earnings or loss. For those share options that expire unexercised after vesting, the recorded value remains in share-based payment reserve.



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### 3. Significant Accounting Policies (Continued)

#### q) *Income (loss) per share*

Basic income or loss per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares issued and outstanding for the relevant period. Diluted loss or earnings per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Stock options and warrants are included in the calculation of diluted income per share only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

### 4. Cost of Goods Sold

	<b>March 31, 2016</b>		March 31, 2015
Labour and materials	\$ 1,271,810	\$	703,438
Freight and shipping	155,267		71,788
Depreciation	34,234		-
Warranty charges	18,846		1,885
	<b>\$ 1,480,157</b>	<b>\$</b>	<b>777,111</b>

### 5. Accounts Receivable

	<b>March 31, 2016</b>		December 31, 2015
Trade receivables	\$ 988,373	\$	1,357,503
Employee share purchase plan loan receivable	17,248		-
Sales tax and other receivable	8,378		2,628
	<b>\$ 1,013,999</b>	<b>\$</b>	<b>1,360,131</b>

Trade receivables include an allowance of doubtful amounts of \$14,940 (December 31, 2015 - \$15,740).

### 6. Inventory

	<b>March 31, 2016</b>		December 31, 2015
Raw materials and parts	\$ 1,412,752	\$	1,240,055
Work in progress	146,117		219,976
Finished goods	1,288,623		1,240,328
	<b>\$ 2,847,493</b>	<b>\$</b>	<b>2,700,359</b>

The costs of inventories recognized as an expense for the three months ended March 31, 2016 were \$1,480,157 (2015 - \$777,111). During the three months ended March 31, 2016 and 2015, there were no impairments to inventory. Amortization and depreciation of \$34,234 is included in inventory for the three months ended March 31, 2016 (March 31, 2015 - \$nil).

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### 7. Property, Plant and Equipment

	Automotive Equipment	Manufacturing equipment	Office Equipment	Computer Equipment	Portable Buildings	Leasehold Improvements	Total
<b>Cost</b>							
Balance, December 31, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	53,393	1,169	179,298	-	-	233,860
Acquired through business combination	10,128	820,571	13,693	36,718	9,196	36,978	927,284
Foreign exchange impact	-	10,975	-	-	-	-	10,975
Disposals	-	(131,710)	-	-	-	-	(131,710)
<b>Balance, December 31, 2015</b>	<b>\$ 10,128</b>	<b>753,229</b>	<b>\$ 14,862</b>	<b>\$ 216,016</b>	<b>\$ 9,196</b>	<b>\$ 36,978</b>	<b>\$ 1,040,409</b>
Additions	-	-	-	447	-	6,681	7,128
<b>Balance, March 31, 2016</b>	<b>\$ 10,128</b>	<b>753,229</b>	<b>\$ 14,862</b>	<b>\$ 216,463</b>	<b>\$ 9,196</b>	<b>\$ 43,659</b>	<b>\$ 1,047,537</b>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	2,532	133,886	2,399	36,074	766	32,043	207,700
Disposals	-	(130,678)	-	-	-	-	(130,678)
<b>Balance, December 31, 2015</b>	<b>\$ 2,532</b>	<b>\$ 3,208</b>	<b>\$ 2,399</b>	<b>\$ 36,074</b>	<b>\$ 766</b>	<b>\$ 32,043</b>	<b>\$ 77,022</b>
Depreciation	570	34,758	623	13,562	211	9,947	59,671
<b>Balance, March 31, 2016</b>	<b>\$ 3,102</b>	<b>\$ 37,966</b>	<b>\$ 3,022</b>	<b>\$ 49,636</b>	<b>\$ 977</b>	<b>\$ 41,990</b>	<b>\$ 136,693</b>
<b>Net Book Value</b>							
<b>Balance, December 31, 2015</b>	<b>\$ 7,596</b>	<b>\$ 750,021</b>	<b>\$ 12,463</b>	<b>\$ 179,942</b>	<b>\$ 8,430</b>	<b>\$ 4,935</b>	<b>\$ 963,387</b>
<b>Balance, March 31, 2016</b>	<b>\$ 7,026</b>	<b>\$ 715,263</b>	<b>\$ 11,840</b>	<b>\$ 166,827</b>	<b>\$ 8,219</b>	<b>\$ 1,669</b>	<b>\$ 910,844</b>

During the three months ended March 31, 2016, the Company incurred \$59,671 (2015 - \$19,214) of depreciation on property and equipment.

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### 8. Intangible Assets

	Manufacturing Technology	Customer Relationships	Brand	Total
<b>Cost</b>				
Balance, December 31, 2014	\$ -	\$ -	\$ -	\$ -
Acquired through business combination	1,189,113	423,136	972,566	2,584,815
Foreign exchange impact	-	18,980	67,113	86,093
<b>Balance, December 31, 2015</b>	<b>\$ 1,189,113</b>	<b>\$ 442,116</b>	<b>\$ 1,039,679</b>	<b>\$ 2,670,908</b>
<b>Balance, March 31, 2016</b>	<b>\$ 1,189,113</b>	<b>\$ 442,116</b>	<b>\$ 1,039,679</b>	<b>\$ 2,670,908</b>
<b>Accumulated Depreciation</b>				
Balance, December 31, 2014	\$ -	\$ -	\$ -	\$ -
Depreciation	101,668	70,239	-	171,907
<b>Balance, December 31, 2015</b>	<b>\$ 101,668</b>	<b>\$ 70,239</b>	<b>\$ -</b>	<b>\$ 171,907</b>
Depreciation	29,657	27,174	-	50,831
<b>Balance, March 31, 2016</b>	<b>\$ 131,325</b>	<b>\$ 97,413</b>	<b>\$ -</b>	<b>\$ 222,738</b>
<b>Carrying amount at</b>				
December 31, 2015	\$ 1,087,445	\$ 371,877	\$ 1,039,679	\$ 2,499,001
<b>March 31, 2016</b>	<b>\$ 1,057,788</b>	<b>\$ 350,703</b>	<b>\$ 1,039,679</b>	<b>\$ 2,448,170</b>

Brand, which has an indefinite life, is subjected to an impairment assessment annually, usually in the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount of Brand may not be recoverable.

For the purpose of the annual impairment testing, Brand is allocated to Blaze King, the CGU in which Brand belongs. The Company assesses Brand and Goodwill together as part of the annual impairment test for Blaze King. The impairment test on Blaze King is further described in note 9.

### 9. Goodwill

	Goodwill
Balance, December 31, 2014	\$ -
Acquired through business combination	1,591,009
Foreign exchange impact	71,364
<b>Balance, December 31, 2015</b>	<b>\$ 1,662,373</b>
Foreign exchange impact	19,333
<b>Balance, March 31, 2016</b>	<b>\$ 1,681,706</b>

For the purpose of the annual impairment testing, goodwill is allocated to Blaze King, the CGU in which goodwill belongs.

## **DECISIVE DIVIDEND CORPORATION**

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### **9. Goodwill (Continued)**

The recoverable amount of Blaze King was determined based on value in use calculations, covering a five-year forecast, followed by extrapolation of expected cash flows for the remaining useful life using growth rates for revenue estimated by management. The cash flow projection is based on the annual budget approved by the Board of Directors. The growth rate is approximately 6.0%. The present value of the expected cash flows is determined by applying a suitable discount rate. The discount rate used for was 9%.

The growth rates of revenue reflect the long-term average growth rates for the product lines and industry of the segment. The discount rate reflects appropriate adjustments relating to market risk and specific risk factors of the segment.

Management's key assumptions to cash flow forecasting include moderately increasing net profit margins, based on past experience and current trends in the markets that the segment operates. The Company believes that this is the best available input for forecasting cash flows.

The recoverable amount of Blaze King based on value in use exceeds its carrying value by approximately 67%.

The impairment test performed resulted in no impairment of Goodwill as at December 31, 2015.

Apart from the considerations in determining the value in use of the segment described above, the Company is not aware of any other probable changes that would necessitate changes in its key estimates. Sensitivity testing was conducted as a part of the 2015 annual test. If the discount rate used is increased by 1%, the recoverable amount of Blaze King would reduce by approximately \$0.5 million, which is approximately \$0.5 million above its carrying value.

### **10. Credit Facility**

The Company has an operating loan facility authorized up to \$2,000,000, bearing interest at prime plus 0.75%.

The operating loan facility and the debt described in note 9 are secured by a general security agreement, assignment of insurance, and guarantees. In addition, the Company and its subsidiaries have agreed to maintain the following ratios as a group:

- Debt service coverage of not less than 120%, based on a rolling four quarter test
- Maintain a funded debt to earnings before interest, income tax, depreciation and amortization (EBITDA) ratio not exceeding 3.0x at date of funding and stepping down to 2.75x in 2015, 2.50x in 2017, and 2.25x in 2018, to be tested on a rolling four quarter average.

As at March 31, 2016, the Company was in compliance with these ratios.

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### 11. Accounts Payable and Accrued Liabilities

	March 31, 2016	December 31, 2015
Trade payables	\$ 709,768	\$ 522,684
Wages payable	190,788	143,071
Taxes payable	134,327	528,060
	<b>\$ 1,034,883</b>	<b>\$ 1,193,815</b>

### 12. Long-term Debt

	March 31, 2016	December 31, 2015
Loan 1 <sup>(1)</sup>	\$ 3,150,000	\$ 3,237,500
Loan 2 <sup>(2)</sup>	92,283	97,933
	<b>3,242,283</b>	<b>3,335,433</b>
Less: current portion	<b>(372,600)</b>	<b>(372,600)</b>
Long-term portion	<b>\$ 2,869,683</b>	<b>\$ 2,962,833</b>

<sup>(1)</sup> Loan 1 is a term loan taken out by the Company in February 2015 for an original principal amount of \$3.5 million paid through monthly instalments of \$29,167 plus interest at the prime rate plus 1.5%. The loan matures in February 2020, at which point the residual amount of \$1,750,000 is repayable in full.

<sup>(2)</sup> Loan 2 is a term loan taken out by the Company in February 2015 for an original principal amount of \$113,000 paid through monthly instalments of \$1,883 plus interest at the prime rate plus 1.5%. The loan matures in February 2020.

Principal payments required over the next five years are estimated as follows:

2016	\$ 372,600
2017	372,600
2018	372,600
2019	372,600
2020	1,751,883
	<b>3,242,283</b>
Less: current portion	<b>(372,600)</b>
Long-term portion	<b>\$ 2,869,683</b>

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### 13. Share Capital

#### a) *Offering of shares*

The Company had the following capital stock transactions for the three month period ended March 31, 2016:

- On March 1, 2016, the Company issued 10,830 common shares from treasury which are held in escrow (the "Escrow ESPP Shares") for a period of twelve months pursuant to the Blaze King Employee Share Purchase Plan (the "ESPP"). The Escrow ESPP Shares were valued based on an average closing price of \$3.25 per share. Pursuant to the ESPP, certain employees of Blaze King may request to purchase a select number of shares from the Company, which will be held in trust/vest over twelve months, the employees may pay upfront or over twelve months, and the employees will receive an additional common share on maturity for every three common shares purchased. As at March 31, 2016, \$17,248 (December 31, 2015 - \$nil) of amounts are owed to the Company by Blaze King employees relating to the ESPP.
- On March 7, 2016, the Company issued 12,000 common shares on the exercise of stock options for a value of \$45,398.

The Company had the following capital stock transactions for the three month period ended March 31, 2015:

- On February 27, 2015, the Company completed its Qualifying Transaction. In conjunction with this transaction, on February 25, 2015, the Company issued 1,004,250 common shares at a price of \$2.00 per common share for gross proceeds of \$2,008,500. The agents to the offering received a commission of 7% of total proceeds resulting in a total commission of \$140,595. In addition, the agents were reimbursed for their legal fees and costs in the amount of \$36,146. Legal costs and transfer agent fees associated with the financing incurred were \$69,904. As a result, the total cash costs related to the offering were \$246,645. An amount of \$62,169 was recorded as share issuance costs resulting from the issuance of warrants, which bring the total share issuance cost of the offering to \$308,814. The total shares that remain in escrow as at December 31, 2015 are 710,625 (December 31, 2014 – 947,500).
- On February 27, 2015, the Company issued 330,000 common shares for gross proceeds of \$576,090.
- On March 26<sup>th</sup>, 2015, the Company issued 26,032 common shares on the exercise of agent warrants for a value of \$39,730.

At March 31, 2016, there were 3,773,400 (December 31, 2015 - 3,750,570, March 31, 2015 – 3,450,282) issued and outstanding common shares.

The total shares that remain in escrow as at March 31, 2016 are 568,500 (December 31, 2015 - 710,625, March 31, 2015 – 852,750).

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### 13. Share Capital (Continued)

#### b) Warrants

In conjunction with the Company's February 25, 2015 offering, the Company issued warrants to purchase 70,298 common shares at an exercise price of \$2.00 per common share, exercisable for a period of 24 months from February 25, 2015.

An amount of \$62,169 was recorded as share issuance costs during the period ended March 31, 2015 for the estimated fair value of the warrants granted, using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil; expected volatility of 245%; risk-free interest rate of 0.46%; forfeiture rate of 0%; market price of \$1.80 and weighted average life of 2 years. The warrants vested immediately on grant.

The Company has the following warrants outstanding and exercisable at December 31, 2015:

	Number of options	Weighted average exercise price (\$)	Weighted average grant date fair value (\$)	Weighted average years remaining
<b>Warrants</b>				
Outstanding and exercisable, December 31, 2014	-	-	-	-
Granted in 2015	70,298	2.00	0.88	1.17
Exercised in 2015	(7,220)	2.00	0.88	-
Outstanding and exercisable, December 31, 2015	63,078	2.00	0.88	1.17
<b>Outstanding and exercisable, March 31, 2016</b>	<b>63,078</b>	<b>2.00</b>	<b>0.88</b>	<b>0.92</b>

#### c) Stock options

The Company has a stock option plan, which allows the Company to issue options to the directors, officers, employees and consultants of the Company to purchase common shares of the Company at a stipulated price. The option grants will not exceed 10% of the issued and outstanding common shares of the Company. The Company measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period.

During the period ended December 31, 2015, the Company recorded an amount of \$265,694 as stock compensation expense for the estimated fair value of the stock options granted on April 1, 2015, using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil; expected volatility of 234%; risk-free interest rate of 0.73%; forfeiture rate of 0%; market price of \$1.80, and weighted average life of 5 years. The options vested immediately on grant.

The Company has granted stock options to various officers, directors, and employees of the Company as follows:

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### 13. Share Capital (Continued)

	Number of options	Weighted average exercise price (\$)	Weighted average grant date fair value (\$)	Weighted average years remaining
<b>Stock Options</b>				
Outstanding and exercisable, December 31, 2014	313,100	1.00	0.59	-
Granted in 2015	149,000	2.00	1.78	4.25
Exercised in 2015	(319,100)	1.00	0.61	-
<b>Outstanding and exercisable, December 31, 2015</b>	<b>143,000</b>	<b>2.00</b>	<b>1.78</b>	<b>4.25</b>
Exercised	(12,000)	2.00	1.78	-
<b>Outstanding and exercisable, December 31, 2015</b>	<b>131,000</b>	<b>2.00</b>	<b>1.78</b>	<b>4.00</b>

### 14. Financial Instruments and Risk Management

#### a) Fair value measurement of financial assets and liabilities and disclosure

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and approximate their fair value due to their short term nature.

The Company's financial assets and financial liabilities including long-term debt are measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

#### b) Fair value disclosures

At March 31, 2016 and 2015, long-term debt is measured and recognized in the consolidated statement of financial position at fair value as a level 2 financial instrument. Management determined that the fair value of the debt due to its interest rate approximately market lending rates, approximates the fair value.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.



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## 14. Financial Instruments and Risk Management (Continued):

### c) *Financial risk management*

The Company's primary business activities consist of the acquisition of corporations in the manufacturing sector. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows to create a portfolio of diversified and strong returns. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include liquidity risk, credit risk, currency risk, and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so. When deemed material, these risks may be monitored by the Company's corporate finance group and they are regularly discussed with the Board of Directors or one of its committees.

#### i. *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company's cash and cash equivalents are held in business accounts which are available on demand for the Company's programs. The accounts payable are due within 12 months of the dates on the statements of financial position. The debt matures in 2020 (note 12).

	<b>Total</b>	<b>Within One Year</b>	<b>Two to Five Years</b>
Long-term debt	\$ 3,242,283	\$ 372,600	\$ 2,869,683

#### ii. *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values contracts with individual counterparties which are recorded in the consolidated financial statements.

The Company's credit risk is predominantly limited to cash and cash equivalent balances held in financial institutions, and the recovery of the Company's accounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At March 31, 2016, the Company expects to recover the full amount of such assets, less any allowance for doubtful accounts in accounts receivable.

As at March 31, 2016, the Company had the following accounts receivable ageing:

	<b>Total</b>	<b>Current</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>90 days plus</b>
Accounts Receivable	\$ 988,374	\$ 577,014	\$ 337,254	\$ 38,922	35,184

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

# DECISIVE DIVIDEND CORPORATION

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## 14. Financial Instruments and Risk Management (Continued):

Cash and cash equivalents are only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

Sales are made to customers the Company believes them to be of sound credit worthiness.

### iii. Currency risk

The Company's functional currency for Blaze King USA is the US dollar, while all other entities in the group have a Canadian dollar functional currency, and the reporting currency is the Canadian dollar, therefore the Company's earnings and total comprehensive income are in part impacted by fluctuations in the value of the US dollar in relation to the Canadian dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies:

	<b>March 31, 2016</b>	December 31, 2015
Net monetary assets	\$ 1,974,622	\$ 1,982,430
Net monetary liabilities	(233,854)	(223,751)
	<b>\$ 1,740,768</b>	<b>\$ 1,758,679</b>

The effect on net income before income tax at March 31, 2016 of a 10.0% change in the foreign currencies against the US dollar on the above mentioned net monetary assets and liabilities of the Company is estimated to be an increase/decrease of \$174,077 (March 31, 2015 - \$190,157) assuming that all other variables remained constant.

The calculations above are based on the Company's statement of financial position exposure at March 31, 2016.

### iv. Interest rate risk

The Company is exposed to interest rate risk on the credit facility and long term debt. The Company's exposure to interest rate risk is due to the credit facility and long term debt's interest rate being variable. The Company does not enter into derivative contracts to manage this risk.

As the Company's interest rate exposure is variable with the prime rate, the carrying value of the credit facility and long term debt approximates their fair values. At March 31, 2016, a 1.0% increase of the prime rate on the long term debt would increase interest expense by \$149,000 (March 31, 2015 - \$153,000). Additionally, a 1.0% decrease of the prime rate on the long term debt would decrease interest expense by \$149,000 (March 31, 2015 - \$153,000).

The Company has elected not to enter into interest rate swaps or other instruments to actively manage such risks.

## DECISIVE DIVIDEND CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
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### 15. Related Party Transactions

The Company's related parties consist of directors and officers or companies associated with them.

Key management, including directors and officers of the Company, are those personnel having the authority and responsibility for planning, directing, and controlling the Company.

Salaries and benefits, bonuses and share-based payments are included in compensation expenses. Key management compensation for the three month period ended March 31, 2016 included \$59,785 of salary and benefits (March 31, 2015 - \$11,543).

### 16. Dividends

The Company's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's Board of Directors regularly examines the dividends paid to shareholders.

Cumulative dividends for the three months ended March 31, 2016 and 2015 are as follows:

	<b>March 31, 2016</b>	March 31, 2015
Cumulative dividends, beginning of period	\$ 673,454	\$ -
Dividends during the period	<b>281,864</b>	-
Cumulative dividends, end of period	<b>\$ 955,318</b>	-

The amounts and record dates of the dividends for the three months ended March 31, 2016 and 2015 are as follows:

<b>Month</b>	<b>Record Date 2016</b>	<b>Per Share (\$)</b>	<b>2016 Dividend Amount (\$)</b>	<b>Record Date 2015</b>	<b>Per Share (\$)</b>	<b>2015 Dividend Amount (\$)</b>
January	January 29, 2016	0.025	93,764	-	-	-
February	February 29, 2016	0.025	93,764	-	-	-
March	March 31, 2016	0.025	94,336	-	-	-
Total		0.075	281,864	-	-	-

Subsequent to March 31, 2016 and before these interim condensed financial statements were authorized, the Company undertook the following dividend actions:

- the dividend to shareholders of record on March 31, 2016 was paid on April 15<sup>th</sup>, 2016,
- a dividend of \$0.025 per share was declared for shareholders of record on April 29<sup>th</sup>, 2016, and paid on May 13<sup>th</sup>,
- a dividend of \$0.025 per share was declared on June 15<sup>th</sup>, 2016 for shareholders of record on May 31<sup>st</sup>, 2016.

## DECISIVE DIVIDEND CORPORATION

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### 17. Commitments and Contingencies

A summary of the undiscounted liabilities and future operating commitments at March 31, 2016 are as follows:

	<b>Total</b>	<b>Within One Year</b>	<b>Two to Five Years</b>
Operating leases	941,068	182,601	758,467

Contractual commitments are defined as agreements that are enforceable and legally binding. Certain of the contractual commitments may contain cancellation clauses; the Company discloses the contractual operating commitments based on management's intent to fulfill the contracts.

Various tax and legal matters are outstanding from time to time. In the event that managements' estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur.

### 18. Segmented Information

The Company's reporting is prepared on a geographic and consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Company. The Company identifies and tracks the operations of each subsidiary separately, but due to the direct and integrated relationship of Valley Comfort and Blaze King USA operations (the "Blaze Group"), whereby Valley Comfort is the manufacturer and Canadian wholesaler, and Blaze King USA is the United States wholesaler, the Company has determined that for segmentation they are considered one segment while the Canadian public company parent (the "Decisive Group") are considered a separate segment as its function is as an investment holding and management company.

The Company's segment reporting for the three months ended March 31, 2016 and 2015 is as follows:

<b>March 31, 2016</b>	<b>Decisive Group</b>	<b>Blaze Group</b>	<b>Total</b>
Sales revenues	\$ -	\$ 2,587,631	\$ 2,587,631
Cost of goods sold	-	1,480,157	1,480,157
Gross margin	-	1,107,474	1,107,474
Net income (loss) before income tax	(164,761)	26,423	(138,338)
Income tax expense	-	(5,000)	(5,000)
Net income (loss)	(164,761)	31,423	(133,338)
Comprehensive income (loss)	\$ (164,761)	\$ (93,401)	\$ (258,162)

  

<b>March 31, 2015</b>	<b>Decisive Group</b>	<b>Blaze Group</b>	<b>Total</b>
Sales revenues	\$ -	\$ 1,243,943	\$ 1,243,943
Cost of goods sold	-	777,111	777,111
Gross margin	-	466,832	466,832
Net income (loss) before income tax	(132,304)	33,042	(99,262)
Income tax expense	-	26,167	26,167
Net income (loss)	(132,304)	6,875	(125,429)
Comprehensive income (loss)	\$ (132,304)	\$ 55,062	\$ (77,242)

## DECISIVE DIVIDEND CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
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### 18. Segmented Information (Continued)

The Company's segment reporting as at March 31, 2016 and December 31, 2015 is as follows:

<b>March 31, 2016</b>	<b>Decisive Group</b>	<b>Blaze Group</b>	<b>Total</b>
Total current assets	\$ 95,431	\$ 3,985,873	\$ 4,081,304
Total current liabilities	529,921	1,106,870	1,636,791
Total assets	95,431	9,026,593	9,122,024
Total liabilities	\$ 3,329,921	\$ 1,946,553	\$ 5,276,474

<b>December 31, 2015</b>	<b>Decisive Group</b>	<b>Blaze Group</b>	<b>Total</b>
Total current assets	\$ 77,489	\$ 4,639,837	\$ 4,717,326
Total current liabilities	435,842	1,342,033	1,777,875
Total assets	77,489	9,764,598	9,842,087
Total liabilities	\$ 3,323,342	\$ 2,192,366	\$ 5,515,708

Due to the nature of the markets that the Company and its subsidiaries operate in, the Company is not dependent on any single customer for a significant portion of their sales revenues.

### 19. Events after the Reporting Period

On May 2nd, 2016, the Company announced its proposed acquisition of Unicast Inc. ("Unicast"), a company based in Kelowna, British Columbia which designs, manufactures and markets wear parts for the mining, aggregate and cement industries.

Decisive and the current shareholders of Unicast (the "Vendors") are parties to a share and loan purchase agreement dated April 29, 2016 (the "Share Purchase Agreement") pursuant to which Decisive and its wholly-owned subsidiary agreed to purchase all of the issued and outstanding shares of Unicast (and certain shareholder loans of its shareholders) for a purchase price of \$11,000,000 (the "Purchase Price"), subject to closing adjustments for indebtedness and working capital.

The Purchase Price is proposed to be satisfied through the issuance of common shares of Decisive ("Decisive Shares") having a value of \$1,551,000, with the balance of \$9,449,000 paid in cash.

Decisive intends to finance the cash portion of the Purchase Price from the proceeds of a \$5,500,000 debt financing from Decisive's senior lender (the "Debt Financing") and a private placement of Decisive Shares (the "Private Placement") with targeted gross proceeds of \$5,000,000. With regards to the Private Placement, the Company announced on May 5, 2016 that it had entered into an agreement with Industrial Alliance Securities Inc. and Laurentian Bank Securities Inc. pursuant to which the Agents have agreed to sell, on a commercially reasonable best efforts basis, common shares of the Corporation at a price of \$3.00 per Common Share for gross proceeds in the minimum amount of \$4.75 million and up to \$5.0 million.

With respect to the Vendors' share consideration, the Decisive Shares will be issued at the same price of the Decisive Shares issued pursuant to the Private Placement. In such event, the Vendors would receive an aggregate of 517,000 Decisive Shares in satisfaction of the share consideration under the Share Purchase Agreement.

## **DECISIVE DIVIDEND CORPORATION**

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - expressed in Canadian dollars)

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### **19. Events after the Reporting Period (Continued)**

Closing is anticipated to occur on or about June 17, 2016 and is subject to a number of closing conditions, including the successful completion of the Private Placement and the Debt Financing, as well as receipt of the approval of the TSXV.