Consolidated Financial Statements

goeasy Ltd.

For the Years Ended
December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of *goeasy* Ltd.

We have audited the accompanying consolidated financial statements of *goeasy* Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *goeasy* Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 20, 2018

goeasy Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

	As At December 31, 2017	As At December 31, 2016
ASSETS		
Cash (note 5)	**109,370**	24,928
Amounts receivable (note 6)	**14,422**	7,857
Prepaid expenses	**3,545**	1,909
Consumer loans receivable (note 7)	**513,425**	354,499
Lease assets (note 8)	**54,318**	55,288
Property and equipment (note 9)	**15,941**	16,103
Deferred tax assets (note 22)	**2,121**	6,856
Intangible assets (note 10)	**15,163**	14,312
Goodwill (note 10)	**21,310**	21,310
TOTAL ASSETS	**749,615**	503,062
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**42,706**	31,879
Income taxes payable	**9,445**	2,874
Dividends payable (note 16)	**2,426**	1,666
Deferred lease inducements	**1,294**	1,506
Unearned revenue	**4,819**	5,204
Provisions (note 11)	**365**	608
Term loan (note 13)	**-**	263,294
Convertible debentures (note 14)	**47,985**	-
Notes payable (note 15)	**401,193**	-
Derivative financial instruments (note 15)	**11,138**	-
TOTAL LIABILITIES	**521,371**	307,031
Shareholders' equity		
Share capital (note 16)	**85,874**	82,598
Contributed surplus (note 17)	**15,305**	9,943
Accumulated other comprehensive (loss) income	**141**	880
Retained earnings	**126,924**	102,610
TOTAL SHAREHOLDERS' EQUITY	**228,244**	196,031
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**749,615**	503,062

See accompanying notes to the consolidated financial statements

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

goeasy Ltd.

CONSOLIDATED STATEMENTS OF INCOME

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
REVENUE		
Interest income	**175,812**	138,782
Lease revenue	**130,527**	137,849
Other	**98,885**	70,874
	405,224	347,505
Other income (note 18)	**-**	3,000
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**102,666**	91,557
Stock-based compensation (note 17)	**5,623**	4,323
Advertising and promotion	**20,150**	13,457
Bad debts	**67,826**	55,668
Occupancy	**33,100**	32,867
Other expenses (note 19)	**36,258**	29,398
Transaction advisory costs (note 20)	**-**	6,382
	265,623	233,652
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**41,221**	44,230
Depreciation of property and equipment	**5,702**	5,902
Amortization of intangible assets	**5,285**	4,205
	52,208	54,337
Total operating expenses	**317,831**	287,989
Operating income	**87,393**	62,516
FINANCE COSTS		
Interest expense and amortisation of deferred financing charges (note 21)	**28,642**	21,048
Refinancing cost (note 21)	**8,198**	-
	36,840	21,048
Income before income taxes	**50,553**	41,468
Income tax expense (recovery) (note 22)		
Current	**10,854**	11,362
Deferred	**3,567**	(943)
	14,421	10,419
Net income	**36,132**	31,049
Basic earnings per share (note 23)	**2.67**	2.29
Diluted earnings per share (note 23)	**2.56**	2.23

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, 2017	**December 31, 2016**
Net income	**36,132**	31,049
Other comprehensive (loss) income		
Change in foreign currency translation reserve	**(48)**	(89)
Change in fair value of derivative financial instruments designated as cash flow hedge	**(11,138)**	-
Change in value of US denominated notes payable	**10,368**	-
Transfer of realized translation losses	**79**	-
Comprehensive income	**35,393**	30,960

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, 2016	**82,598**	**9,943**	**92,541**	**102,610**	**880**	**196,031**
Common shares issued	**3,812**	**(1,801)**	**2,011**	**-**	**-**	**2,011**
Equity component of convertible debentures (note 14)	**-**	**3,220**	**3,220**	**-**	**-**	**3,220**
Stock-based compensation (note 17)	**-**	**5,623**	**5,623**	**-**	**-**	**5,623**
Shares withheld related to net share settlement	**-**	**(1,680)**	**(1,680)**	**-**	**-**	**(1,680)**
Shares purchased for cancellation (note 16)	**(536)**	**-**	**(536)**	**(2,159)**	**-**	**(2,695)**
Comprehensive income (loss)	**-**	**-**	**-**	**36,132**	**(739)**	**35,393**
Dividends (note 16)	**-**	**-**	**-**	**(9,659)**	**-**	**(9,659)**
Balance, December 31, 2017	**85,874**	**15,305**	**101,179**	**126,924**	**141**	**228,244**
Balance, December 31, 2015	81,725	9,852	91,577	83,513	969	176,059
Common shares issued	3,557	(3,384)	173	-	-	173
Stock-based compensation (note 17)	-	3,475	3,475	-	-	3,475
Shares purchased for cancellation (note 16)	(2,684)	-	(2,684)	(5,253)	-	(7,937)
Comprehensive income	-	-	-	31,049	(89)	30,960
Dividends (note 16)	-	-	-	(6,699)	-	(6,699)
Balance, December 31, 2016	82,598	9,943	92,541	102,610	880	196,031

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, 2017	**December 31, 2016**
OPERATING ACTIVITIES		
Net income	**36,132**	31,049
Add (deduct) items not affecting cash		
Depreciation of lease assets	**41,221**	44,230
Depreciation of property and equipment	**5,702**	5,902
Amortization of intangible assets	**5,285**	4,205
Amortization of deferred financing charges	**1,117**	-
Stock-based compensation (note 17)	**5,623**	3,475
Bad debts expense	**67,826**	55,668
Deferred income tax expense (recovery) (note 22)	**3,567**	(943)
Other income (note 18)	**-**	(3,000)
Gain on sale of assets	**(2,709)**	(2,130)
Net change in other operating assets and liabilities (note 24)	**15,636**	14,849
Cash provided by operating activities	**179,400**	153,305
INVESTING ACTIVITIES		
Net issuance of consumer loans receivable	**(226,752)**	(135,686)
Purchase of lease assets	**(42,041)**	(40,649)
Purchase of property and equipment	**(5,940)**	(3,540)
Purchase of intangible assets	**(6,136)**	(4,757)
Proceeds on sale of investment (note 18)	**-**	3,000
Proceeds on sale of assets	**4,931**	4,430
Cash used in investing activities	**(275,938)**	(177,202)
FINANCING ACTIVITIES		
Issuance of Notes Payable (note 15)	**405,620**	-
Advances (payments) of term loan (note 13)	**(263,294)**	51,574
Issuance of convertible debentures (note 14)	**49,918**	-
Payment of common share dividends (note 16)	**(8,900)**	(6,374)
Issuance of common shares	**2,011**	173
Shares withheld related to net share settlement	**(1,680)**	-
Purchase of common shares for cancellation (note 16)	**(2,695)**	(7,937)
Cash provided by financing activities	**180,980**	37,436
Net increase in cash during the period	**84,442**	13,539
Cash, beginning of period	**24,928**	11,389
Cash, end of period	**109,370**	24,928

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 improve the lives of everyday Canadians. 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, 2017, the Company operated 228 easyfinancial locations (including 42 kiosks within easyhome stores) and 171 easyhome stores (including 30 franchises and one consolidated franchise location). As at December 31, 2016, the Company operated 208 easyfinancial locations (including 46 kiosks within easyhome stores) and 176 easyhome stores (including 28 franchises and 2 consolidated franchise locations).

2. BASIS OF PREPARATION

The consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2018.

Statement of Compliance with IFRS

The consolidated financial statements of the Company 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, 2017.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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: i) when it has the power to direct the activities of the entity that 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 December 31, 2017, the Parent Company's principal subsidiaries were:

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

The Company's SPEs consisted of certain franchises for which the Company exerted effective control by the provision of financing rather than through ownership of a majority of voting rights. An entity is controlled when the Company has power over an entity, exposure, or rights to, variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company's SPEs are fully consolidated from the date at which the Company obtains control, until the date that such control ceases. Control ceases when the SPE has the ability to operate as a stand-alone entity without financial and operational support from the Company, which is generally considered to be the date at which the SPE repays the amounts loaned to it by the Company.

The financial statements of the subsidiaries and SPEs were prepared for the same reporting period as the consolidated financial statements of the Parent Company using consistent accounting policies as described in these consolidated financial statements.

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

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 the Canadian dollar. 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 U.S. subsidiary, easyhome U.S. Ltd. and certain of its SPEs, is the U.S. dollar. The functional currency of all other entities that are consolidated is the Canadian dollar.

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 retranslated into the functional currency at the spot rate on the reporting date. All differences are recorded in other comprehensive income. 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. On disposal or divestiture of a foreign operation, the component of accumulated other comprehensive income 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 agent and therefore recognizes such revenue on a net basis.

i) Interest Revenue

Interest revenue 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) Other Revenue

Other revenue consists primarily of the sale of ancillary products, other fees and revenue generated from franchising, all of which are recognized when earned.

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, cash posted as collateral and cash on hand, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

Financial assets consist of amounts receivable and consumer loans receivable, which are stated net of interest receivable, unamortized deferred financing costs and an allowance for loan losses. Financial assets are initially measured at fair value.

Amounts receivable are subsequently measured at amortized cost and are carried at the amount of cash expected to be received.

The Company's consumer loans receivable include accrued interest earned from consumer loans that is expected to be received in future periods, acquisition costs paid to third parties, and the allowance for loan losses.

The Company's consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the consumer loans receivable to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future loan losses.

The Company does not have any financial assets that are subsequently measured at fair value except for 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 Instrument 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 assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred 'loss event'], the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debts expense.

The allowance for loan losses is a provision that is reported on the Company's consolidated statements of financial position that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that considers i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge offs that are expected to occur over the subsequent five-month period for loans that existed as at the consolidated statements of financial position date. 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.

Financial assets, 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 debts expense.

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:

- Assets on lease, excluding game stations, computers and related equipment, are depreciated in proportion to the lease payments received to the total expected lease amounts provided over the lease agreement term [the "units of activity method"]. Lease assets that are subject to the units of activity method of depreciation that are not on lease for less than 90 consecutive days are not depreciated during such period. After that they are depreciated on a straight-line basis over 36 months. When an asset goes on lease, depreciation will revert to the units of activity method.
- 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. The depreciation for game stations, computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store and continues uninterrupted thereafter on a straight-line basis over the periods indicated.
- 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 and office equipment	5 and 7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	the lesser of 5 years or 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.

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.

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. 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. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount. 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, U.S. dollar 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, due to the embedded financial derivative associated with the conversion option. The liability component of the convertible debentures is initially recognised 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 debenture is initially recognised at fair valued 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 Instrument and Hedge Accounting

The Company's financing activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Company utilizes derivative financial instruments 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 hedges of the change in fair value of recognised assets and liabilities when the derivative financial instruments meet the criteria for hedge accounting in accordance with IAS 39.

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented with such documentation to include the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. To qualify for hedge accounting, there must be a correlation of between 80% and 125% in the changes in fair values or cash flows between the hedged and hedging items.

Where an effective hedge exists, the change in the fair value of the derivative instrument and the change in fair value of the specific foreign currency denominated financial asset or liability or cash flow being hedged are ultimately recognized in Other Comprehensive 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Company as a Lessee

Finance leases that transfer substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Subsequent lease payments are apportioned between finance costs and a reduction of the lease liability. Finance costs are recognized in net income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized as deferred lease inducements in the consolidated statements of financial position and depreciated over the term of the lease.

ii) Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The leasing income is recognized when earned over the lease term net of incentive costs provided to customers.

The Company is in the business of leasing assets. As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature.

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 17.

i) Equity-Settled Transactions

The Company has stock options, Restricted Share Units [“RSU”] and Deferred Share Units [“DSU”] 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 service and 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 [“PSU”] 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 Judgments, 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.

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) Interest Receivable from Consumer Loans

Consumer loans receivable include 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) Amortization of Deferred Acquisition Costs

Consumer loans receivable include incremental costs incurred by the Company to acquire consumer loans. The deferred acquisition costs are recognized into income over the expected life of the relationship with the customer, as estimated by management.

iii) Allowance for Loan Losses

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns.

iv) Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program.

v) Depreciation of Lease Assets

Certain assets on lease, (excluding game stations, computers and related equipment) are depreciated in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term, which are estimated by management for each product category. Lease payments received during a period compared with total expected lease payments to be received over the expected term of the lease is believed to be an effective proxy for the usage of the asset on lease. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight-line basis over their estimated useful lives.

vi) Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight, and are depreciated on a straight-line basis over their estimated useful lives, which are estimated by management for each class of asset.

vii) 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.

viii) Impairment of Goodwill and Indefinite Life Intangibles

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.

ix) Fair Value of Stock-Based Compensation

The fair value of 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.

x) 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. The estimation of the costs to settle such obligations are subject to management's judgment.

xi) Taxation Amounts

Income 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.

xii) Unearned Revenue

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

xiii) 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 instrument to derive the equity component.

3. ADOPTION OF ACCOUNTING STANDARD

Amendments to IFRS 2, *Share-based Payment*

On June 20, 2016, the International Accounting Standards Board ["IASB"] issued amendments to IFRS 2, *Share-based Payment* ["IFRS 2"], which provided clarifications to the classification and measurement of share-based payment transactions. Under the previous requirements of IFRS 2, where a company issued equity instruments to employees and intended to settle such instruments by withholding a certain number of those equity instruments equal to the monetary value of the employee's tax obligation, such a transaction would be divided into an equity-settled component and a cash-settled component. These amendments permitted the settlement of such instruments to be entirely classified as equity-settled, if certain conditions were met.

The effective date of the amendments was January 1, 2018, with early adoption permitted. On January 1, 2017, the Company early-adopted and applied, for the first time, the amendments to IFRS 2.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, *Financial Instruments*

The Company will be required to adopt IFRS 9, Financial Instruments [“IFRS 9”], for years beginning on or after January 1, 2018. IFRS 9 introduces a new expected loss impairment model which will replace the existing incurred loss impairment model under IAS 39.

Under IAS 39, a collective allowance for loan loss is recorded on those loans, or groups of loans, where a loss event has occurred but has not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provides objective evidence to establish an allowance for loan loss against such loans. IAS 39 prohibited recognizing any allowance for loan losses expected in the future if a loss event has not occurred.

Under IFRS 9, credit losses that are expected to transpire in future years irrespective of whether the loss event has occurred or not as at the balance sheet date, will need to be provided for. Under IFRS 9, the Company will be required to assess and segment its loan portfolio into performing, under-performing and non-performing categories as at each date of the statement of financial position. Loans will be categorized as under-performing if there has been a significant increase in credit risk. Loans will be categorized as non-performing if there is objective evidence that such loans will likely charge off in the future. For performing loans, the Company will 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 will record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. Ultimately, the expected credit loss will be calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and will consider 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.

It is important to note that the adoption of IFRS 9 in 2018 will not directly impact the net charge-off rate of the Company’s consumer loans receivable portfolio which will be driven by borrowers’ credit profile and behaviour. The Company will continue to write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company’s consumer loans receivable portfolio will not be impacted by the adoption of IFRS 9 as the periodic increase in the allowance for loan losses as a result of growth in the consumer loans receivable is a non-cash item.

The Company has established a project team for the transition to IFRS 9 which includes senior stakeholders from the Company’s Risk and Finance groups with senior executive oversight. The key responsibilities of the project team include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate governance framework. The analytical and system work required to support the Company’s transition to IFRS 9 is largely complete subject to refinement.

The Company’s current allowance for loan losses, as determined under IAS 39, as at December 31, 2017 was $31.7 million which represented 6.0% of the gross consumer loans receivables. The Company estimates that implementing the requirements of IFRS 9 as at December 31, 2017 would result in an increase to its allowance for loan losses of $15.8 million to $19.0 million. This increase in the allowance for loan losses is not indicative of a change in the expected recovery value of the underlying consumer loans receivable but rather a function of extending the allowance for loan losses to provide for expected future losses over a longer future time frame.

The Company estimates that the implementation of the requirements of IFRS 9 on January 1, 2018, will result in an after-tax reduction to retained earnings of between $11.5 million and $13.8 million. The primary impact is attributable to increases in the allowance for credit losses under the new impairment requirements. Management continues to monitor and refine certain elements of the IFRS 9 loan impairment process in advance of Q1 2018 reporting. All estimates reported above with respect to the expected impact of the adoption of IFRS 9 are preliminary and are subject to change and adjustment as the Company's transition to IFRS 9 is completed.

The Company is on track to finalize its analytical and systems work and complete the implementation of IFRS 9 within the required timeframe.

IFRS 15, *Revenue from Contracts with Customers*

The Company will be required to adopt IFRS 15, Revenue from Contracts with Customers ["IFRS 15"], which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. IFRS 15 is required to be applied for fiscal years beginning on or after January 1, 2018, and is to be applied retrospectively.

The Company completed its review of IFRS 15 and determined that additional revenue disclosures will be required, however the new standard will not result in any material financial adjustments on its consolidated financial statements.

IFRS 16, *Leases*

The Company will be required to adopt IFRS 16, Leases ["IFRS 16"], 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 fiscal years beginning on or after January 1, 2019, with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

5. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. The Company has pledged part of its cash to fulfil collateral requirements under its derivative financial instruments contract. As at December 31, 2017, the fair value of the cash pledged was $16,240.

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

6. AMOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
Vendor rebate receivable	**657**	571
Due from franchisees	**2,778**	3,602
Commission receivable	**8,475**	1,214
Other	**2,512**	2,470
	14,422	7,857
Current	**13,397**	7,631
Non-current	**1,025**	226
	14,422	7,857

Other amounts receivable consisted of amounts due from customers, franchisees, indirect taxes and other items.

7. CONSUMER LOANS RECEIVABLE

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

	December 31, 2017	**December 31, 2016**
Gross consumer loans receivable	**526,546**	370,517
Interest receivable from consumer loans	**6,530**	4,753
Unamortized deferred acquisition costs	**12,055**	2,685
Allowance for loan losses	**(31,706)**	(23,456)
	513,425	354,499
Current	**222,621**	153,600
Non-current	**290,804**	200,899
	513,425	354,499

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

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

	December 31, 2017		December 31, 2016	
	$	**% of total Loans**	**$**	**% of total loans**
1 - 30 days	**17,275**	**3.3%**	13,468	3.6%
31 - 44 days	**3,601**	**0.7%**	2,712	0.7%
45 - 60 days	**3,330**	**0.6%**	2,366	0.6%
61 - 90 days	**4,349**	**0.8%**	3,094	0.8%
	28,555	**5.4%**	21,640	5.7%

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Balance, beginning of the year	**23,456**	18,465
Net amounts written off against allowance	**(59,576)**	(50,677)
Increase due to lending and collection activities	**67,826**	55,668
Balance, end of the year	**31,706**	23,456

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

8. LEASE ASSETS

	Total
Cost	
As at December 31, 2015	83,251
Additions	40,649
Disposals	(49,817)
Foreign exchange differences	(34)
As at December 31, 2016	74,049
Additions	42,041
Disposals	(47,539)
Foreign exchange differences	(58)
As at December 31, 2017	**68,493**
Accumulated Depreciation	
As at December 31, 2015	(22,498)
Depreciation for the year	(44,230)
Disposals	47,960
Foreign exchange differences	7
As at December 31, 2016	(18,761)
Depreciation for the year	(41,221)
Disposals	45,787
Foreign exchange differences	20
As at December 31, 2017	**(14,175)**
Net Book Value	
As at December 31, 2016	55,288
As at December 31, 2017	**54,318**

During the year ended December 31, 2017, the net book value of the lease assets sold by the Company was $1,752 (2016 – $1,857).

(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, 2015	13,810	8,814	207	5,527	23,718	52,076
Additions	719	989	5	290	1,537	3,540
Disposals	(610)	(503)	-	(272)	(938)	(2,323)
Foreign exchange differences	(7)	(4)	-	(1)	(11)	(23)
As at December 31, 2016	13,912	9,296	212	5,544	24,306	53,270
Additions	865	1,764	-	492	2,819	5,940
Disposals	(269)	(658)	-	(124)	(484)	(1,535)
Foreign exchange differences	(7)	(4)	-	(1)	(10)	(22)
As at December 31, 2017	**14,501**	**10,398**	**212**	**5,911**	**26,631**	**57,653**
Accumulated Depreciation						
As at December 31, 2015	(8,838)	(5,448)	(204)	(3,897)	(15,000)	(33,387)
Depreciation	(1,352)	(946)	(3)	(441)	(3,160)	(5,902)
Disposals	519	411	-	254	920	2,104
Foreign exchange differences	4	3	-	1	10	18
As at December 31, 2016	(9,667)	(5,980)	(207)	(4,083)	(17,230)	(37,167)
Depreciation	(1,186)	(1,119)	(3)	(368)	(3,026)	(5,702)
Disposals	200	432	-	93	415	1,140
Foreign exchange differences	5	2	-	1	9	17
As at December 31, 2017	**(10,648)**	**(6,665)**	**(210)**	**(4,357)**	**(19,832)**	**(41,712)**
Net Book Value						
As at December 31, 2016	4,245	3,316	5	1,461	7,076	16,103
As at December 31, 2017	**3,853**	**3,733**	**2**	**1,554**	**6,799**	**15,941**

As at December 31, 2017, the amount of property and equipment classified as under construction or development and not being amortized was $0.9 million (2016 – $0.4 million).

During the year ended December 31, 2017, the net book value of the property and equipment sold by the Company was $113 (2016 – $42).

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 period. 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 15%. 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 was 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 year ended December 31, 2017, the Company recorded a net impairment charge in depreciation of property and equipment of $211 (2016 – $296). All impairment charges and recoveries related solely to the easyhome segment.

10. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets			
	Trademarks	**Customer Lists**	**Software**	**Total**
Cost				
As at December 31, 2015	2,074	1,094	20,446	23,614
Additions	14	-	4,743	4,757
Disposals	-	-	(299)	(299)
As at December 31, 2016	2,088	1,094	24,890	28,072
Additions	-	108	6,028	6,136
Disposals	-	-	(2)	(2)
As at December 31, 2017	**2,088**	**1,202**	**30,916**	**34,206**
Accumulated Amortization				
As at December 31, 2015	(1,992)	(366)	(7,215)	(9,573)
Amortization for the year	-	(219)	(3,986)	(4,205)
Disposals	-	-	18	18
As at December 31, 2016	(1,992)	(585)	(11,183)	(13,760)
Amortization for the year	-	(224)	(5,061)	(5,285)
Disposals	-	-	2	2
As at December 31, 2017	**(1,992)**	**(809)**	**(16,242)**	**(19,043)**
Net Book Value				
As at December 31, 2016	96	509	13,707	14,312
As at December 31, 2017	**96**	**393**	**14,674**	**15,163**

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, 2017 were $6.0 million (2016 – $4.7 million) of internally developed software application and website costs.

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

Goodwill was $21.3 million as at December 31, 2017 (2016 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2017 and 2016.

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, 2017 and 2016. 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 15%, 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.

11. PROVISIONS

	Provisions Due to Onerous Leases
As at December 31, 2015	582
Incurred during the year	592
Utilized during the year	(566)
As at December 31, 2016	608
Incurred during the year	545
Utilized during the year	(788)
As at December 31, 2017	**365**

	December 31, 2017	December 31, 2016
Current	**297**	480
Non-current	**68**	128
	365	608

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

12. REVOLVING CREDIT FACILITY

The Company's revolving credit facility consisted of a $110.0 million Senior Secured revolving credit facility maturing on November 1, 2020.

The revolving credit facility was provided by a syndicate of banks. Interest on advances is payable at either the Canadian Bankers' Acceptance rate plus 450 bps or the lender's prime rate plus 350, at the option of the Company. As of December 31, 2017, nil was drawn on this facility.

Prior to November 1, 2017, the Company's revolving credit facility consisted of a $20.0 million revolving operating facility maturing on October 4, 2019. The revolving credit was secured by a first charge over substantially all assets of the Company and 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 Revolving credit facility was terminated with the refinancing that was completed on November 1, 2017.

The financial covenants of the Revolving Facility were as follows:

Financial covenant	**Requirements**	**December 31, 2017**
Minimum consolidated tangible net worth	>145,000, plus 50% of consolidated net income	171,356
Maximum consolidated leverage ratio	< 2.50	2.08
Minimum consolidated fixed charge coverage ratio	> 2	2.17
Maximum net charge off ratio	<17.0%	13.6%
Minimum collateral performance index	>90.0%	97.7%

As at December 31, 2017, the Company was in compliance with all of its financial covenants under its credit agreements.

13. TERM LOAN

Prior to November 1, 2017, the Company had a $280.0 million term loan. Borrowings under the term loan bore interest at the Canadian Bankers Acceptance rate plus 699 bps with a 799 bps floor. The term loan was scheduled to mature on October 4, 2019 and was secured by a first charge over substantially all of the assets of the Company. During the fourth quarter of 2017 the term loan was repaid out of the proceeds of the senior unsecured notes payable.

	December 31, 2017	**December 31, 2016**
Amounts borrowed under term loan	-	267,500
Accrued interest on term loan	-	1,733
Unamortized deferred financing costs	-	(5,939)
Term loan	-	263,294

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

As a result of repaying the Term Loan, the Company incurred an early repayment penalty and recognized the remaining unamortized deferred financing costs associated with the term loan in 2017 resulting in a one-time before tax charge of $8.2 million.

14. 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 commencing 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 convertible debentures for the principal amount plus accrued and unpaid interest.

On the date of issuance, the gross proceeds of $53.0 million were first allocated to the debt component of the Debentures 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 difference between the gross proceeds and the debt component, or residual value, was then allocated to contributed surplus within shareholders' equity. A deferred tax liability arose from the temporary difference between the carrying value of the liability and its tax basis. Transaction costs were allocated to the debt and equity components on a pro-rata basis.

The allocation of the gross proceeds on the issuance of the convertible debentures is as follows:

	Liability component of Debenture	Equity component of Debenture	**Net Book Value December 31, 2017**	Net Book Value December 31, 2016
Debentures	48,342	4,658	**53,000**	-
Transaction costs	(2,812)	(270)	**(3,082)**	-
Net proceeds	45,530	4,388	**49,918**	-
Deferred taxes	-	(1,168)	**(1,168)**	-
Accretion in carrying value of debenture liability	685	-	**685**	-
Accrued interest	1,770	-	**1,770**	-
	47,985	3,220	**51,205**	-

As at December 31, 2017, the Debentures remained fully outstanding.

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

15. NOTES PAYABLE

On November 1, 2017, the Company issued USD$325.0 million of 7.875% senior unsecured notes payable with interest payable semi-annually on May 1 and November 1 of each year and commencing on May 1, 2018 [the "Notes Payable"]. The Notes Payable mature on November 1, 2022.

On and after November 1, 2019, the Notes Payable may be redeemed in whole or in part from time to time with proper notice by the Company.

The Company used a portion of the net proceeds from the issuance of the Notes Payable to repay the Term Loan and to pay related fees and expenses of the offering.

	December 31, 2017	**December 31, 2016**
Notes Payable in C$ at Issuance	**418,925**	-
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**(10,367)**	-
	408,558	-
Accrued interest on credit facilities	**5,508**	-
Unamortized deferred financing costs	**(12,873)**	-
Notes Payable	**401,193**	-

Concurrent with the issuance of the Notes Payable, the Company entered into the derivative financial instruments 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 and established a fixed exchange rate of US$1.00 = C$1.2890, effectively hedging the obligation under the Notes to C$418.9 million at a Canadian dollar interest rate of 7.84%. The term of the derivative financial instruments is concurrent with the Notes Payable with the same maturity date of November 1, 2022. The cash flows for the derivative financial instrument matches the cash flows for the Notes Payable.

The Company has elected to use hedge accounting for the Notes Payable and the Derivative Financial Instruments. After initial recognition, changes in the fair value of the Notes Payable and of the Derivative Financial Instruments related to changes in the C$ to US$ foreign exchange rate are recorded in Other Comprehensive Income. The fair value of the Derivative Financial Instruments is as follows:

	December 31, 2017	December 31, 2016
Derivative Financial Instruments	**11,138**	-

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

16. 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:

	Year Ended December 31, 2017		**Year Ended December 31, 2016**	
	# of shares (in 000's)	**$**	**# of shares (in 000's)**	**$**
Balance, beginning of the year	**13,325**	**82,598**	13,411	81,725
Exercise of stock options	**174**	**2,377**	9	106
Exercise of RSUs	**58**	**1,315**	337	3,365
Shares purchased for cancellation	**(85)**	**(536)**	(436)	(2,684)
Dividend reinvestment plan	**4**	**120**	4	86
Balance, end of the period	**13,476**	**85,874**	13,325	82,598

Dividends on Common Shares

For the year ended December 31, 2017, the Company paid dividends of $8.9 million (2016 - $6.4 million) or $0.665 per share (2016 - $0.475 per share). On February 15, 2017, the Company increased the dividend rate by 44% from $0.125 per share to $0.18 per share. On November 1, 2017 the Company declared a dividend of $0.18 per share to shareholders of record on December 29, 2017, payable on January 12, 2018. The dividend paid on January 12, 2018 was $2.4 million.

Shares Purchased for Cancellation

During the year ended December 31, 2017, the Company purchased and cancelled 85,388 (2016 - 435,800) of its common shares on the open market at an average price of $31.53 (2016 - $18.21) for a total cost of $2.7 million (2016 - $7.9 million) pursuant to a normal course issuer bid. The normal course issuer bid in effect as at December 31, 2017 allows for a total purchase of up to 300,000 common shares and expires on June 26, 2018.

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

17. 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.

On May 3, 2017, the Company's shareholders approved a resolution to amend the share option plan to change the maximum number of common shares issuable from treasury under the share option plan from 2,038,000 to such number which represents 6% of the issued and outstanding common shares from time to time.

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Options # (in 000's)	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
Outstanding balance, beginning of year	**471**	**14.31**	480	14.22
Options granted	**238**	**32.37**	-	-
Options exercised	**(174)**	**10.87**	(9)	9.47
Options forfeited or expired	**(9)**	**10.20**	-	-
Outstanding balance, end of year	**526**	**23.70**	471	14.31
Exercisable balance, end of year	**208**	**15.64**	204	9.60

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

Outstanding options to officers and employees as at December 31, 2017 were as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	**Options # (in 000's)**	**Weighted Average Remaining Contractual Life in Years**	**Weighted Average Exercise Price $**	**Options # (in 000's)**	**Weighted Average Exercise Price $**
8.00 – 10.99	**50**	**0.19**	**9.61**	**50**	**9.61**
15.00 – 19.99	**228**	**1.51**	**17.72**	**148**	**17.13**
20.00 – 24.99	**10**	**1.67**	**24.45**	**10**	**24.45**
30.00 – 34.99	**238**	**4.84**	**32.37**	**-**	**-**
8.00 – 26.99	**526**	**2.89**	**23.70**	**208**	**15.64**

The Company used the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2017, the Company recorded an expense of $586 (2016 – $439) 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 2017 were determined using the Black-Scholes option pricing model with the following assumptions:

	2017	**2016**
Risk-free interest rate (% per annum)	1.37	-
Expected hold period to exercise (years)	4.75	-
Volatility in the price of the Company's shares (%)	35.54	-
Dividend yield (%)	2.22	-

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

Restricted Share Unit [“RSU”] Plan

On May 3, 2017, the Company’s shareholders approved a resolution to amend the RSU Plan to change the maximum number of common shares issuable from treasury under the RSU Plan from 1,165,000 to such number which represents 5% of the issued and outstanding common shares from time to time.

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.

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	RSUs # (in 000’s)	**Weighted Average Fair Value at Grant Date $**	**RSUs # (in 000’s)**	**Weighted Average Fair Value at Grant Date $**
Outstanding balance, beginning of year	**598**	**19.71**	675	15.82
RSUs granted	**185**	**31.95**	330	17.58
RSU dividend reinvestments	**11**	**29.36**	11	19.95
RSU exercised	**(116)**	**22.55**	(337)	9.99
RSUs forfeited	**(37)**	**21.69**	(81)	19.11
Outstanding balance, end of year	**641**	**22.78**	598	19.71

For the year ended December 31, 2017, $4,409 (2016 – $3,325) 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, 2017, the Company granted 17,100 DSUs (2016 – 23,538 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 year ended December 31, 2017, $628 (2016 – $559, respectively) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2017, an additional 3,460 DSUs (2016 – 3,910 DSUs) were granted as a result of dividends payable.

Stock-Based Compensation Expense

During the year ended December 31, 2017, the company recorded $5,623 in stock-based compensation expense. (2016 – $4,323)

(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:

	Year Ended	
	December 31, 2017	**December 31, 2016**
Contributed surplus, beginning of year	**9,943**	9,852
Equity-settled stock-based compensation expense		
Stock options	**586**	439
Restricted share units	**4,409**	3,325
Deferred share units	**628**	559
Settlement of deferred share units	**-**	(848)
Equity component of convertible debentures	**3,220**	-
Reduction due to exercise of stock-based compensation		
Stock options	**(486)**	(19)
Restricted share units	**(2,995)**	(3,365)
Contributed surplus, end of year	**15,305**	9,943

18. 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.

19. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the year ended December 31, 2017, other expenses included net gains realized on the sale of lease portfolios and other assets of $2.9 million (2016 – $2.4 million).

20. TRANSACTION ADVISORY COSTS

During year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company.

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

21. FINANCE COSTS

Included in finance costs in consolidated statements of income was interest expense, amortization of deferred financing costs and accretion expense on both the credit facilities and the convertible debentures. Also, as a result of repaying the term loan, the Company incurred an early repayment penalty and amortized the remaining unamortized deferred financing costs associated with the term loan resulting in a one-time before tax charge of $8.2 million in 2017.

	Year Ended	
	December 31, 2017	**December 31, 2016**
Interest expense	**25,660**	18,988
Amortization of deferred financing costs and accretion expense	**2,982**	2,060
Refinancing cost	**8,198**	-
	36,840	21,048

22. INCOME TAXES

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Combined basic federal and provincial income tax rates	**27.2%**	27.4%
Expected income tax expense	**13,765**	11,347
Non-deductible expenses	**410**	200
U.S. and SPE results not tax effected	**841**	151
Effect of capital gains on sale of assets and investments	**(401)**	(675)
Other	**(194)**	(604)
	14,421	10,419

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

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Current income tax:		
Current income tax charge	**15,853**	11,733
Adjustments in respect of prior years and other	**(4,999)**	(371)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**3,567**	(943)
	14,421	10,419

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

	December 31, 2017	**December 31, 2016**
Tax cost of lease assets and property and equipment in excess of net book value	**(1,620)**	(1,817)
Amounts receivable and provisions	**1,676**	7,090
Deferred salary arrangements	**1,848**	1,368
Unearned revenue	**462**	501
Financing fees	**(245)**	(286)
	2,121	6,856

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

At December 31, 2017, there was no recognized deferred tax liabilities (2016 – nil) 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.

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

23. 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.

	Year Ended	
	December 31, 2017	**December 31, 2016**
Net income	**36,132**	31,049
Weighted average number of ordinary shares outstanding (in 000's)	**13,544**	13,558
Basic earnings per ordinary share	**2.67**	2.29

For the year ended December 31, 2017, 154,201 DSUs (2016 – 157,128) 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 year ended December 31, 2017, 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.

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Net income	**36,132**	31,049
After tax impact of convertible debentures	**1,790**	-
Fully diluted net income	**37,922**	31,049
Weighted average number of ordinary shares outstanding (in 000's)	**13,544**	13,558
Dilutive effect of stock-based compensation (in 000's)	**559**	350
Dilutive effect of convertible debentures (in 000's)	**702**	-
Weighted average number of diluted shares outstanding (in 000's)	**14,805**	13,908
Dilutive earnings per ordinary share	**2.56**	2.23

For the year ended December 31, 2017, 238,088 stock options to acquire common shares (2016 – 89,306), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

24. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Amounts receivable	**(6,565)**	1,623
Prepaid expenses	**(1,636)**	537
Accounts payable and accrued liabilities	**10,827**	9,683
Income taxes payable	**6,571**	2,174
Deferred lease inducements	**(212)**	(416)
Unearned revenue	**(385)**	1,222
Provisions	**(243)**	26
Accrued interest	**7,279**	-
	15,636	14,849

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

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Income taxes paid	**6,516**	10,102
Income taxes refunded	**2,233**	914
Interest paid	**18,823**	18,676
Interest received	**174,478**	137,649

25. COMMITMENTS AND GUARANTEES

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. The minimum annual lease payments plus estimated operating costs 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	**22,693**	**41,066**	**7,183**
Other operating lease obligations	**1,069**	**2,510**	**36**
Other	**8,175**	**17,681**	**-**
Total contractual obligations	**31,937**	**61,257**	**7,219**

During the year ended December 31, 2017, $29.8 million (2016 – $28.6 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

26. 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.

27. 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), notes payable, convertible debentures and shareholders' equity, which includes share capital, contributed surplus, accumulated other comprehensive income 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 term debt 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, 2017 and 2016, the Company was in compliance with all of its externally imposed financial covenants.

28. 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 both the Company's credit policies and the lending and collecting practices which are overseen by the Company's Senior Management. Credit quality of the customer is assessed based on a proprietary credit rating scorecard and individual credit limits are defined in accordance with this assessment. Most of the consumer loans receivable as at December 31, 2017 were unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. As at December 31, 2017, the Company's gross consumer loan receivable portfolio was $526.5 million (2016 – $370.5 million). Net charge-offs expressed as a percentage of the average loan book were 13.6% for the year ended December 31, 2017 (2016 – 15.4%).

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, 2017, the Company's lease assets were $54.3 million (2016 – $55.3 million). Lease asset losses for the year ended December 31, 2017 represented 3.0% (2016 – 3.4%) 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 its credit facilities 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 2017 will allow the Company to continue growing its consumer loans receivable portfolio into 2019. 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 the Company's credit facilities, which are due as disclosed in note 12, 13, 14 & 15.

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, 2017 the Notes Payable and the Convertible Debentures had a fixed rate of interest. The $110 million Revolving Facility has a variable interest rate at either the Canadian Banker's Acceptance rate plus 450 bps or the lender's prime rate plus 350 bps, at the option of the Company. However as of December 31, 2017 the Company had not drawn upon this facility.

The Company does not hedge interest rates. 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 Facility.

As at December 31, 2017, none of the Company's borrowings were subject to movements in floating interest rates.

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

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 $325 million Notes. These Notes are due November 1, 2022 with a USD coupon rate of 7.875%. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these Notes effectively hedging the obligation at CAD$418.9 million with a Canadian dollar interest rate of 7.84%. 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 Canadian dollar landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure.

The Company also had foreign currency transaction exposure through its SPEs in the United States with the Parent Company as these entities had a U.S. functional currency.

The income of the Company's U.S. subsidiaries and SPEs were translated into Canadian dollars each period. A 5% movement in the Canadian and U.S. dollar exchange rate would have increased or decreased net income for the year by approximately $87.

29. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	December 31, 2017	December 31, 2016
Cash	Fair value	**109,370**	24,928
Amounts receivable	Amortized cost	**14,422**	7,857
Consumer loans receivable	Amortized cost	**513,425**	354,499
Accounts payable and accrued liabilities	Amortized cost	**42,706**	31,879
Derivative financial instruments	Fair value	**11,138**	-
Term loan	Amortized cost	**-**	263,294
Convertible debentures	Amortized cost	**47,985**	-
Notes payable	Amortized cost	**401,193**	-

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

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the unaudited interim condensed 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, 2017:

	Total	**Level 1**	**Level 2**	**Level 3**
Cash	**109,370**	109,370	-	-
Amounts receivable	**14,422**	-	-	14,422
Consumer loans receivable	**513,425**	-	-	513,425
Accounts payable and accrued liabilities	**42,706**	-	-	42,706
Derivative financial instruments	**11,138**	-	11,138	-
Convertible debentures	**47,985**	-	-	47,985
Senior unsecured notes payable	**401,193**	-	-	401,193

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

30. 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 reporting periods.

	Year Ended	
	December 31, 2017	**December 31, 2016**
Short-term employee benefits including salaries	**5,612**	5,290
Share-based payment transactions	**3,993**	3,003
	9,605	8,293

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

31. SEGMENTED REPORTING

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

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 years ended December 31, 2017 and 2016:

Year Ended December 31, 2017	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	**267,964**	**137,260**	**-**	**405,224**
Total operating expenses before depreciation and amortization	**158,055**	**72,570**	**34,998**	**265,623**
Depreciation and amortization	**7,255**	**43,808**	**1,145**	**52,208**
Segment operating income (loss)	**102,654**	**20,882**	**(36,143)**	**87,393**
Finance costs				
Interest expense and amortization of deferred financing charges			**28,642**	**28,642**
Refinancing cost			**8,198**	**8,198**
	-	**-**	**36,840**	**36,840**
Income (loss) before income taxes	**102,654**	**20,882**	**(72,983)**	**50,553**

Year Ended December 31, 2016	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	204,076	143,429	-	347,505
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	122,843	74,708	29,719	227,270
Transaction advisory costs	-	-	6,382	6,382
Depreciation and amortization	6,479	47,184	674	54,337
Segment operating income (loss)	74,754	21,537	(33,775)	62,516
Finance costs				
Interest expense and amortization of deferred financing charges			21,048	21,048
	-	-	21,048	21,048
Income (loss) before income taxes	74,754	21,537	(54,823)	41,468

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

As at December 31, 2017, the Company's goodwill of $21.3 million (December 31, 2016 – $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 years ended December 31, 2017 and 2016 were as follows:

	Year Ended	
	December 31, 2017 (%)	**December 31, 2016 (%)**
Furniture	**44**	42
Electronics	**32**	33
Computers	**12**	13
Appliances	**12**	12
	100	100