Consolidated Financial Statements

goeasy Ltd.

For the Years Ended
December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **goeasy Ltd.**

Opinion

We have audited the consolidated financial statements of **goeasy Ltd.** and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

	Allowance for loan losses
Key audit matter	As more fully described in Notes 2 and 6 of the consolidated financial statements, goeasy has used an expected credit loss (ECL) model to recognize $135 million in allowances for credit losses on its consolidated balance sheet. The ECL is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is determined by evaluating a range of possible outcomes

incorporating the time value of money and reasonable and supportable information about past events, current conditions and future economic forecasts.

Auditing the allowance for credit losses required the involvement of Credit Risk Specialists due to the inherent complexity of the models, assumptions, judgements and the interrelationship of these variables in measuring the ECL. Significant assumptions and judgments with respect to the estimation of the allowance for loan losses include the calculation of both 12-month and lifetime expected credit losses, the determination of when a loan has experienced a significant increase in credit risk (SICR) and the determination of relevant forward looking multiple economic scenarios and the probability weighting of those scenarios. The allowance for credit losses is a significant estimate for which variations in model methodology, assumptions and judgements can have a material effect on the measurement of expected credit losses. Specifically, the effects of the COVID-19 pandemic have created a higher level of uncertainty in the economic forecasts.

How our audit addressed the key audit matter

To test the allowance for credit losses, amongst other procedures, we assessed, with the assistance of our Credit Risk Specialists, whether the methodology and assumptions used in models that estimate ECL are consistent with the requirements of IFRS, goeasy's own historical data and industry standards. We independently recalculated the ECL using source data. With the assistance of our Credit Risk Specialists, we evaluated the accuracy and related application of the programming code which records loans in each of the appropriate stages. We evaluated the reasonability of macroeconomic inputs used by comparing the information to third party sources and recalculated the effect of the inputs on the ECL model. We tested the completeness and accuracy of a sample of data used in the measurement of ECL by agreeing back to appropriate source systems or documents.

Valuation of goodwill

Key audit matter

As more fully described in Notes 2 and 11 of the consolidated financial statements, goeasy has recognized $21 million in goodwill as a result of past business combinations. Goodwill is not amortized, but is tested, at least annually, for impairment by comparing the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated, with the carrying amount of the CGU including goodwill. The recoverable amount of a CGU is defined as the higher of its estimated fair value less cost to sell and its value in use. Goodwill is also required to be tested for impairment whenever there are indicators that it may be impaired.

Auditing goeasy's goodwill impairment test required the involvement of Valuation Specialists due to the highly judgmental nature of key assumptions and significant estimation required to determine the recoverable amount of the CGU. In particular, the estimate of recoverable amount was sensitive to significant assumptions, such as forecasted growth rates, discount rates, and terminal values, which are affected by expectations about future market or economic conditions. Specifically, the effects of the COVID-19 pandemic have created a higher level of uncertainty in the forecasted earnings.

How our audit addressed the key audit matter

With the assistance of our Valuation Specialists, we tested management's estimate of the recoverable amount of the CGU. We performed audit procedures that included, among others, assessing the methodologies and testing the significant assumptions discussed above and the underlying data used by goeasy in its assessment. With the assistance of our Valuation Specialists, we evaluated the discount rate by considering the cost of capital of comparable businesses and other industry factors. We evaluated the reasonability of the forecasted earnings and terminal growth rate by comparing to historical results and our current understanding of the business as well as current economic trends which considered the impact of COVID-19. We assessed the historical accuracy of management's prior year estimates by performing a comparison of management's prior year projections to actual results and performed sensitivity analysis over significant assumptions to evaluate the changes in the recoverable amount of the CGU that would result from changes in the assumptions.

Valuation of PayBright investment

Key audit matter

As more fully described in Note 7 of the consolidated financial statements, as at December 31, 2020, goeasy had a minority equity interest in PayBright, a non-listed Canadian lending company. The investment is held at Fair Value through Profit and Loss ("FVTPL") and is therefore revalued each period, with the gains or losses flowing through net income. In December 2020, PayBright announced that it had entered into a share purchase agreement with Affirm Holdings, Inc. which closed on January 1, 2021. This included the purchase of goeasy's minority interest. The valuation of the investment as of December 31, 2020 is $56 million and is based upon the final purchase agreement which includes a $11.5 million portion contingent upon the future performance of PayBright.

Auditing the valuation of the PayBright investment was complex given the degree of judgment and subjectivity in evaluating management's valuation of the contingent consideration portion. Management has utilized a probability weighted multiple scenario approach to value the contingent consideration portion based upon PayBright's historical financial performance and the expectation of meeting these future revenue targets. The estimation of the value of this contingent consideration portion has a higher level of uncertainty as it relates to future revenues including the effects of COVID-19.

How our audit addressed the key audit matter

We assessed the appropriateness of the approach and inputs used by management to estimate the value of the contingent consideration. We assessed the reasonability of the probabilities applied to each scenario by management by comparing expected future revenues to PayBright's historical financial performance. We also assessed the reasonability of management's probabilities of meeting the revenue targets by comparing them to the financial performance of comparable companies.

Other Information

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

- Management's Discussion & Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

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

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

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Tedesco.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 17, 2021

goeasy Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

	As At December 31, 2020	As At December 31, 2019
ASSETS		
Cash (note 4)	**93,053**	46,341
Amounts receivable (note 5)	**9,779**	18,482
Prepaid expenses	**13,005**	7,077
Consumer loans receivable, net (note 6)	**1,152,378**	1,040,552
Investment (note 7)	**56,040**	34,300
Lease assets (note 8)	**49,384**	48,696
Property and equipment, net (note 9)	**31,322**	23,007
Deferred tax assets (note 19)	**4,066**	14,961
Intangible assets, net (note 11)	**25,244**	17,749
Right-of-use assets, net (note 10)	**46,335**	46,147
Goodwill (note 11)	**21,310**	21,310
TOTAL ASSETS	**1,501,916**	1,318,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving credit facility (note 12)	**198,339**	112,563
Accounts payable and accrued liabilities	**46,065**	41,350
Income taxes payable	**13,897**	4,187
Dividends payable (note 15)	**6,661**	4,448
Unearned revenue	**10,622**	8,082
Derivative financial liabilities (note 14)	**36,910**	16,435
Lease liabilities (note 10)	**53,902**	52,573
Accrued interest	**2,598**	4,358
Convertible debentures (note 13)	**-**	40,656
Notes payable (note 14)	**689,410**	701,549
TOTAL LIABILITIES	**1,058,404**	986,201
Shareholders' equity		
Share capital (note 15)	**181,753**	141,956
Contributed surplus (note 16)	**19,732**	20,296
Accumulated other comprehensive loss	**(5,280)**	(915)
Retained earnings	**247,307**	171,084
TOTAL SHAREHOLDERS' EQUITY	**443,512**	332,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,501,916**	1,318,622

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Karen Basian
Director

goeasy Ltd.

CONSOLIDATED STATEMENTS OF INCOME

(expressed in thousands of Canadian dollars except earnings per share)

	Year Ended	
	December 31, 2020	**December 31, 2019**
REVENUE		
Interest income	**409,583**	345,997
Lease revenue	**112,796**	113,236
Commissions earned	**117,913**	135,510
Charges and fees	**12,630**	14,640
	652,922	609,383
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**136,306**	120,414
Stock-based compensation (note 16)	**7,575**	8,686
Advertising and promotion	**26,786**	26,699
Bad debts	**134,998**	156,742
Occupancy	**22,501**	20,573
Technology costs	**14,191**	12,293
Other expenses (note 17)	**29,406**	30,819
	371,763	376,226
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets (note 8)	**35,770**	37,402
Depreciation of right-of-use assets (note 10)	**16,183**	15,199
Depreciation of property and equipment (note 9)	**5,997**	6,281
Amortization of intangible assets (note 11)	**6,773**	5,482
	64,723	64,364
TOTAL OPERATING EXPENSES	**436,486**	440,590
OPERATING INCOME	**216,436**	168,793
OTHER INCOME		
Unrealized fair value gain on investment (note 7)	**21,740**	-
FINANCE COSTS		
Interest expense and amortization of deferred financing charges (note 18)	**52,248**	55,094
Interest expense on lease liabilities (note 10)	**2,744**	2,464
Refinancing cost relating to notes payable (note 14)	**-**	21,723
	54,992	79,281
INCOME BEFORE INCOME TAXES	**183,184**	89,512
INCOME TAX EXPENSE (RECOVERY) (NOTE 19)		
Current	**33,041**	27,763
Deferred	**13,638**	(2,600)
	46,679	25,163
NET INCOME	**136,505**	64,349
BASIC EARNINGS PER SHARE (NOTE 20)	**9.21**	4.40
DILUTED EARNINGS PER SHARE (NOTE 20)	**8.76**	4.17

See accompanying notes to the consolidated financial statements.

goeasy Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(expressed in thousands of Canadian dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net income	**136,505**	64,349
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent periods		
Change in foreign currency translation reserve	**5**	12
Change in fair value of cash flow hedge, net of taxes	**(667)**	3,014
Change in costs of hedging, net of taxes	**(3,703)**	-
Reclassification of cash flow hedge to the consolidated statement of income, net of taxes	**-**	(7,648)
Transfer of realized translation losses on disposal of a special purpose entity	**-**	83
	(4,365)	(4,539)
Comprehensive income	**132,140**	59,810

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2019	**141,956**	**20,296**	**162,252**	**171,084**	**(915)**	**332,421**
Common shares issued	**9,025**	**(7,307)**	**1,718**	**-**	**-**	**1,718**
Stock-based compensation (note 16)	**-**	**7,575**	**7,575**	**-**	**-**	**7,575**
Conversion of convertible debentures (note 13)	**38,979**	**1,168**	**40,147**	**-**	**-**	**40,147**
Settlement of deferred share units (note 16)	**-**	**(2,000)**	**(2,000)**	**-**	**-**	**(2,000)**
Shares purchased for cancellation (note 15)	**(8,207)**	**-**	**(8,207)**	**(34,180)**	**-**	**(42,387)**
Comprehensive income (loss)	**-**	**-**	**-**	**136,505**	**(4,365)**	**132,140**
Dividends	**-**	**-**	**-**	**(26,102)**	**-**	**(26,102)**
Balance, December 31, 2020	**181,753**	**19,732**	**201,485**	**247,307**	**(5,280)**	**443,512**
Balance, December 31, 2018	138,090	16,105	154,195	143,710	3,624	301,529
International Financial Reporting Standards 16 adjustment (note 10)	-	-	-	(3,282)	-	(3,282)
Adjusted Balance, January 1, 2019	138,090	16,105	154,195	140,428	3,624	298,247
Common shares issued	8,334	(4,495)	3,839	-	-	3,839
Stock-based compensation (note 16)	-	8,686	8,686	-	-	8,686
Conversion of convertible debentures (note 13)	6	-	6	-	-	6
Shares purchased for cancellation (note 15)	(4,474)	-	(4,474)	(15,839)	-	(20,313)
Comprehensive income (loss)	-	-	-	64,349	(4,539)	59,810
Dividends	-	-	-	(17,854)	-	(17,854)
Balance, December 31, 2019	141,956	20,296	162,252	171,084	(915)	332,421

See accompanying notes to the consolidated financial statements.

goeasy Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of Canadian dollars)

	Year Ended	
	December 31, 2020	**December 31, 2019**
OPERATING ACTIVITIES		
Net income	**136,505**	64,349
Add (deduct) items not affecting cash		
Bad debts expense (note 6)	**134,998**	156,742
Depreciation of lease assets (note 8)	**35,770**	37,402
Depreciation of right-of-use assets (note 10)	**16,183**	15,199
Deferred income tax expense (recovery) (note 19)	**13,638**	(2,600)
Stock-based compensation (note 16)	**7,575**	8,686
Amortization of intangible assets (note 11)	**6,773**	5,482
Depreciation of property and equipment (note 9)	**5,997**	6,281
Amortization of deferred financing charges	**4,338**	3,506
Loss (gain) on sale or disposal of assets	**92**	(2,591)
Refinancing cost relating to notes payable (note 14)	**-**	21,723
Amortization of premium on notes payable	**-**	(1,879)
Unrealized fair value gain on investment (note 7)	**(21,740)**	-
	340,129	312,300
Net change in other operating assets and liabilities (note 21)	**17,561**	(16,125)
Net issuance of consumer loans receivable	**(246,824)**	(415,069)
Purchase of lease assets	**(36,454)**	(36,975)
Cash provided by (used in) operating activities	**74,412**	(155,869)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(14,405)**	(8,217)
Purchase of intangible assets	**(14,268)**	(8,642)
Proceeds on sale of assets	**-**	6,031
Purchase of investment	**-**	(34,300)
Cash used in investing activities	**(28,673)**	(45,128)
FINANCING ACTIVITIES		
Advances from revolving credit facility	**185,000**	167,000
Lease incentive received (note 10)	**1,795**	1,208
Issuance of common shares	**1,718**	3,839
Issuance of notes payable (note 14)	**-**	79,810
Settlement of deferred share units (note 16)	**(2,000)**	-
Redemption of convertible debt	**(2,427)**	-
Payment of lease liabilities (note 10)	**(16,837)**	(15,741)
Payment of common share dividends (note 15)	**(23,889)**	(16,653)
Purchase of common shares for cancellation (note 15)	**(42,387)**	(20,313)
Payment of advances from revolving credit facility	**(100,000)**	(52,000)
Cash provided by financing activities	**973**	147,150
Net increase (decrease) in cash during the year	**46,712**	(53,847)
Cash, beginning of year	**46,341**	100,188
Cash, end of year	**93,053**	46,341

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

goeasy Ltd. (the "Parent Company") was incorporated under the laws of the Province of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in the Province of Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent Company has common shares listed on the Toronto Stock Exchange (the "TSX") under the symbol "GSY" and its head office is located in Mississauga, Ontario, Canada.

The Parent Company and all of the companies that it controls (collectively referred to as "goeasy" or the "Company") are a leading full-service provider of goods and alternative financial services that provides everyday Canadians a path for a better tomorrow, today. The principal operating activities of the Company include: i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: easyfinancial and easyhome. As at December 31, 2020, the Company operated 266 easyfinancial locations (including 14 kiosks within easyhome stores) and 161 easyhome stores (including 35 franchises). As at December 31, 2019, the Company operated 256 easyfinancial locations (including 20 kiosks within easyhome stores) and 163 easyhome stores (including 35 franchises).

The consolidated financial statements were authorized for issue by the Board of Directors on February 17, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at December 31, 2020.

Certain comparative amounts have been restated to conform with the presentation adopted in the current year.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. goeasy Ltd. controls an entity when it 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. This includes all wholly-owned subsidiaries and a structured entity where goeasy Ltd. has control but does not have ownership of a majority of voting rights.

As at December 31, 2020, the Parent Company's principal subsidiaries were:
- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.

All intra-group transactions and balances were eliminated on consolidation.

Nature, purpose and extent of the Company's exposure to structured entity

On December 7, 2020, goeasy Securitization Trust (the "Trust"), a securitization vehicle controlled and consolidated by the Parent Company was established. Upon the creation of the Trust, a structured entity, the Company's activities will include transactions with the Trust which have been designed to achieve a specific business objective. A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The primary use of the Trust, is to provide the Company with funding for its operational needs. The Trust entered into a new $200 million revolving securitization warehouse facility ("Revolving Securitization Warehouse Facility") with a bank, and as collateral for the drawn amount, consumer loans are sold from easyfinancial Services Inc. into the Trust. The economic exposure associated with the rights inherent to these consumer loans are controlled by easyfinancial Services Inc. As a result, these consumer loans do not qualify for derecognition in the easyfinancial Services Inc's statement of financial position. The Revolving Securitization Warehouse Facility maturing on December 7, 2023 bears an interest at the rate of 1-month Canadian Dollar Offered Rate ("CDOR") plus 295 bps. The Company intends to establish an interest rate swap agreement to generate fixed rate payments on the amounts drawn and mitigate the impact of interest rate volatility. As at December 31, 2020, no amount was drawn against the Revolving Securitization Warehouse Facility.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Parent Company's functional currency. The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

Foreign Currency Translation

The Parent Company's presentation and functional currency is CAD. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company's United States (U.S.) subsidiary, easyhome U.S. Ltd, is the U.S. dollar ("USD"). The functional currency of all other entities that are consolidated is CAD.

Foreign currency transactions are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot rate on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the year. The exchange differences arising on the translation are recognized in other comprehensive income (loss). On disposal or divestiture of a foreign operation, the component of accumulated other comprehensive income (loss) relating to that particular foreign operation is reclassified to net income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding promotional discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements except for the sale of certain ancillary products where it acts as an agent and therefore recognizes such revenue on a net basis.

i) Interest Income

Interest income from consumer loans receivable is recognized when earned using the effective interest rate method.

ii) Lease Revenue

Merchandise is leased to customers pursuant to agreements that provide for periodic lease payments collected in advance. The lease agreements can be terminated by the customer at the end of the periodic lease period without any further obligation or cost to the customer.

Lease revenue consists of lease payments, product damage liability waivers and processing and other fees. Revenue from lease agreements is recognized when earned. Lease revenue also consists of revenue from the ultimate sale of goods to customers, which represents the culmination of the lease asset life cycle and occurs when title passes to the customer. Such revenue is measured at the fair value of the consideration received or receivable.

iii) Commissions Earned and Charges and Fees

Commissions earned are recognized when, or as, a performance obligation is satisfied by providing a service to a customer, in the amount of the consideration to which the Company expects to receive. Charges and fees are recognized as revenue at a point in time upon when the transaction is completed.

Vendor Rebates

The Company participates in various vendor rebate programs, including vendor volume rebates and vendor advertising incentives. The Company records the benefit of vendor volume rebates on purchases made as a reduction of lease assets based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program. Vendor advertising incentives that are related to specific advertising programs are accounted for as a reduction of the related expenses.

Cash

Cash consists of bank balances and cash on hand, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified at initial recognition at fair value through: i) profit or loss (“FVTPL”); ii) amortized cost; iii) debt financial instruments measured at fair value through other comprehensive income (“FVOCI”); iv) equity financial instruments designated at FVOCI; or v) financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets are measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

All debt instrument financial assets that do not meet a “solely payment of principal and interest” (“SPPI”) test, including those that contain embedded derivatives are classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a “held for trading” or “fair value” basis are classified as FVTPL. Debt instruments that are managed on a “hold to collect and for sale” basis are classified as FVOCI for debt. Debt instruments that are managed on a “hold to collect” basis are classified as amortized cost.

Financial assets consist of amounts receivable, consumer loans receivable and investment, and are initially measured at fair value plus transaction costs.

Amounts receivable and consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method, factoring in acquisition costs paid to third parties, and the allowance for loan losses. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument.

The Company does not have any financial assets that are subsequently measured at fair value except for investment and the derivative financial instrument which may be in an asset or liability position depending on the prevailing foreign exchange rates at such time (see section “Derivative Financial Instruments and Hedge Accounting”).

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Impairment of Financial Assets

The Company applies an expected credit loss ("ECL") model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the statement of financial position date, are provided for. The Company assesses and segments its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each statement of financial position date. Loans are categorized as under-performing if there has been a significant increase in credit risk. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal company risk rating based on the Company's custom behaviour credit scoring model, non-sufficient fund ("NSF") transactions, delinquency and substantive adjustments to a loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans will likely charge off in the future which the Company has determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

The Company does not provide any additional credit to borrowers who are delinquent. In order for additional credit to be advanced to a borrower, they must be current on their pre-existing loan and meet the Company's credit and underwriting requirements. In limited situations, the Company may amend the terms of a loan, typically through deferring payments and extending the loan amortization period, for customers that are current or are in arrears as a means to ensure the customer remains able to repay the loan.

The key inputs in the measurement of ECL allowances are as follows:
- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
- Forward-looking indicators ("FLIs").

Ultimately, the ECL is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. From an analysis of historical data, management has identified and reflected in the Company's ECL allowance those relevant FLIs variables that contribute to credit risk and losses within the Company's loan portfolio. Within the Company's loan portfolio, the most highly correlated variables are unemployment rates, inflation, oil prices, and gross domestic product ("GDP").

Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are written off against the allowance for loan losses.

Consumer loan balances, together with the associated allowances, are written off when there is no realistic prospect of further recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to bad debt expense.

For amounts receivable, the Company applies a simplified approach in calculating ECLs recognizing a loss allowance based on lifetime ECLs at each reporting date.

Modified Loans

In cases where a borrower experiences financial difficulty, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions and other modifications intended to minimize the economic loss. The Company has policies in place to determine the appropriate remediation strategy based on the individual borrower.

If the Company determines that a modification results in the expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the new financial instrument at the date of derecognition. A gain or loss is assessed at the date of modification or derecognition equal to the difference between the fair value of the cash flows under the original and modified terms.

If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having twelve-month ECLs after a period of performance and improvement in the borrower's financial condition.

Lease Assets

Lease assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

The cost of lease assets comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase options provided to the customer, the customer leases are considered operating in nature. Lease agreements entitle customers to buy out a lease asset earlier in accordance with conditions stipulated in the lease agreements.

The residual value, useful life and depreciation method of the lease assets are reviewed at each financial year-end, and if expectations differ from previous estimates, they are adjusted, and the changes are accounted for prospectively as a change in accounting estimates. In the event management determines that the Company can no longer lease or sell certain lease assets, they are written off. The residual value of lease assets is nominal.

Depreciation on lease assets is charged to net income as follows:

- Lease assets, excluding game stations, computers and related equipment, are depreciated using the units of activity method over the expected lease agreement term.
- Game stations are depreciated on a straight-line basis over 18 months. Computers and related equipment are depreciated on a straight-line basis over 24 months.
- Depreciation for all lease assets includes the remaining book values at the time of disposition of the lease assets that have been sold and amounts that have been charged off as stolen, lost or no longer suitable for lease.

The Company's lease assets are subject to theft, loss or other damage from its customers. The Company records a provision against the carrying value of lease assets for estimated losses.

Property and Equipment

The cost of property and equipment comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to net income as repairs and maintenance expense when incurred.

Depreciation on property and equipment is charged to net income.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Estimated Useful Lives
Furniture and fixtures	7 years
Computer	5 years
Office equipment	7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	5 to 10 years depending on the lease term

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) are included in net income in the period the assets are derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their estimated fair values at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in net income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period for potential impairment indicators. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income.

Customer lists and software are amortized over their estimated useful lives of five years. Websites and digital properties are amortized over their estimated useful lives of three years.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's trademarks have been assessed to have an indefinite life.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amounts of the asset and are recognized in net income when the assets are derecognized.

Development Costs

Development costs, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of the expected future benefit.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, plus variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In determining a lease component, the Company does not separate the non-lease components from the lease component and instead accounts for each lease component and any associated non-lease components as a single lease component.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate on leases at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term Leases and Leases of Low Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

B. Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease revenue recognition is discussed above.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized initially using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortized. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset or a cash-generating unit ("CGU") may be impaired.

The Company regularly reviews lease assets that are idle for more than 90 days for any indicators of impairment. Such assets deemed not leaseable or sellable are discarded and their net carrying value reduced to nil.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the easyhome business unit, a CGU was determined to be at the individual store level as the cash inflows of an individual store are largely independent of the cash inflows of other assets in the Company. For the easyfinancial business unit, a CGU was determined to be at the business unit level rather than at the individual store or kiosk level, as the cash inflows are largely dependent on easyfinancial's centralized loan and collections centre.

If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset or CGU's recoverable amount. The recoverable amount is the higher of the asset or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in net income.

The impairment test calculations are based on detailed budgets and forecasts which are prepared annually for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year.

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and when circumstances indicate that the carrying value may be impaired.

Financial Liabilities

Financial liabilities are initially recognized at fair value. In the case of certain loans and borrowings, the fair value at initial recognition includes the value of proceeds received net of directly attributable transaction costs. The Company's financial liabilities include a revolving credit facility, USD denominated notes payable, convertible debentures, term loans, derivative financial instruments and accounts payable and accrued liabilities.

After initial recognition, the Company's interest-bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest-bearing debt. Interest expense and the amortization of deferred financing charges are included in finance costs.

Non-interest bearing financial liabilities, such as accounts payable and accrued liabilities, are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is settled, discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Convertible Debentures

Convertible debentures include both liability and equity components associated with the conversion option. The liability component of the convertible debentures is initially recognized at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument.

The equity component of the convertible debentures is initially recognized at fair value determined as the difference between the gross proceeds of the convertible debt issuance less the liability component and the deferred tax liability that arises from the temporary difference between the carrying value of the liability and its tax basis. The equity component is allocated to contributed surplus within shareholders' equity. Directly attributable transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components on a pro-rata basis, reducing the fair value at the time of initial recognition.

Derivative Financial Instruments and Hedge Accounting

The Company's financing activities expose it to the financial risks of changes in foreign exchange rates. The Company utilizes derivative financial instruments as cash flow hedges to assist in the management of certain foreign exchange risks.

Derivative financial instruments are initially measured at fair value on the trade date and are subsequently remeasured at fair value at each reporting date using observable market inputs.

The Company designates derivative financial instruments as cash flow hedges to hedge the change due to foreign exchange risk when the derivative financial instruments meet the criteria for hedge accounting in accordance with IFRS 9, *Financial Instruments*.

In order to qualify for hedge accounting, formal documentation must include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:
- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the change in values that result from that economic relationship.
- The hedge ratio of the hedging relationship is consistent with management's risk strategy.

Where an effective hedge exists, the change in the fair value of the derivative instrument is recognized in other comprehensive income (loss) and reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows (in this case the interest or principal payments of the Company's USD notes payable) affect profit or loss. As such there is no net impact on net income.

Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis. Should a hedge cease to be effective any changes in fair value related to movements in the foreign currency rates would be taken in net income.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

Taxes

i) Current Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Taxes

Deferred income taxes are provided for using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred income tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- the initial recognition of goodwill; and
- investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenue, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Stock-based Payment Transactions

The Company has stock-based compensation plans as described in note 15.

i) Equity-Settled Transactions

The Company has stock options, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using the market value on the grant date or the Black-Scholes option pricing model, as appropriate. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net income, with a corresponding increase in contributed surplus over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has elapsed and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense for a period is recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

ii) Cash-Settled Transactions

The Company has Performance Share Units ("PSUs") which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ("cash-settled transactions"). The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is remeasured to fair value, at each reporting date up to and including the settlement date, based on the value of the Company's publicly-traded common shares and the Company's best estimate of the number of cash-settled instruments that will ultimately vest.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflected the extent to which the vesting period had elapsed and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The expense for a period including changes in fair value are recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options, warrants and convertible debentures is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

Impact of COVID-19 Pandemic
The Company's business has been and will continue to be impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The COVID-19 pandemic has had, and will continue to have, a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets (with global equity markets having experienced significant volatility and weakness), regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, country-wide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. Additionally, the second wave of the COVID-19 pandemic and the emergence of new variants have led to governments around the world to continue to enact measures to combat the spread of the COVID-19 virus, including, but not limited to, the implementation of travel bans, border closings, mandated closure of non-essential services, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally, resulting in a sudden economic slowdown. The ever-changing and rapidly-evolving effects of COVID-19, the duration, extent and severity of which are currently unknown, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. Therefore, the COVID-19 virus and the measures to prevent its spread may contribute to a higher level of uncertainty with respect to management's judgements and estimates.

Significant Accounting Judgements, Estimates and Assumptions
Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are as follows:

i) Allowance for Credit Losses and Allowance for Loan Losses

ECL method is applied in determining the allowance for credit losses on gross consumer loans receivable. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgments, estimates and assumptions are discussed in note 2, Financial Assets. In light of the turbulent economic environment brought on by the COVID-19 pandemic, management identified the need to incorporate additional data and methodological approaches into the Company's forward-looking scenario modelling. Therefore, additional factors have been incorporated in assessing the economic impact of the COVID-19 pandemic on the Company's consumer loan portfolio as discussed in note 6.

In addition, consumer loans receivable includes accrued interest earned from consumer loans that is expected to be received in future periods. Interest receivable from consumer loans is determined based on the amounts the Company believes will be collected in future periods.

ii) Depreciation of Lease Assets

Certain assets on lease, (excluding game stations, computers and related equipment) are depreciated based on the time on lease against the lease agreement term, which is estimated by management for each product category. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight-line basis over their estimated useful lives.

iii) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment include the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

iv) Impairment of Goodwill and Indefinite-Life Intangible Assets

In assessing the recoverable amount, management estimated the group of CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment involve the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

v) Fair Value of Stock-Based Compensation

The fair value of equity-settled stock-based compensation plan grants are measured at the grant date using either the related market value or the Black-Scholes option pricing model, as appropriate. The Black-Scholes option pricing model was developed for estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option pricing models require the input of highly subjective assumptions, including expected share price volatility. The Company's share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of the unit options granted.

The vesting of the Company's stock-based compensation plans is based on the expected achievement of long-term targets and management retention rates, the assessment of which are subject to management's judgment.

vi) Taxation Amounts

Tax provisions, including current and deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to the Company's specific situation. Therefore, it is possible that the ultimate value of the tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on the Company's consolidated financial statements.

vii) Unearned Revenue

Unearned revenue includes lease payments that have not yet been earned, lease processing fees that are received at the inception of a consumer lease and secured loan origination fees charged to consumers. The processing fees are recognized into income over the expected life of the lease agreement, as estimated by management. The secured loan origination fees are recognized into income over the expected life of the loan, as estimated by management.

viii) Convertible Debentures

The convertible debentures are accounted for as a compound financial instrument with a liability component and a separate equity component. The debt component of this compound financial instrument is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk as estimated by management. The debt component is subsequently deducted from the total carrying value of the compound financial instrument to derive the equity component.

ix) Premises Lease Contracts

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under some of the Company's lease contracts for premises, it has the option to lease the premises for additional terms of one to ten years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

x) Fair Value Measurement of Investments

When the fair values of investments recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using alternative valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered in the acquisition of a loan portfolio in February 2020.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39, *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

(b) Standards issued but not yet effective

Amendments to IFRS 16 COVID-19 Related Rent Concessions
On May 28, 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16, Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendments apply to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company has not early adopted this amendment as these amendments had no impact on the consolidated financial statements.

4. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. The Company has pledged part of its cash to fulfill collateral requirements under its derivative financial instruments contract. As at December 31, 2020, the fair value of the cash pledged by the Company as a cash collateral in respect of the derivative financial instruments was $30.1 million (2019 – 11.6 million).

(Expressed in thousands of Canadian dollars except where otherwise indicated)

5. AMOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Commission receivable	**6,367**	11,082
Due from franchisees	**656**	3,349
Vendor rebate receivable	**539**	324
Other	**2,217**	3,727
	9,779	18,482
Current	**9,595**	17,384
Non-current	**184**	1,098
	9,779	18,482

Other amounts receivables consist of amounts due from customers and other items.

6. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represent amounts advanced to customers and includes both unsecured and secured loans. Unsecured loan terms generally range from 9 to 60 months while secured loan terms generally range from 6 to 10 years.

	December 31, 2020	December 31, 2019
Gross consumer loans receivable	**1,246,840**	1,110,633
Interest receivable from consumer loans	**16,566**	16,384
Unamortized deferred acquisition costs	**14,648**	20,642
Allowance for credit losses	**(125,676)**	(107,107)
	1,152,378	1,040,552

The allocation of the Company's gross consumer loans receivable as at December 31, 2020 and 2019 based on loan types are as follows:

	December 31, 2020	December 31, 2019
Unsecured instalment loans	**1,091,562**	995,122
Secured instalment loans	**155,278**	115,511
	1,246,840	1,110,633

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The scheduled principal repayment aging analyses of the gross consumer loans receivable portfolio as at December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	$	% of total loans	$	% of total loans
0 - 6 months	**184,553**	**14.8%**	182,896	16.5%
6 - 12 months	**144,341**	**11.6%**	130,043	11.7%
12 - 24 months	**300,560**	**24.1%**	275,038	24.8%
24 - 36 months	**289,065**	**23.2%**	259,598	23.4%
36 - 48 months	**181,866**	**14.6%**	154,908	13.9%
48 - 60 months	**62,361**	**5.0%**	44,918	4.0%
60 months +	**84,094**	**6.7%**	63,232	5.7%
	1,246,840	**100.0%**	1,110,633	100.0%

The gross consumer loans receivable portfolio categorized by the contractual time to maturity at year-ends are summarized as follows:

	December 31, 2020		December 31, 2019	
	$	% of total loans	$	% of total loans
0 - 1 year	**48,561**	**3.9%**	42,623	3.8%
1 - 2 years	**142,958**	**11.5%**	139,414	12.6%
2 - 3 years	**321,683**	**25.8%**	296,891	26.7%
3 - 4 years	**381,055**	**30.6%**	366,359	33.0%
4 - 5 years	**209,994**	**16.8%**	156,439	14.1%
5 years +	**142,589**	**11.4%**	108,907	9.8%
	1,246,840	**100.0%**	1,110,633	100.0%

An aging analysis of gross consumer loans receivable past due is as follows:

	December 31, 2020		December 31, 2019	
	$	% of total loans	$	% of total loans
1 - 30 days	**34,880**	**2.8%**	40,508	3.7%
31 - 44 days	**7,645**	**0.6%**	7,692	0.7%
45 - 60 days	**5,503**	**0.4%**	7,579	0.7%
61 - 90 days	**7,258**	**0.6%**	8,578	0.8%
91 - 180 days	**378**	**0.0%**	321	0.0%
	55,664	**4.4%**	64,678	5.9%

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The following table provides the gross consumer loans receivable split by the Company's risk ratings and further segregated by Stage 1, Stage 2, and Stage 3. The categorization of borrowers into low, normal and high risk is based on the Company's proprietary behaviour credit scoring model. This scoring model has been built and refined using analytical techniques and statistical modelling tools which has proven more effective at predicting future losses than traditional credit scores available from credit reporting agencies. Borrowers categorized as low risk have expected future losses that are lower than the average expected loss rate of the overall loan portfolio. Customers categorized as normal risk have expected future losses that are approximately the same as the average expected loss rate of the overall loan portfolio. Customers categorized as high risk have expected future losses that are higher than the average expected loss rate of the overall loan portfolio. The median TransUnion Risk Score for those borrowers categorized as low, normal and high risk is presented below as reference.

	As at December 31, 2020				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	**617**	**636,101**	**2,467**	**107**	**638,675**
Normal Risk	**544**	**384,942**	**7,174**	**246**	**392,362**
High Risk	**502**	**120,758**	**75,194**	**19,851**	**215,803**
Total	**564**	**1,141,801**	**84,835**	**20,204**	**1,246,840**

	As at December 31, 2019				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	601	445,584	1,198	6	446,788
Normal Risk	531	400,040	6,379	225	406,644
High Risk	489	137,699	95,871	23,631	257,201
Total	535	983,323	103,448	23,862	1,110,633

(Expressed in thousands of Canadian dollars except where otherwise indicated)

An analysis of the changes in the classification of gross consumer loans receivable is as follows:

	Year ended December 31, 2020			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2020	**983,323**	**103,448**	**23,862**	**1,110,633**
Gross loan originated	**1,033,130**	**-**	**-**	**1,033,130**
Gross loan purchased	**31,275**	**-**	**-**	**31,275**
Principal payments and other adjustments	**(813,788)**	**17,805**	**(5,417)**	**(801,400)**
Transfers to (from)				
Stage 1 (Performing)	**298,014**	**(264,592)**	**(33,422)**	**-**
Stage 2 (Under-Performing)	**(313,536)**	**325,354**	**(11,818)**	**-**
Stage 3 (Non-Performing)	**(54,358)**	**(84,617)**	**138,975**	**-**
Gross charge offs	**(22,259)**	**(12,563)**	**(91,976)**	**(126,798)**
Balance as at December 31, 2020	**1,141,801**	**84,835**	**20,204**	**1,246,840**

On February 28, 2020, the Company acquired a $31.3 million of gross consumer loans receivable from Mogo Inc. (“Mogo”).

	Year ended December 31, 2019			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2019	701,167	114,278	18,334	833,779
Gross loan originated	1,095,375	-	-	1,095,375
Principal payments and other adjustments	(684,412)	12,999	(5,582)	(676,995)
Transfers to (from)				
Stage 1 (Performing)	281,552	(266,836)	(14,716)	-
Stage 2 (Under-Performing)	(334,752)	351,835	(17,083)	-
Stage 3 (Non-Performing)	(43,089)	(88,061)	131,150	-
Gross charge offs	(32,518)	(20,767)	(88,241)	(141,526)
Balance as at December 31, 2019	983,323	103,448	23,862	1,110,633

The changes in the allowance for credit losses are summarized below:

	December 31, 2020	December 31, 2019
Balance, beginning of year	**107,107**	79,741
Net amounts written off against allowance	**(116,429)**	(129,376)
Increase due to lending and collection activities	**134,998**	156,742
Balance, end of year	**125,676**	107,107

(Expressed in thousands of Canadian dollars except where otherwise indicated)

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

	Year ended December 31, 2020			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2020	**55,930**	**33,671**	**17,506**	**107,107**
Gross loans originated	**43,651**	**-**	**-**	**43,651**
Gross loans purchased	**2,328**	**-**	**-**	**2,328**
Principal payments and other adjustments	**(53,548)**	**475**	**(13,753)**	**(66,826)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**88,620**	**(54,650)**	**(23,408)**	**10,562**
Stage 2 (Under-Performing)	**(30,138)**	**89,120**	**(8,231)**	**50,751**
Stage 3 (Non-Performing)	**(8,440)**	**(24,367)**	**127,339**	**94,532**
Net amounts written off against allowance	**(20,644)**	**(11,641)**	**(84,144)**	**(116,429)**
Balance as at December 31, 2020	**77,759**	**32,608**	**15,309**	**125,676**

	Year ended December 31, 2019			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2019	37,715	28,214	13,812	79,741
Gross loans originated	53,740	-	-	53,740
Principal payments and other adjustments	(23,631)	3,006	(13,654)	(34,279)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	57,526	(57,192)	(11,017)	(10,683)
Stage 2 (Under-Performing)	(30,588)	105,649	(12,913)	62,148
Stage 3 (Non-Performing)	(7,923)	(26,271)	120,010	85,816
Net amounts written off against allowance	(30,909)	(19,735)	(78,732)	(129,376)
Balance as at December 31, 2019	55,930	33,671	17,506	107,107

In calculating the allowance for credit losses, internally developed models were used which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, three forward-looking scenarios are generated - 1) Neutral, 2) Optimistic, and 3) Pessimistic - based on forecasting of macroeconomic variables (GDP, unemployment rates, inflation rates, and oil prices) that are determined relevant to the allowance for credit losses. Judgment is then applied to the recommended probability weightings to these scenarios to determine a probability weighted allowance for credit losses as at December 31, 2020.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The following table shows the key macroeconomic variables used in the determination of the probability weighted allowance during the forecast period as at December 31, 2020, which were obtained from the forward-looking indicator ("FLI") forecasts produced by five large Canadian banks.

12-Month Forward-Looking Macroeconomic Variables (Average annual %)	**Neutral Forecast**	**Optimistic Forecast**	**Pessimistic Forecast**
Unemployment rate[1]	7.51%	7.30%	11.41%
GDP Growth[2]	5.91%	6.55%	(2.9%)
Inflation Growth[3]	1.52%	1.05%	2.03%
Oil Prices[4]	$49.91	$55.04	$31.33

[1] An average of the projected monthly unemployment rates over the next 12-months forecast period
[2] A projected year-over-year GDP growth rate
[3] A projected year-over-year inflation growth rate
[4] An average of the projected monthly oil prices over the next 12-months forecast period

The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices and the rate of GDP were negatively correlated with the Company's historic loss rates. The assignment of the probability weighting for the various scenarios using these variables involves management judgment through a robust internal review and analysis by management to arrive at a collective view on the likelihood of each scenario, particularly in light of the current COVID-19 pandemic circumstance. If management were to assign 100% probability to the pessimistic scenario forecast, the allowance for credit losses would have been $14.0 million higher than the reported allowance for credit losses as at December 31, 2020. Note the sensitivity above does not consider the migration of exposure and/or changes in credit risk that would have occurred in the loan portfolio due to risk mitigation actions or other factors.

7. INVESTMENT

In September 2019, the Company purchased a minority equity interest in PayBright for an aggregate price of $34.3 million. PayBright is a non-listed Canadian lending company and payments platform focused on providing consumers with pay-later solutions at their favourite retailers, both online and in-store.

The Company's investment in PayBright is classified at Fair Value Through Profit or Loss. The fair value of PayBright was determined from the sale transaction described below. For the year-ended December 31, 2020, the Company recognized an unrealized fair value gain amounting to $21.7 million in the consolidated statement of income.

Sale of Investment in PayBright
On December 3, 2020, PayBright announced that the shareholders of PayBright had reached a definitive agreement to sell 100% of the PayBright shares to Affirm Holdings Inc. ("Affirm"), including the Company's minority equity interest in PayBright. The sale transaction closed on January 1, 2021. Subsequent to the closing of the sale transaction, Affirm completed an initial public offering and its shares now trade on the Nasdaq Global Select Market under the symbol "AFRM". The equity consideration received by the Company is subject to customary lock-up agreements in connection with Affirm's initial public offering.

Under the terms of the sale transaction, on January 1, 2021, the Company received total consideration as follows:
- Cash of $23.0 million, excluding one-time expenses and closing adjustments and including $2.1 million held in escrow;
- Equity in Affirm with a value of $21.5 million; and
- Contingent equity in Affirm with a value of $15.4 million, subject to revenue performance achieved in 2021 and 2022.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

After considering the likelihood of achieving the contingent equity, the fair value of the investment in PayBright was determined to be $56.0 million as at December 31, 2020 based on the estimated value of the consideration to be received on January 1, 2021.

On January 1, 2021, the Company will derecognize its $56.0 million investments in PayBright and will recognize $33.1 million investment in Affirm in the consolidated statement of financial position. The carrying amount of the Company's investment in PayBright as at December 31, 2020 of $56.0 million is equal to the total sale consideration that will be recognized on January 1, 2021.

The Company’s investment in Affirm will be classified at initial recognition at Fair Value Through Profit or Loss on January 1, 2021.

8. LEASE ASSETS

	December 31, 2020	**December 31, 2019**
Cost		
Balance, beginning of year	**54,840**	62,180
Additions	**36,458**	36,877
Disposals	**(38,759)**	(44,217)
Balance, end of year	**52,539**	54,840
Accumulated Depreciation		
Balance, beginning of year	**(6,144)**	(10,562)
Depreciation for the year	**(35,770)**	(37,402)
Disposals	**38,759**	41,820
Balance, end of year	**(3,155)**	(6,144)
Net book value	**49,384**	48,696

During the year ended December 31, 2020, the net book value of the lease assets sold or disposed by the Company was nil (2019 – $2,397).

(Expressed in thousands of Canadian dollars except where otherwise indicated)

9. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Computer and Office Equipment	Automotive	Signage	Leasehold Improvements	Total
Cost						
As at December 31, 2018	15,744	11,064	206	6,183	32,020	65,217
Additions	658	1,336	30	381	5,812	8,217
Disposals	(7,033)	(4,024)	(236)	(3,157)	(15,006)	(29,456)
As at December 31, 2019	**9,369**	**8,376**	**-**	**3,407**	**22,826**	**43,978**
Additions	**1,651**	**3,546**	**-**	**462**	**8,746**	**14,405**
Disposals	**(294)**	**(147)**	**-**	**(17)**	**(71)**	**(529)**
As at December 31, 2020	**10,726**	**11,775**	**-**	**3,852**	**31,501**	**57,854**
Accumulated Depreciation						
As at December 31, 2018	(11,064)	(6,484)	(206)	(4,665)	(21,515)	(43,934)
Depreciation	(1,127)	(1,178)	(3)	(449)	(3,524)	(6,281)
Disposals	7,022	3,936	209	3,138	14,939	29,244
As at December 31, 2019	**(5,169)**	**(3,726)**	**-**	**(1,976)**	**(10,100)**	**(20,971)**
Depreciation	**(1,058)**	**(1,229)**	**-**	**(442)**	**(3,268)**	**(5,997)**
Disposals	**242**	**120**	**-**	**13**	**61**	**436**
As at December 31, 2020	**(5,985)**	**(4,835)**	**-**	**(2,405)**	**(13,307)**	**(26,532)**
Net Book Value						
As at December 31, 2019	4,200	4,650	-	1,431	12,726	23,007
As at December 31, 2020	**4,741**	**6,940**	-	**1,447**	**18,194**	**31,322**

As at December 31, 2020, the amount of property and equipment classified as under construction or development and not being amortized was $4.1 million (2019 – $0.9 million).

During the year ended December 31, 2020, the net book value of the property and equipment sold by the Company was $95 (2019 – $212).

For easyhome, various impairment indicators were used to determine the need to test a CGU for impairment. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income during the year. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 1% long-term growth rate. The pre-tax discount rate used on the forecasted cash flows was 11.5%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge would be limited to the property and equipment held by the impaired CGU.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For easyfinancial, it was determined that no indicators of impairment existed that would require an impairment test on property and equipment.

For the years ended December 31, 2020 and 2019, no net impairment recovery in depreciation of property and equipment was recognized by the Company. All impairment charges and recoveries in 2019 are related solely to the easyhome segment.

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use Assets			Lease
	Premises	**Vehicles**	**Total**	**Liabilities**
As at January 1, 2019	39,274	2,489	41,763	47,523
Additions	18,553	1,030	19,583	19,583
Depreciation expense	(14,408)	(791)	(15,199)	-
Interest expense	-	-	-	2,464
Interest payment	-	-	-	(2,464)
Lease inducement received	-	-	-	1,208
Principal payment	-	-	-	(15,741)
As at December 31, 2019	**43,419**	**2,728**	**46,147**	**52,573**
Additions	**15,945**	**426**	**16,371**	**16,371**
Depreciation expense	**(15,339)**	**(844)**	**(16,183)**	**-**
Interest expense	**-**	**-**	**-**	**2,744**
Interest payment	**-**	**-**	**-**	**(2,744)**
Lease inducement received	**-**	**-**	**-**	**1,795**
Principal payment	**-**	**-**	**-**	**(16,837)**
As at December 31, 2020	**44,025**	**2,310**	**46,335**	**53,902**

For the year ended December 31, 2020, the Company recognized rent expense from short-term leases of $2,433 (2019 – $1,438) and variable lease payments of $12,061 (2019 – $11,266).

(Expressed in thousands of Canadian dollars except where otherwise indicated)

11. INTANGIBLE ASSETS AND GOODWILL

	Trademarks	Customer Lists	Software	Total
Cost				
As at December 31, 2018	2,088	1,683	36,055	39,826
Additions	-	9	8,633	8,642
Disposals	-	(438)	(9,795)	(10,233)
As at December 31, 2019	**2,088**	**1,254**	**34,893**	**38,235**
Additions	**-**	**-**	**14,268**	**14,268**
As at December 31, 2020	**2,088**	**1,254**	**49,161**	**52,503**
Accumulated Amortization				
As at December 31, 2018	(1,992)	(1,039)	(22,206)	(25,237)
Amortization	-	(257)	(5,225)	(5,482)
Disposals	-	438	9,795	10,233
As at December 31, 2019	**(1,992)**	**(858)**	**(17,636)**	**(20,486)**
Amortization	**-**	**(159)**	**(6,614)**	**(6,773)**
As at December 31, 2020	**(1,992)**	**(1,017)**	**(24,250)**	**(27,259)**
Net Book Value				
As at December 31, 2019	96	396	17,257	17,749
As at December 31, 2020	**96**	**237**	**24,911**	**25,244**

Trademarks are considered indefinite-life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

Included in additions for the year ended December 31, 2020 were $14.3 million (2019 – $8.6 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2020 (2019 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2020 and 2019.

Goodwill and indefinite-life intangible assets were allocated to the group of CGUs to which they relate. The carrying value of goodwill was fully allocated to the easyhome CGUs. Impairment testing is performed annually and was performed as at December 31, 2020 and 2019. The impairment test consisted of comparing the carrying value of assets within the CGU to the recoverable amount of that CGU as measured by discounting the expected future cash flows using a value in use approach. The discounted cash flow model was based on historical operating results, detailed sales and cost forecasts over a three-year period, a 1% long-term growth rate and a pre-tax discount rate used on the forecasted cash flows of 11.5%, all of which were consistent with the strategic plans presented to the Company's Board of Directors.

Based on the analysis performed by management, no impairment charge was required on goodwill.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

12. REVOLVING CREDIT FACILITY

The Company's revolving credit facility consists of a $310 million senior secured revolving credit facility maturing on February 12, 2022. The revolving credit facility is provided by a syndicate of banks. Interest on advances is payable at either the Canadian Bankers' Acceptance rate ("BA") plus 300 bps or the lender's prime rate ("Prime") plus 200 bps, at the option of the Company.

The following table summarizes the details of the Revolving Credit Facility:

	December 31, 2020	December 31, 2019
Drawn amount	**200,000**	115,000
Unamortized deferred financing costs	**(1,661)**	(2,437)
	198,339	112,563

The financial covenants of the revolving credit facility were as follows:

Financial covenant	Requirements	December 31, 2020
Minimum consolidated tangible net worth	>132,000, plus 50% of consolidated net income	**$384,692**
Maximum consolidated leverage ratio	< 3.25	**2.26**
Minimum consolidated fixed charge coverage ratio	> 1.75	**2.77**
Maximum net charge off ratio	< 15.0%	**10.0%**
Minimum collateral performance index	> 90.0%	**100.1%**

As at December 31, 2020, the Company was in compliance with all of its financial covenants under its credit agreements.

13. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year and commenced on January 31, 2018 (the "Debentures"). The Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share.

On and after July 31, 2020, and prior to July 31, 2021, the Debentures may be redeemed in whole or in part from time to time and with proper notice by the Company, provided that the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days prior to the 5th trading day before redemption notification date was not less than 125% of the conversion price. On or after July 31, 2021, the Company may redeem with proper notice the Debentures for the principal amount plus accrued and unpaid interest.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

On July 31, 2020 (the "Redemption Date"), the Company redeemed all Debentures that remained unconverted on that date in accordance with the notice of redemption to the holders of its Debentures issued on June 29, 2020. The Debentures were redeemed at a redemption price equal to their principal amount, plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. On the Redemption Date, the Company redeemed $2.4 million aggregate principal amount of Debentures that remained unconverted on that date and the Debentures were de-listed from TSX subsequently thereafter.

The following table summarizes the details of the convertible debentures:

	Amount
As at January 1, 2019	39,525
Accretion in carrying value of debenture liability	1,137
Conversion of debentures to equity (net of $1 unamortized deferred financing costs)	(6)
As at December 31, 2019	**40,656**
Accretion in carrying value of debenture liability	**632**
Redemption of debentures in cash (net of $118 unamortized deferred financing costs)	**(2,309)**
Conversion of debentures to equity (net of $2,650 unamortized deferred financing costs)	**(38,979)**
As at December 31, 2020	**-**

During the year ended December 31, 2020, $41,629 of Debentures were converted into 959,983 common shares. During 2019, $7 of Debentures were converted into 158 common shares. Unamortized deferred financing costs related to these Debentures amount to $2,650 thousand (December 31, 2019 – $1).

14. NOTES PAYABLE

On November 27, 2019, the Company issued USD$550.0 million of 5.375% senior unsecured notes payable (“Notes Payable”) with interest payable semi-annually on June 1 and December 1 of each year and commencing on June 1, 2020. The Notes Payable mature on December 1, 2024.

The Notes Payable include certain prepayment features: i) up to December 1, 2021, all of the Notes Payable can be prepaid at par plus a premium and accrued and unpaid interest or, if the proceeds are acquired from an equity offering, up to 40% of the Notes Payable (including future additions) can be prepaid at a price of 105.375% plus accrued and unpaid interest; ii) from December 1, 2021 to November 30, 2022, all of the Notes Payable can be prepaid at a price of 102.688% plus accrued and unpaid interest; iii) from December 1, 2022 to November 30, 2023, all of the Notes Payable can be prepaid at a price of 101.344% plus accrued and unpaid interest; and iv) subsequent to December 1, 2023 the Notes Payable can be prepaid at par plus accrued and unpaid interest.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The proceeds of the November 27, 2019 notes issuance was used to extinguish the Company's previous USD$475.0 million of 7.875% senior unsecured outstanding notes payable that would have matured on November 1, 2022, and unwind the related cross-currency swap for USD$325.0 million at USD1.000 = CAD1.289 and USD150.0 million at USD1.000 = CAD1.316. As a result of repaying these notes, the Company incurred an early repayment penalty, recognized the remaining unamortized deferred financing costs and unamortized premium associated with these notes, realized derivative loss, and reclassified the net change in cash flow hedge from other comprehensive income (loss) to the consolidated statement of income resulting in a one-time before tax charge of $21.7 million.

The following table summarizes the details of the Notes Payable:

	December 31, 2020	December 31, 2019
Notes Payable in CAD at issuance	**728,310**	728,310
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**(28,380)**	(13,851)
	699,930	714,459
Unamortized deferred financing costs	**(10,520)**	(12,910)
	689,410	701,549

Concurrent with the issuance of the Notes Payable, the Company entered into derivative financial instruments (the "cross-currency swaps") as cash flow hedges to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes Payable at a fixed exchange rate of USD1.000 = CAD1.3242, thereby fully hedging the USD$550.0 million Notes Payable at a CAD interest rate of 5.65%. The cross-currency swaps fully hedge the obligation under the Notes Payable to $728.3 million.

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps (i.e., the same notional amount, maturity date, interest rate, interest payment dates). The Company has elected to designate foreign currency basis as a cost of hedging, thereby excluding foreign currency basis spreads from the designation of the hedging relationship, and has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the year ended December 31, 2020 and for the year ended December 31, 2019.

As the Notes Payable and the cross-currency swaps are in an effective hedging relationship, changes in the fair value of the cross-currency swaps is recorded in Other Comprehensive Income and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the Notes Payable recognized in net income. The amount of the foreign currency basis spread at inception, designated as a cost of hedging, is amortized to profit and loss on a straight-line basis over the life of the Notes Payable.

The cross-currency swaps have an aggregated notional amount equal to the aggregated principal outstanding of the hedged Notes Payable. The fair value of cross-currency swaps is determined from swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The change in fair value of the cross-currency swaps used for measuring ineffectiveness for the period is as follows:

	December 31, 2020	December 31, 2019
Derivative financial liabilities	**(36,910)**	(16,435)

15. SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consisted of an unlimited number of common shares with no par value and an unlimited number of preference shares.

Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company. The common shares are listed for trading on the TSX.

Common Shares Issued and Outstanding

The changes in common shares issued and outstanding are summarized as follows:

	December 31, 2020		December 31, 2019	
	# of shares (in 000s)	$	# of shares (in 000s)	$
Balance, beginning of year	**14,346**	**141,956**	14,405	138,090
Conversion of Debentures	**960**	**38,979**	-	6
Exercise of RSUs	**199**	**7,070**	201	3,560
Exercise of stock options	**47**	**1,121**	188	4,284
Dividend reinvestment plan	**17**	**834**	10	490
Shares purchased for cancellation	**(768)**	**(8,207)**	(458)	(4,474)
Balance, end of year	**14,801**	**181,753**	14,346	141,956

Dividends on Common Shares

For the year ended December 31, 2020, the Company paid dividends of $23.9 million (2019 – $16.7 million) or $1.660 per share (2019 – $1.155 per share). On November 3, 2020, the Company declared a dividend of $0.45 per share to shareholders of record on December 25, 2020, payable on January 8, 2021. The dividend paid on January 8, 2020 was $6.7 million.

Shares Purchased for Cancellation

During the year ended December 31, 2020, the Company purchased and cancelled 767,855 (2019 – 458,260) of its common shares on the open market at an average price of $55.18 (2019 – $44.31) per share for a total cost of $42.4 million (2019 – $20.3 million) pursuant to a normal course issuer bid. This normal course issuer bid expired on December 19, 2020. The normal course issuer bid was renewed on December 16, 2020 which allows for a total purchase of up to 1,079,703 common shares and expires on December 20, 2021.

16. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. Options are generally granted at exercise prices equal to the fair market value at the grant date, vest at the end of a three-year period based on earnings per share targets and have exercise lives of five years.

	December 31, 2020		December 31, 2019	
	# of Options (in 000s)	Weighted average exercise price $	# of Options (in 000s)	Weighted average exercise price $
Outstanding balance, beginning of year	**472**	**33.67**	613	27.67
Options granted	**181**	**37.81**	115	40.60
Options exercised	**(47)**	**18.81**	(188)	17.74
Options forfeited or expired	**(29)**	**35.62**	(68)	35.33
Outstanding balance, end of year	**577**	**36.07**	472	33.67
Exercisable balance, end of year	-	-	47	18.81

Outstanding options to officers and employees as at December 31, 2020 were as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	# of Options (in 000s)	Weighted average remaining contractual life in years	Weighted average exercise price $	# of Options (in 000s)	Weighted average exercise price $
32.37 - 39.99	**490**	**2.77**	**35.23**	**-**	**-**
40.00 - 40.80	**87**	**3.12**	**40.80**	**-**	**-**
32.37 - 40.80	**577**	**2.82**	**36.07**	**-**	**-**

The Company used the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2020, the Company recorded an expense of $1,181 (2019 – $1,151) in stock-based compensation expense related to its stock option plan in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Options granted in 2020 and 2019 were determined using the Black-Scholes option pricing model with the following assumptions:

	2020	2019
Risk-free interest rate (% per annum)	**0.75**	1.82
Expected hold period to exercise (years)	**4.75**	4.75
Volatility in the price of the Company's shares (%)	**47.51**	37.37
Dividend yield (%)	**5.00**	3.00

Restricted Share Unit ("RSU") Plan

Under the Company's RSU Plan, RSUs may be granted by the Board of Directors to employees of the Company. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets.

	December 31, 2020		December 31, 2019	
	# of RSUs (in 000s)	Weighted average fair value at grant date $	# of RSUs (in 000s)	Weighted average fair value at grant date $
Outstanding balance, beginning of year	**401**	**41.34**	533	31.14
RSUs granted	**100**	**40.97**	126	43.93
RSU dividend reinvestments	**8**	**54.05**	8	48.27
RSUs exercised	**(199)**	**35.53**	(201)	17.58
RSUs forfeited	**(40)**	**39.66**	(65)	37.03
Outstanding balance, end of year	**270**	**46.11**	401	41.34

For the year ended December 31, 2020, $3,820 (2019 – $5,096) was recorded as an expense in stock-based compensation expense related to the Company's RSU program in the consolidated statements of income with a corresponding adjustment to contributed surplus.

Deferred Share Unit ("DSU") Plan

During the year ended December 31, 2020, the Company granted 32,246 DSUs (2019 – 58,103 DSUs) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the year ended December 31, 2020, $2,574 (2019 – $2,439) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2020, an additional 8,011 DSUs (2019 – 5,368 DSUs) were granted as a result of dividends reinvested. During the year ended December 31, 2020, 28,028 DSUs were settled for $2.0 million (2019 – nil).

(Expressed in thousands of Canadian dollars except where otherwise indicated)

Contributed Surplus

The following is a continuity of the activity in the contributed surplus account:

	December 31, 2020	December 31, 2019
Contributed surplus, beginning of year	**20,296**	16,105
Equity-settled stock-based compensation expense		
Restricted share units	**3,820**	5,096
Deferred share units	**2,574**	2,439
Stock options	**1,181**	1,151
Conversion of convertible debentures	**1,168**	-
Reduction due to exercise of stock-based compensation		
Stock options	**(242)**	(941)
Deferred share units	**(2,000)**	-
Restricted share units	**(7,065)**	(3,554)
Contributed surplus, end of year	**19,732**	20,296

17. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios, loan portfolio and other assets. For the year ended December 31, 2019, other expenses included net gains realized on the sale of lease portfolios, loan portfolio and other assets of $2.6 million. For the year ended December 31, 2020, there were no such gains.

18. INTEREST EXPENSE AND AMORTIZATION OF DEFERRED FINANCING CHARGES

Interest expense and amortization of deferred financing charges under finance costs in the consolidated statements of income include the following:

	December 31, 2020	December 31, 2019
Interest expense		
Notes payable	**41,150**	45,329
Revolving credit facility	**5,866**	3,420
Convertible debt	**1,409**	2,534
Amortization of deferred financing costs and accretion expense	**4,338**	4,819
Interest income, net	**(515)**	(1,008)
	52,248	55,094

(Expressed in thousands of Canadian dollars except where otherwise indicated)

19. INCOME TAXES

The Company's income tax expense was determined as follows:

	December 31, 2020	December 31, 2019
Combined basic federal and provincial income tax rates	**26.6%**	27.3%
Expected income tax expense	**48,727**	24,439
Non-deductible expenses	**1,119**	1,090
Effect of capital gains on sale of assets and investments	**(2,891)**	(248)
Other	**(276)**	(118)
	46,679	25,163

The significant components of the Company's income tax expense are as follows:

	December 31, 2020	December 31, 2019
Current income tax:		
Current income tax charge	**37,482**	27,876
Adjustments in respect of prior years and other	**(4,441)**	(113)
	33,041	27,763
Deferred income tax:		
Relating to origination and reversal of temporary differences	**13,638**	(2,600)
	46,679	25,163

The significant components of the Company's deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Amounts receivable and allowance for credit losses	**4,933**	8,890
Financing fees	**4,593**	6,707
Revaluation of Notes Payable and cross-currency swaps	**2,261**	685
Stock-based compensation	**1,551**	2,411
Right-of-use assets, net of lease liabilities	**1,184**	1,224
Unearned revenue	**304**	378
Loss carry forwards	**182**	616
Unrealized fair value gain on investment	**(2,880)**	-
Tax cost of lease assets and property and equipment in excess of net book value	**(8,062)**	(5,950)
	4,066	14,961

All changes to the deferred tax assets were recorded as an expense in deferred tax expense in the consolidated statements of income.

As at December 31, 2020 and 2019, there was no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

20. EARNINGS PER SHARE

Basic Earnings Per Share

Basic earnings per share amounts were calculated by dividing the net income for the year by the weighted average number of ordinary shares and DSUs outstanding. DSUs were included in the calculation of the weighted average number of ordinary shares outstanding as these units vest upon grant.

	December 31, 2020	**December 31, 2019**
Net income	**136,505**	64,349
Weighted average number of ordinary shares outstanding (in 000s)	**14,817**	14,635
Basic earnings per ordinary share	**9.21**	4.40

For the year ended December 31, 2020, 254,200 DSUs (2019 – 238,529 DSUs) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the years ended December 31, 2020 and 2019, the convertible debentures were dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after-tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	December 31, 2020	December 31, 2019
Net income	**136,505**	64,349
After tax impact of convertible debentures	**1,586**	2,698
Fully diluted net income	**138,091**	67,047
Weighted average number of ordinary shares outstanding (in 000s)	**14,817**	14,635
Dilutive effect of stock-based compensation (in 000s)	**376**	426
Dilutive effect of convertible debentures (in 000s)	**564**	1,001
Weighted average number of diluted shares outstanding (in 000s)	**15,757**	16,062
Dilutive earnings per ordinary share	**8.76**	4.17

For the year ended December 31, 2020, no stock options to acquire common shares (2019 – 94,648), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

21. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

The net change in other operating assets and liabilities was as follows:

	December 31, 2020	December 31, 2019
Amounts receivable	**8,703**	(3,032)
Prepaid expenses	**(5,928)**	(3,242)
Accounts payable and accrued liabilities	**4,296**	(3,753)
Income taxes payable	**9,710**	(3,312)
Unearned revenue	**2,540**	2,080
Accrued interest	**(1,760)**	(4,866)
	17,561	(16,125)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

Supplemental disclosures in respect of the consolidated statements of cash flows comprised the following:

	December 31, 2020	December 31, 2019
Income taxes paid	**25,534**	31,948
Income taxes refunded	**2,203**	873
Interest paid	**50,111**	60,492
Interest received	**409,887**	338,361

22. COMMITMENTS AND GUARANTEES

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. Some of the Company's lease contracts for premises include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. As at December 31, 2020, no extension option for lease contracts for premises is expected to be exercised.

The undiscounted potential future lease payments for operating leases for premises and vehicles and the estimated operating costs related to technology commitments required for the next five years and thereafter are as follows:

	Within 1 year	After 1 year, but not more than 5 years	More than 5 years
Premises	**17,164**	**35,641**	**4,837**
Vehicles	**881**	**1,722**	**52**
Technology commitments	**11,315**	**5,985**	**-**
	29,360	**43,348**	**4,889**

23. CONTINGENCIES

The Company was involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of bank debt (revolving operating facility and Revolving Securitization Warehouse Facility), Notes Payable and shareholders' equity, which includes share capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, increasing or decreasing bank debt and Notes Payable or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

The Company monitors capital on the basis of the financial covenants of its financing facilities.

For the years ended December 31, 2020 and 2019, the Company was in compliance with all of its externally imposed financial covenants.

25. FINANCIAL RISK MANAGEMENT

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company makes consumer loans and leases products to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by FLIs. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices and the rate of GDP were negatively correlated with the Company's historic loss rates. In calculating the allowance for credit losses, internally developed models were used which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, three forward-looking scenarios are generated - 1) Neutral, 2) Optimistic, and 3) Pessimistic - based on forecasting degrees of change in the macroeconomic variables (GDP, unemployment rates, inflation rates, and oil prices) within a 12-month period. Judgment is then applied by Management to assign probabilistic weightings to these scenarios to determine a probability weighted allowance for credit losses as at the reporting date. The proposed macroeconomic forecasts and probability weightings are then subject to robust internal review and analysis by management to arrive at a collective view on the likelihood for each scenario. Refer to note 6 for additional details on the allowance for credit losses. As at December 31, 2020, the Company's gross consumer loans receivable portfolio was $1.25 billion (2019 – $1.11 billion). Net charge offs expressed as a percentage of the average loan book were 10.0% for the year ended December 31, 2020 (2019 – 13.3%).

The credit risk related to lease assets with customer's results from the possibility of customer default with respect to agreed upon payments or in not returning the lease assets. The Company has a standard collection process in place in the event of payment default, which includes the recovery of the lease asset if satisfactory payment terms cannot be worked out with the customer, as the Company maintains ownership of the lease assets until payment options are exercised. As at December 31, 2020, the Company's lease assets were $49.4 million (2019 – $48.7 million). Lease asset losses for the year ended December 31, 2020 represented 2.4% (2019 – 2.9%) of total revenue for the easyhome segment.

The credit risk related to other amounts receivable are managed in accordance with policies and procedures resulting from the possibility of default on rebate payments, amounts due from licensee and franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts when determined to be appropriate.

Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its financing facility. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

The Company believes that the cash flow provided by operations and funds available from the credit facility will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In addition, the incremental financing obtained in 2020 will allow the Company to continue growing its consumer loans receivable portfolio into the third quarter of 2023 based on the Company's organic growth assumptions. In order for the Company to achieve the full growth opportunities available, however, additional sources of financing over and above the currently available credit facility will be required in the future. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Substantially all liabilities are due within 12 months with the exception of Notes Payable. This credit facility has no current component and is due as disclosed in note 14. As at December 31, 2020, $200 million (2019 - $115 million) was drawn on the Company's revolving credit facility (note 12).

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. As at December 31, 2020, the Notes Payable had a fixed rate of interest. The $310 million revolving credit facility has a variable interest rate at either the BA rate plus 300 bps or the Prime rate plus 200 bps, at the option of the Company.

The Company does not hedge interest rates on the revolving credit facility. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company to the extent that draws are made on the variable rate revolving credit facility.

As at December 31, 2020, the Company's outstanding borrowing from its revolving credit facility was subject to movements in the BA rate. A 10% movement in the BA rate would have increased or decreased net income for the year by approximately $137.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The $200 million Revolving Securitization Warehouse Facility has a variable interest rate at 1-month CDOR plus 295 bps. As at December 31, 2020, there is no interest rate risk on the Revolving Securitization Warehouse Facility as no amount was drawn from the facility. The Company intends to establish an interest rate swap agreement to generate fixed rate payments on the amounts drawn and mitigate the impact of interest rate volatility.

Currency Risk

Currency risk measures the Company's risk of financial loss due to adverse movements in currency exchange rates.

The Company completed an offering of USD$550.0 million Notes Payable in 2019. These notes are due December 1, 2024 with a USD coupon rate of 5.375%. Concurrent with these offerings, the Company entered into currency swap agreements to fix the foreign exchange rate for the proceeds from the offerings and for all required payments of principal and interest under these notes effectively hedging the obligation. The hedge is designed to match the cash flow obligations of the Company under the Notes Payable.

The Company sources a portion of the assets it leases in Canada from U.S. suppliers. As a result, the Company had foreign exchange transaction exposure. These purchases were funded using the spot rate prevailing at the date of purchase. Pricing to customers can be adjusted to reflect changes in the CAD landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure.

26. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	December 31, 2020	December 31, 2019
Cash	Fair value	**93,053**	46,341
Amounts receivable	Amortized cost	**9,779**	18,482
Consumer loans receivable	Amortized cost	**1,152,378**	1,040,552
Investment	Fair value	**56,040**	34,300
Revolving credit facility	Amortized cost	**198,339**	112,563
Accounts payable and accrued liabilities	Amortized cost	**46,065**	41,350
Derivative financial liabilities	Fair value	**36,910**	16,435
Accrued interest	Amortized cost	**2,598**	4,358
Convertible debentures	Amortized cost	**-**	40,656
Notes payable	Amortized cost	**689,410**	701,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2020 and 2019

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at December 31, 2020 and 2019:

December 31, 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	**93,053**	**93,053**	**-**	**-**
Amounts receivable	**9,779**	**-**	**-**	**9,779**
Consumer loans receivable	**1,152,378**	**-**	**-**	**1,152,378**
Investment	**56,040**	**-**	**-**	**56,040**
Revolving credit facility	**198,339**	**-**	**-**	**198,339**
Accounts payable and accrued liabilities	**46,065**	**-**	**-**	**46,065**
Derivative financial liabilities	**36,910**	**-**	**36,910**	**-**
Accrued interest	**2,598**	**-**	**-**	**2,598**
Notes payable	**689,410**	**-**	**-**	**689,410**

December 31, 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	46,341	46,341	-	-
Amounts receivable	18,482	-	-	18,482
Consumer loans receivable	1,040,552	-	-	1,040,552
Investment	34,300	-	-	34,300
Revolving credit facility	112,563	-	-	112,563
Accounts payable and accrued liabilities	41,350	-	-	41,350
Derivative financial liabilities	16,435	-	16,435	-
Accrued interest	4,358			4,358
Convertible debentures	40,656	-	-	40,656
Notes payable	701,549	-	-	701,549

There were no transfers between Level 1, Level 2, or Level 3 during the current or prior year.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

27. RELATED PARTY TRANSACTIONS

Key management personnel includes all corporate officers with the position of president, executive vice president or senior vice president. The following summarizes the expense related to key management personnel during the year.

	December 31, 2020	December 31, 2019
Short-term employee benefits including salaries	**3,965**	4,426
Share-based payment transactions	**2,899**	2,865
	6,864	7,291

28. SEGMENTED REPORTING

For management purposes, the Company had two reportable segments: easyfinancial and easyhome. The Company’s business units generate revenue in four main categories: i) interest generated on the Company’s gross consumer loans receivable portfolio; ii) lease payments generated by easyhome lease agreements; iii) commissions and other revenues generated by the sale of various ancillary products; and iv) charges and fees.

General and administrative expenses directly related to the Company’s business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss).

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The following tables summarize the relevant information for the years ended December 31, 2020 and 2019:

Year ended December 31, 2020	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**392,450**	**17,133**	**-**	**409,583**
Lease revenue	**-**	**112,796**	**-**	**112,796**
Commissions earned	**109,246**	**8,667**	**-**	**117,913**
Charges and fees	**8,208**	**4,422**	**-**	**12,630**
	509,904	**143,018**	**-**	**652,922**
Total operating expenses before depreciation and amortization	**251,897**	**67,261**	**52,605**	**371,763**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**7,665**	**37,209**	**3,666**	**48,540**
Depreciation of right-of-use assets	**7,753**	**7,489**	**941**	**16,183**
	15,418	**44,698**	**4,607**	**64,723**
Segment operating income (loss)	**242,589**	**31,059**	**(57,212)**	**216,436**
Other income				
Unrealized fair value gain on investment				**21,740**
Finance costs				
Interest expense and amortization of deferred financing charges				**52,248**
Interest expense on lease liabilities				**2,744**
				54,992
Income before income taxes				**183,184**

(Expressed in thousands of Canadian dollars except where otherwise indicated)

Year ended December 31, 2019	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	334,124	11,873	-	345,997
Lease revenue	-	113,236	-	113,236
Commissions earned	126,806	8,704	-	135,510
Charges and fees	9,278	5,362	-	14,640
	470,208	139,175	-	609,383
Total operating expenses before depreciation and amortization	267,356	67,253	41,617	376,226
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	7,194	39,140	2,831	49,165
Depreciation of right-of-use assets	6,521	7,943	735	15,199
	13,715	47,083	3,566	64,364
Segment operating income (loss)	189,137	24,839	(45,183)	168,793
Finance costs				
Interest expense and amortization of deferred financing charges				55,094
Interest expense on lease liabilities				2,464
Refinancing cost relating to Notes Payable				21,723
				79,281
Income before income taxes				89,512

As at December 31, 2020, the Company's goodwill of $21.3 million (2019 – $21.3 million) related entirely to its easyhome segment.

In scope under IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")* are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15. These revenues totalled $13.2 million and $13.4 million in 2020 and 2019, respectively.

(Expressed in thousands of Canadian dollars except where otherwise indicated)

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020 (%)	**December 31, 2019 (%)**
Furniture	**42**	44
Electronics	**32**	32
Appliances	**14**	13
Computers	**12**	11
	100	100

29. SUBSEQUENT EVENT

On December 3, 2020, PayBright announced that the shareholders of PayBright had reached a definitive agreement to sell 100% of the PayBright shares to Affirm, including the Company's minority equity interest in PayBright. The sale transaction closed on January 1, 2021, as described in note 7.

In addition, as described in note 7, Affirm completed an initial public offering on January 13, 2021 and its shares now trade on the Nasdaq Global Select Market under the symbol "AFRM".

Subsequent to the transaction, the Company entered into a 6-month total return swap agreement (the "TRS") to substantively hedge its market exposure related to its 655,416 shares held in Affirm Inc., which represents the non-contingent portion of the equity consideration received, pursuant to the sale of its investment in PayBright. The TRS effectively results in the economic value of the Company's investment in Affirm shares being settled in cash at maturity for USD$108.87 per share, net of applicable fees.