

Interim Condensed Consolidated Financial Statements

goeasy Ltd.

(Unaudited)

June 30, 2016

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At June 30, 2016	As At December 31, 2015
ASSETS		
Cash	20,491	11,389
Amounts receivable	10,884	13,000
Prepaid expenses	2,582	2,446
Consumer loans receivable (note 4)	306,789	270,961
Lease assets	56,404	60,753
Property and equipment	17,908	18,689
Deferred tax assets (note 10)	7,953	5,913
Intangible assets	14,842	14,041
Goodwill	21,310	21,310
TOTAL ASSETS	459,163	418,502
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	25,442	23,617
Income taxes payable	3,219	700
Dividends payable (note 7)	1,677	1,341
Deferred lease inducements	1,682	1,922
Unearned revenue	4,612	3,982
Provisions	435	582
Term loan (note 6)	235,924	210,299
TOTAL LIABILITIES	272,991	242,443
Shareholders' equity		
Share capital (note 7)	83,111	81,725
Contributed surplus	8,471	9,852
Accumulated other comprehensive income	814	969
Retained earnings	93,776	83,513
TOTAL SHAREHOLDERS' EQUITY	186,172	176,059
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	459,163	418,502

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:



David Ingram
Director



Donald K. Johnson
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
REVENUE				
Lease revenue	34,244	36,120	70,192	72,873
Interest income	33,974	23,641	65,529	44,799
Other	17,880	13,129	32,702	25,743
	86,098	72,890	168,423	143,415
Other income (note 5)	3,000	-	3,000	-
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	23,438	21,078	46,006	42,233
Stock-based compensation (note 8)	992	975	1,999	2,595
Advertising and promotion	4,135	2,728	6,620	5,315
Bad debts	13,315	9,436	25,695	17,604
Occupancy	8,230	7,953	16,209	15,589
Other expenses (note 9)	7,246	6,405	14,596	12,363
	57,356	48,575	111,125	95,699
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	11,141	11,634	22,587	23,258
Depreciation of property and equipment	1,421	1,359	2,804	2,639
Amortization of intangible assets	1,031	862	2,005	1,584
Impairment, net	5	46	5	46
	13,598	13,901	27,401	27,527
Total operating expenses	70,954	62,476	138,526	123,226
Operating income	18,144	10,414	32,897	20,189
Finance costs (note 6)	5,114	3,621	9,935	6,751
Income before income taxes	13,030	6,793	22,962	13,438
Income tax expense (recovery) (note 10)				
Current	3,574	1,786	7,227	3,038
Deferred	(1,067)	(10)	(2,040)	460
	2,507	1,776	5,187	3,498
Net income	10,523	5,017	17,775	9,940
Basic earnings per share (note 11)	0.77	0.37	1.30	0.73
Diluted earnings per share (note 11)	0.75	0.36	1.27	0.71

See accompanying notes to the interim condensed consolidated financial statements

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income	10,523	5,017	17,775	9,940
Other comprehensive income (loss)				
Change in foreign currency translation reserve	7	(113)	(155)	492
Transfer of realized translation gains	-	-	-	(297)
Comprehensive income	10,530	4,904	17,620	10,135

See accompanying notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(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, 2015	81,725	9,852	91,577	83,513	969	176,059
Common shares issued	3,484	(3,380)	104	-	-	104
Stock-based compensation (note 8)	-	1,999	1,999	-	-	1,999
Shares purchased for cancellation (note 7)	(2,098)	-	(2,098)	(4,145)	-	(6,243)
Comprehensive (loss) income	-	-	-	17,775	(155)	17,620
Dividends (note 7)	-	-	-	(3,367)	-	(3,367)
Balance, June 30, 2016	83,111	8,471	91,582	93,776	814	186,172
Balance, December 31, 2014	80,364	6,458	86,822	66,452	694	153,968
Common shares issued	1,624	(273)	1,351	-	-	1,351
Stock-based compensation (note 8)	-	1,547	1,547	-	-	1,547
Comprehensive income	-	-	-	9,940	195	10,135
Dividends (note 7)	-	-	-	(2,691)	-	(2,691)
Balance, June 30, 2015	81,988	7,732	89,720	73,701	889	164,310

See accompanying notes to the interim condensed consolidated financial statements

goeasys Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
OPERATING ACTIVITIES				
Net income	10,523	5,017	17,775	9,940
Add (deduct) items not affecting cash				
Depreciation of lease assets	11,141	11,634	22,587	23,258
Depreciation of property and equipment	1,421	1,359	2,804	2,639
Impairment, net	5	46	5	46
Amortization of intangible assets	1,031	862	2,005	1,584
Stock-based compensation (note 8)	992	1,069	1,999	1,547
Bad debts expense	13,315	9,436	25,695	17,604
Deferred income tax (recovery) expense	(1,067)	(10)	(2,040)	460
Other income (note 5)	(3,000)	-	(3,000)	-
Gain on sale of assets (note 9)	(754)	(1,108)	(1,540)	(2,360)
	33,607	28,305	66,290	54,718
Net change in other operating assets and liabilities (note 12)	4,028	(430)	6,567	(4,104)
Net issuance of consumer loans receivable	(34,836)	(31,347)	(61,523)	(53,584)
Cash provided by (used in) operating activities	2,799	(3,472)	11,334	(2,970)
INVESTING ACTIVITIES				
Purchase of lease assets	(10,250)	(9,716)	(19,340)	(21,483)
Purchase of property and equipment	(1,004)	(2,450)	(2,073)	(4,564)
Purchase of intangible assets	(1,377)	(307)	(2,806)	(1,118)
Acquisitions	-	-	-	(3,671)
Proceeds on sale of investment (note 5)	3,000	-	3,000	-
Proceeds on sale of property and equipment	1,227	2,685	2,532	4,934
Cash used in investing activities	(8,404)	(9,788)	(18,687)	(25,902)
FINANCING ACTIVITIES				
Repayments of bank revolving credit facility	-	(1,617)	-	(1,756)
Advances of term loan	12,908	20,225	25,625	35,382
Payment of common share dividends (note 7)	(1,690)	(1,343)	(3,031)	(2,476)
Issuance of common shares	42	456	104	1,351
Purchase of common shares for cancellation (note 7)	(3,437)	-	(6,243)	-
Cash provided by financing activities	7,823	17,721	16,455	32,501
Net increase in cash during the period	2,218	4,461	9,102	3,629
Cash, beginning of period	18,273	333	11,389	1,165
Cash, end of period	20,491	4,794	20,491	4,794

See accompanying notes to the interim condensed consolidated financial statements

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

1. CORPORATE INFORMATION

goeasy Ltd. ["Parent Company"] was incorporated under the laws of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent Company changed its name from easyhome Ltd. to goeasy Ltd. effective September 14, 2015. The Parent Company has common shares listed on the Toronto Stock Exchange ["TSX"] and its head office is located in Mississauga, Ontario, Canada.

The principal operating activities of the Parent Company and all the companies that it controls [collectively referred to as "goeasy" or the "Company"] include i) merchandise leasing of household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements and ii) offering unsecured instalment loans to consumers.

The Company operates in two reportable segments: easyhome and easyfinancial. As at June 30, 2016, the Company operated 180 easyhome stores (including 26 franchises and 3 consolidated franchises) and 210 easyfinancial locations (December 31, 2015 – 184 easyhome stores including 26 franchises and 3 consolidated franchises, and 202 easyfinancial locations).

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements include the financial statements of the Parent Company and all companies that it controls. goeasy Ltd. controls an entity: i) when it has the power to direct the activities of the entity which have the most significant impact on the entity's risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. This includes all wholly owned subsidiaries and certain special purpose entities ["SPEs"] where goeasy Ltd. has control but does not have ownership of a majority of voting rights.

As at June 30, 2016, the Parent Company's principal subsidiaries were:

- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 2, 2016.

Statement of Compliance with IFRS

The unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2016 were prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

The Company will be required to adopt IFRS 9, *Financial Instruments*, which is the IASB's replacement of IAS 39. IFRS 9 will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted. The Company is in the process of assessing the impact of this standard.

IFRS 15 Revenue from Contracts with Customers

The Company will be required to adopt IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. IFRS 15 is required to be applied for years beginning on or after January 1, 2018, with early adoption permitted, and is to be applied retrospectively. The Company is in the process of assessing the impact of this standard.

IFRS 16 Leases

The Company will be required to adopt IFRS 16, *Leases*, which is the IASB's replacement of IAS 17. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a 'right-of-use-asset' for most lease contracts. IFRS 16 is required to be applied for years beginning on or after January 1, 2019 with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company has not yet assessed the impact of this standard.

4. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represented amounts advanced to customers of easyfinancial. Loan terms generally ranged from 9 to 60 months.

	June 30, 2016	December 31, 2015
Consumer loans receivable	326,208	289,426
Unamortized deferred acquisition costs	1,281	-
Allowance for loan losses	(20,700)	(18,465)
	306,789	270,961
Current	133,864	118,850
Non-current	172,925	152,111
	306,789	270,961

During the three and six month periods ended June 30, 2016, the Company recorded net deferred acquisition costs of \$708 and \$1,281 respectively (2015 – nil for both periods) related to commissions paid to third parties. Deferred acquisition costs are amortized over the estimated term of the loan.

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

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

	June 30, 2016		December 31, 2015	
	\$	% of total loans	\$	% of total loans
1 - 30 days	9,875	3.0%	12,282	4.2%
31 - 44 days	2,065	0.6%	2,256	0.8%
45 - 60 days	2,099	0.7%	1,919	0.7%
61 - 90 days	3,402	1.0%	3,258	1.1%
	17,441	5.3%	19,715	6.8%

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

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
Balance, beginning of the period	18,465	11,532
Net amounts written off against allowance	(23,460)	(35,000)
Increase due to lending and collection activities	25,695	41,933
Balance, end of the period	20,700	18,465

5. OTHER INCOME

On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of \$3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.

6. REVOLVING OPERATING FACILITY AND TERM LOAN

The Company's credit facilities consisted of a \$280 million term loan and a \$20 million revolving operating facility. \$242.5 million of the term loan was drawn at June 30, 2016 with the balance available in periodic advances until March 31, 2017. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps with a 799 bps floor while borrowings under the revolving operating facility bore interest at the lender's prime rate plus 175 to 275 bps depending on the Company's debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The Company's credit facilities expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company.

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

The drawings under the Company's credit facilities were as follows:

	June 30, 2016	December 31, 2015
Amounts borrowed under term loan	242,500	217,500
Unamortized deferred financing costs	(6,576)	(7,201)
Term loan	235,924	210,299

As at June 30, 2016, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

The financial covenants of the credit facility were as follows:

Financial Covenant	Requirements	June 30, 2016
Total debt to EBITDA ratio	< 4.40	3.61
Total debt to tangible net worth ratio	< 1.80	1.60
Adjusted EBITDA for preceding 12 months (consolidated)	> 55,000	67,167

The financial covenant requirements described above adjust each quarter as per the lending agreement and were based on accommodating the Company's financial forecast over these periods. As at June 30, 2016, the Company was in compliance with all of its financial covenants under its lending agreements.

Finance Costs

Included in finance costs in the consolidated statements of income was interest expense on the credit facilities and amortization of deferred financing costs as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Interest expense	4,594	3,282	8,960	6,093
Amortization of deferred financing charges	520	339	975	658
	5,114	3,621	9,935	6,751

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

7. SHARE CAPITAL

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	# of shares	\$	# of shares	\$
Balance, beginning of the period	13,411	81,725	13,330	80,364
Exercise of stock options	7	84	189	1,975
Exercise of RSUs	336	3,365	-	-
Shares repurchased for cancellation	(341)	(2,098)	(111)	(676)
Dividend reinvestment plan	2	35	3	62
Balance, end of the period	13,415	83,111	13,411	81,725

Dividends on Common Shares

For the three and six month periods ended June 30, 2016, the Company paid dividends of \$1.7 million or \$0.125 per share and \$3.0 million or \$0.225 per share, respectively. For the three and six month periods ended June 30, 2015, the Company paid dividends of \$1.3 million or \$0.10 per share and \$2.5 million or \$0.185 per share, respectively. On February 17, 2016, the Company increased the dividend rate by 25% from \$0.10 per share to \$0.125 per share. On May 2, 2016, the Company declared a dividend of \$0.125 per share to shareholders of record on June 24, 2016, payable on July 8, 2016. The dividend paid on July 8, 2016 was \$1.7 million.

Shares Purchased for Cancellation

During the three month period ended June 30, 2016, the Company purchased and cancelled 182,800 (2015 – nil) of its common shares on the open market at an average price of \$18.78 per share pursuant to a normal course issuer bid for a total cost of \$3.4 million. During the six month period ended June 30, 2016, the Company purchased and cancelled 341,300 (2015 – nil) of its common shares on the open market at an average price of \$18.27 per share pursuant to a normal course issuer bid for a total cost of \$6.2 million.

8. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and six month periods ended June 30, 2016, the Company granted nil options (2015 – nil and 79,806 options, respectively). For the three and six month periods ended June 30, 2016, an expense of \$104 and \$232, respectively (2015 – \$143 and \$255, respectively) was recorded in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

Restricted Share Unit ["RSU"] Plan

On May 3, 2016 the Company's shareholders approved a resolution to amend the RSU plan, increasing the maximum number of Common Shares reserved for issuance from treasury under the RSU Plan by 250,000 shares, from 915,000 to 1,165,000.

During the three and six month periods ended June 30, 2016, the Company granted 321,860 RSUs (2015 – 188,239 RSUs for both periods) to employees of the Company under its RSU Plan. 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. For the three and six month periods ended June 30, 2016, \$747 and \$1,476, respectively (2015 – \$781 and \$1,046, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus. For the three and six month periods ended June 30, 2016, an additional 2,106 and 5,207 RSUs, respectively (2015 – 2,073 and 4,222 RSUs, respectively) were granted as a result of dividends payable.

Performance Share Unit ["PSU"] Plan

During the three and six month periods ended June 30, 2016, the Company granted nil and 226,236 PSUs, respectively (2015 – nil and 199,330 PSUs, respectively) to senior executives of the Company under its PSU Plan. On May 11, 2016, the PSUs granted in 2016 were cancelled and an equivalent number of RSUs were granted to senior executives of the Company (see RSU Plan described above).

For the three and six month periods ended June 30, 2016, nil (2015 – expense recovery of \$94 and expense of \$1,048, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. For the three and six month periods ended June 30, 2016, an additional 1,504 PSUs (2015 – 993 and 2,775 PSUs, respectively) were granted as a result of dividends payable.

The PSU liability as at June 30, 2016 was nil (December 31, 2015 – nil).

Deferred Share Unit ["DSU"] Plan

During the three and six month periods ended June 30, 2016, the Company granted 6,563 and 13,461 DSUs, respectively (2015 – 7,361 and 10,754 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three and six month periods ended June 30, 2016, \$141 and \$291, respectively (2015 – \$145 and \$246 respectively) was recorded as stock-based compensation expense under the DSU Plan in the interim condensed consolidated statements of income. For the three and six month periods ended June 30, 2016, an additional 1,118 and 2,178 DSUs, respectively (2015 – 672 and 1,285 DSUs, respectively) were granted as a result of dividends payable.

Stock Based Compensation Expense

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Equity-settled stock based compensation	992	1,069	1,999	1,547
Cash-settled stock based compensation	-	(94)	-	1,048
	992	975	1,999	2,595

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

9. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the three and six month periods ended June 30, 2016, other expenses included net gains realized on the sale of lease portfolios and other assets of \$754 and \$1,540, respectively (2015 - \$1,108 and \$2,360, respectively).

10. INCOME TAXES

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

	Six Months Ended	
	June 30, 2016	June 30, 2015
Combined basic federal and provincial income tax rates	27.4%	27.5%
Expected income tax expense	6,296	3,698
Non-deductible expenses	37	156
U.S. and SPE results not tax effected	44	45
Effect of capital gains on sale of assets and investments	(664)	(337)
Other	(526)	(64)
	5,187	3,498

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

	June 30, 2016	December 31, 2015
Tax cost of assets in excess of net book value	410	(1,177)
Amounts receivable and provisions	6,190	5,575
Deferred salary arrangements	1,071	1,382
Unearned revenue	463	500
Financing fees	(181)	(100)
Other	-	(267)
	7,953	5,913

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

11. 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.

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income	10,523	5,017	17,775	9,940
Weighted average number of ordinary shares outstanding (in 000's)	13,730	13,591	13,636	13,541
Basic earnings per ordinary share	0.77	0.37	1.30	0.73

For the three and six month period ended June 30, 2016, 175,485 and 171,267 DSUs respectively (2015 – 142,298 and 139,414 DSUs respectively) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share was determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, were assumed to be exercised and the proceeds are used to purchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and warrants was included in the calculation of diluted earnings per share.

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income	10,523	5,017	17,775	9,940
Weighted average number of ordinary shares outstanding (in 000's)	13,730	13,591	13,636	13,541
Dilutive effect of stock-based compensation (in 000's)	252	478	358	493
Weighted average number of diluted shares outstanding	13,982	14,069	13,994	14,034
Dilutive earnings per ordinary share	0.75	0.36	1.27	0.71

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

12. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Amounts receivable	1,185	229	2,116	4,561
Prepaid expenses	125	298	(136)	(592)
Accounts payable and accrued liabilities	1,016	1,673	1,825	(6,378)
Income taxes payable	1,236	(2,513)	2,519	(1,444)
Deferred lease inducements	(140)	(176)	(240)	(456)
Unearned revenue	626	73	630	126
Provisions	(20)	(14)	(147)	79
	4,028	(430)	6,567	(4,104)

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Income taxes paid	2,338	4,270	4,708	4,467
Interest paid	4,622	3,287	9,002	6,111
Interest received	34,888	23,566	64,977	44,145

13. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

14. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	June 30, 2016	December 31, 2015
Cash	Fair value	20,491	11,389
Amounts receivable	Amortized cost	10,884	13,000
Consumer loans receivable	Amortized cost	306,789	270,961
Accounts payable and accrued liabilities	Amortized cost	25,442	23,617
Term loan	Amortized cost	235,924	210,299

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 at amortized cost as at June 30, 2016:

	Total	Level 1	Level 2	Level 3
Amounts receivable	10,884	-	-	10,884
Consumer loans receivable	306,789	-	-	306,789
Accounts payable and accrued liabilities	25,442	-	-	25,442
Term loan	235,924	-	-	235,924

There were no transfers between Level 1, Level 2, or Level 3 during the period.

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

15. SEGMENTED REPORTING

For management purposes, the Company had two reportable segments: easyhome and easyfinancial.

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). The following tables summarize the relevant information for the three and six month periods ended June 30, 2016 and 2015:

Three Months Ended June 30, 2016	easyhome	easyfinancial	Corporate	Total
Revenue	35,672	50,426	-	86,098
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization	19,260	30,300	7,796	57,356
Depreciation and amortization	11,825	1,607	166	13,598
Segment operating income (loss)	4,587	18,519	(4,962)	18,144
Finance costs	-	-	5,114	5,114
Income (loss) before income taxes	4,587	18,519	(10,076)	13,030

Three Months Ended June 30, 2015	easyhome	easyfinancial	Corporate	Total
Revenue	37,571	35,319	-	72,890
Total operating expenses before depreciation and amortization	19,586	24,408	4,581	48,575
Depreciation and amortization	12,403	1,347	151	13,901
Segment operating income (loss)	5,582	9,564	(4,732)	10,414
Finance costs	-	-	3,621	3,621
Income (loss) before income taxes	5,582	9,564	(8,353)	6,793

goeasy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2016 and June 30, 2015

Six Months Ended June 30, 2016	easyhome	easyfinancial	Corporate	Total
Revenue	72,994	95,429	-	168,423
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization	38,095	58,060	14,970	111,125
Depreciation and amortization	23,921	3,152	328	27,401
Segment operating income (loss)	10,978	34,217	(12,298)	32,897
Finance costs	-	-	9,935	9,935
Income (loss) before income taxes	10,978	34,217	(22,233)	22,962

Six Months Ended June 30, 2015	easyhome	easyfinancial	Corporate	Total
Revenue	75,864	67,551	-	143,415
Total operating expenses before depreciation and amortization	39,551	45,800	10,348	95,699
Depreciation and amortization	24,739	2,461	327	27,527
Segment operating income (loss)	11,574	19,290	(10,675)	20,189
Finance costs	-	-	6,751	6,751
Income (loss) before income taxes	11,574	19,290	(17,426)	13,438

As at June 30, 2016, the Company's goodwill of \$21.3 million (December 31, 2015 – \$21.3 million) related entirely to its easyhome segment.

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 six month periods ended June 30, 2016 and 2015 were as follows:

	Six Months Ended	
	June 30, 2016 (%)	June 30, 2015 (%)
Furniture	40	39
Electronics	34	34
Computers	14	15
Appliances	12	12
	100	100