Consolidated Financial Statements

goeasy Ltd.

For the Years Ended
December 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **goeasy Ltd.**

Opinion

We have audited the consolidated financial statements of **goeasy Ltd.** and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

	Allowance for credit losses
Key audit matter	As more fully described in Notes 2 and 7 of the consolidated financial statements, goeasy has used expected credit loss (ECL) models to recognize $159.8 million in allowances for credit losses on its consolidated balance sheet. The ECL is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is determined by evaluating a range of possible outcomes

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

The allowance for credit losses is a significant estimate for which variations in model methodology, assumptions and judgements can have a material effect on the measurement of expected credit losses. Specifically, the effects of the COVID-19 pandemic have created a higher level of uncertainty in the estimation of future credit losses.

Auditing the allowance for credit losses was complex, involved auditor judgement and required the involvement of Credit Risk Specialists due to the inherent complexity of the models, assumptions, judgements and the interrelationship of these variables in measuring the ECL. Significant assumptions and judgments with respect to the estimation of the allowance for credit losses included the calculation of both 12-month and lifetime expected credit losses, the determination of when a loan has experienced a significant increase in credit risk and the determination of relevant forward looking multiple economic scenarios and the probability weighting of those scenarios.

How our audit addressed the key audit matter

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

Acquisition of LendCare Holdings Inc.

Key audit matter

As more fully described in Note 4 of the consolidated financial statements, on April 30, 2021, goeasy Ltd. acquired LendCare Holdings Inc. (LendCare) for consideration of $324.8 million. The purchase price allocation included goodwill valued at $159.6 million. The acquisition was accounted for using the purchase method. The cost of the acquisition was 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 were measured initially at fair value at the date of acquisition.

Auditing the acquisition of LendCare was complex, involved our Valuation Specialists and required the application of significant auditor judgement due to the subjective nature of estimating the fair values of the identified assets and assumed liabilities. Specifically, the valuation of loans and intangible assets, as at the date of acquisition required estimates of key assumptions including the expected future cash flows and discount rate applied to the Merchant Network intangible and the methodology and assumptions used to value the acquired loan portfolio.

How our audit addressed the key audit matter

To test the acquisition of LendCare, among other procedures, we tested the existence and completeness of the assets and liabilities acquired as at April 30, 2021 by obtaining third party confirmations and invoices and recalculating balances where applicable. We assessed the reasonability of the fair values of the assets acquired and liabilities assumed. With the assistance of our Valuation Specialists, we reviewed the fair value of the loan portfolio and Merchant Network intangible asset. We reviewed the key assumptions used by management to assess the fair value of the Merchant Network intangible asset, including the expected future cash flows and discount rate. We evaluated the reasonability of the future cash flows by comparing to historical results and our understanding of the business as well as current economic trends. With the assistance of our Credit Risk Specialists, we reviewed the reasonability of the methodology and assumptions used by management in determining the fair value of the acquired loan portfolio. We performed testing over key assumptions of the model including agreeing loan data back to loan origination documentation.

Goodwill and intangible asset impairment

Key audit matter

As more fully described in Notes 2 and 12 of the consolidated financial statements, goeasy has recognized $21 million in goodwill as a result of past business combinations in the easyhome segment. In the current year, the company has also recognized $159.6 million in goodwill and $134.2 million in intangible assets in the easyfinancial segment as part of the LendCare acquisition. Goodwill is tested, at least annually, for impairment. Goodwill is also required to be tested for impairment whenever there are indicators that it may be impaired. The Merchant Network intangible asset is amortized over a 10-year period and is reviewed for impairment indicators. These assets are tested by comparing the recoverable amount of the cash-generating unit (CGU) to which they have been allocated, with the carrying amount of the total CGU. The recoverable amount of a CGU is defined as the higher of its estimated fair value less costs to sell and its value in use.

Auditing goeasy’s goodwill and intangible impairment tests was complex, required the application of auditor judgement and involved the use of our Valuation Specialists due to the significant estimation required to determine the recoverable amounts of the CGUs. In particular, the estimates of recoverable amounts are sensitive to significant assumptions, such as forecasted growth rates, discount rates, and terminal growth rates, which are affected by expectations about future market or economic conditions.

How our audit addressed the key audit matter

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

Other information

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

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

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 16, 2022

goeasy Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

	As At December 31, 2021	As At December 31, 2020
ASSETS		
Cash (note 5)	**102,479**	93,053
Amounts receivable (note 6)	**20,769**	9,779
Prepaid expenses	**8,018**	13,005
Consumer loans receivable, net (note 7)	**1,899,631**	1,152,378
Investments (note 8)	**64,441**	56,040
Lease assets (note 9)	**47,182**	49,384
Property and equipment, net (note 10)	**35,285**	31,322
Deferred tax assets, net (note 21)	**-**	4,066
Derivative financial assets (notes 8, 13 and 17)	**20,634**	-
Intangible assets, net (note 12)	**159,651**	25,244
Right-of-use assets, net (note 11)	**57,140**	46,335
Goodwill (note 12)	**180,923**	21,310
TOTAL ASSETS	**2,596,153**	1,501,916
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**57,134**	46,065
Income taxes payable	**27,859**	13,897
Dividends payable (note 18)	**10,692**	6,661
Unearned revenue	**11,354**	10,622
Accrued interest	**8,135**	2,598
Deferred tax liabilities, net (note 21)	**38,648**	-
Lease liabilities (note 11)	**65,607**	53,902
Revolving credit facility (note 15)	**-**	198,339
Secured borrowings (note 14)	**173,959**	-
Revolving securitization warehouse facility (note 13)	**292,814**	-
Derivative financial liabilities (note 17)	**34,132**	36,910
Notes payable (note 17)	**1,085,906**	689,410
TOTAL LIABILITIES	**1,806,240**	1,058,404
Shareholders' equity		
Share capital (note 18)	**363,514**	181,753
Contributed surplus (note 19)	**22,583**	19,732
Accumulated other comprehensive income (loss)	**8,567**	(5,280)
Retained earnings	**395,249**	247,307
TOTAL SHAREHOLDERS' EQUITY	**789,913**	443,512
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,596,153**	1,501,916

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Karen Basian
Director

goeasy Ltd.

CONSOLIDATED STATEMENTS OF INCOME

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

	Year Ended	
	December 31, 2021	**December 31, 2020**
REVENUE		
Interest income	**535,638**	409,583
Lease revenue	**112,371**	112,796
Commissions earned	**163,734**	117,913
Charges and fees	**14,979**	12,630
	826,722	652,922
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**157,157**	136,306
Stock-based compensation (note 19)	**8,875**	7,575
Advertising and promotion	**30,393**	26,786
Bad debts (note 7)	**182,084**	134,998
Occupancy	**23,614**	22,501
Technology costs	**18,033**	14,191
Other expenses	**46,677**	29,406
	466,833	371,763
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets (note 9)	**35,844**	35,770
Depreciation of right-of-use assets (note 11)	**18,207**	16,183
Amortization of intangible assets (note 12)	**16,831**	6,773
Depreciation of property and equipment (note 10)	**8,004**	5,997
	78,886	64,723
TOTAL OPERATING EXPENSES	**545,719**	436,486
OPERATING INCOME	**281,003**	216,436
OTHER INCOME (NOTE 8)	**114,876**	21,740
FINANCE COSTS		
Interest expenses and amortization of deferred financing charges (note 20)	**75,910**	52,248
Interest expense on lease liabilities (note 11)	**3,115**	2,744
	79,025	54,992
INCOME BEFORE INCOME TAXES	**316,854**	183,184
INCOME TAX EXPENSE (RECOVERY) (NOTE 21)		
Current	**73,744**	33,041
Deferred	**(1,833)**	13,638
	71,911	46,679
NET INCOME	**244,943**	136,505
BASIC EARNINGS PER SHARE (NOTE 22)	**15.12**	9.21
DILUTED EARNINGS PER SHARE (NOTE 22)	**14.62**	8.76

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, 2021	Year Ended December 31, 2020
Net income	**244,943**	136,505
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent periods		
Change in foreign currency translation reserve	**-**	5
Change in fair value of cash flow hedge, net of taxes	**20,271**	(667)
Change in costs of hedging, net of taxes	**(6,424)**	(3,703)
	13,847	(4,365)
Comprehensive income	**258,790**	132,140

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, 2020	**181,753**	**19,732**	**201,485**	**247,307**	**(5,280)**	**443,512**
Common shares issued	**189,362**	**(6,024)**	**183,338**	**-**	**-**	**183,338**
Stock-based compensation (note 19)	**-**	**8,875**	**8,875**	**-**	**-**	**8,875**
Shares purchased for cancellation (note 18)	**(7,601)**	**-**	**(7,601)**	**(54,689)**	**-**	**(62,290)**
Comprehensive income	**-**	**-**	**-**	**244,943**	**13,847**	**258,790**
Dividends (note 18)	**-**	**-**	**-**	**(42,312)**	**-**	**(42,312)**
Balance, December 31, 2021	**363,514**	**22,583**	**386,097**	**395,249**	**8,567**	**789,913**
Balance, December 31, 2019	141,956	20,296	162,252	171,084	(915)	332,421
Common shares issued	9,025	(7,307)	1,718	-	-	1,718
Stock-based compensation (note 19)	-	7,575	7,575	-	-	7,575
Conversion of convertible debentures (note 16)	38,979	1,168	40,147	-	-	40,147
Settlement of deferred share units (note 19)	-	(2,000)	(2,000)	-	-	(2,000)
Shares purchased for cancellation (note 18)	(8,207)	-	(8,207)	(34,180)	-	(42,387)
Comprehensive income	-	-	-	136,505	(4,365)	132,140
Dividends (note 18)	-	-	-	(26,102)	-	(26,102)
Balance, December 31, 2020	181,753	19,732	201,485	247,307	(5,280)	443,512

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, 2021	**December 31, 2020**
OPERATING ACTIVITIES		
Net income	**244,943**	136,505
Add (deduct) items not affecting cash		
Bad debts expense (note 7)	**182,084**	134,998
Depreciation of lease assets (note 9)	**35,844**	35,770
Depreciation of right-of-use assets (note 11)	**18,207**	16,183
Amortization of intangible assets (note 12)	**16,831**	6,773
Stock-based compensation (note 19)	**8,875**	7,575
Depreciation of property and equipment (note 10)	**8,004**	5,997
Amortization of deferred financing charges	**5,688**	4,338
Deferred income tax (recovery) expense (note 21)	**(1,833)**	13,638
Loss on sale or write-off of assets	**2,580**	92
Other income	**(114,876)**	(21,740)
	406,347	340,129
Net change in other operating assets and liabilities (note 23)	**33,226**	17,561
Net issuance of consumer loans receivable	**(484,817)**	(246,824)
Purchase of lease assets	**(33,631)**	(36,454)
Cash (used in) provided by operating activities	**(78,875)**	74,412
INVESTING ACTIVITIES		
Proceeds on sale of investment	**109,198**	-
Purchase of property and equipment	**(7,815)**	(14,405)
Purchase of intangible assets	**(19,634)**	(14,268)
Purchase of investment	**(11,343)**	-
Cash used in the acquisition, net of cash acquired	**(281,041)**	-
Cash used in investing activities	**(210,635)**	(28,673)
FINANCING ACTIVITIES		
Issuance of notes payable, net of financing charges (note 17)	**391,516**	-
Advances from revolving securitization warehouse facility, net of financing charges	**372,557**	-
Issuance of common shares, net of issuance costs (note 18)	**170,177**	1,718
Advances from revolving credit facilities	**154,803**	185,000
Advances from secured borrowings	**67,113**	-
Lease incentive received (note 11)	**1,573**	1,795
Payment of cash-settled restricted share units	**(1,159)**	-
Payment of lease liability (note 11)	**(18,880)**	(16,837)
Payment of common share dividends (note 18)	**(37,474)**	(23,889)
Payment of loan from secured borrowings	**(60,433)**	-
Purchase of common shares for cancellation (note 18)	**(62,290)**	(42,387)
Payment of advances from revolving securitization warehouse facility	**(80,000)**	-
Payment of notes payable	**(243,567)**	-
Payment of advances from revolving credit facilities	**(355,000)**	(100,000)
Settlement of deferred share units	**-**	(2,000)
Redemption of convertible debentures	**-**	(2,427)
Cash provided by financing activities	**298,936**	973
Net increase in cash during the year	**9,426**	46,712
Cash, beginning of year	**93,053**	46,341
Cash, end of year	**102,479**	93,053

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 provide everyday Canadians a path for a better tomorrow, today. The principal operating activities of the Company include: i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: easyfinancial and easyhome. As at December 31, 2021, the Company operated 294 easyfinancial locations (including 5 kiosks within easyhome stores and 3 operations centres) and 158 easyhome stores (including 34 franchises). As at December 31, 2020, the Company operated 266 easyfinancial locations (including 14 kiosks within easyhome stores) and 161 easyhome stores (including 35 franchises).

The consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company for the year ended December 31, 2021 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, 2021.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. goeasy Ltd. controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This includes all wholly-owned subsidiaries and a structured entity (note 13) where goeasy has control but does not have ownership of a majority of voting rights.

As at December 31, 2021, the Parent Company's principal subsidiaries were:
- RTO Asset Management Inc.
- easyfinancial Services Inc.
- 2830844 Ontario Inc. (note 4)

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.

Foreign Currency Translation

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.

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

Revenue Recognition

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

i) Interest Income

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

ii) Lease Revenue

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

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

iii) Commissions Earned and Charges and Fees

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

Vendor Rebates

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

Cash

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

Financial Assets

Initial Recognition and Measurement

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

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

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

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

The Company does not have any financial assets that are subsequently measured at fair value except for investments and the derivative financial instruments which may be in an asset or liability position (see section “Derivative Financial Instruments and Hedge Accounting”).

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

Impairment of Financial Assets

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

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

The key inputs in the measurement of ECL allowances are as follows:

- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
- Forward-looking indicators ("FLIs").

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

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

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

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

Modified Loans

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

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

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

Purchased or Originated Credit-Impaired Financial Assets

Purchased or originated credit-impaired ("POCI") financial assets are assets that are credit-impaired at the time of initial recognition. A lifetime ECL is incorporated into the calculation of the effective interest rate of these assets. Consequently, POCI assets do not carry an impairment allowance at the time of initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to changes in the lifetime ECL.

Lease Assets

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

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

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

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

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

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

The Company records a provision against the carrying value of lease assets for estimated losses from theft and/or damage.

Property and Equipment

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

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

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

Depreciation on property and equipment is charged to net income.

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

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

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

Intangible Assets

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

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

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

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

Asset Category	Estimated Useful Lives
Customer lists	5 years
Websites and digital properties	3 years
Software (excluding websites and digital properties)	5 to 10 years
Merchant networks	10 years

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

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

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

Development Costs

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

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

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

Leases

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

A. Company as a Lessee

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

i) Right-of-use Assets

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

ii) Lease Liabilities

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

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

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

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

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

B. Company as a Lessor

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

Business Combinations and Goodwill

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

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

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

Impairment of Non-Financial Assets

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

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

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

For the easyhome business unit, a CGU was determined to be at the individual store level, as the cash inflows of an individual store are largely independent of the cash inflows of other assets in the Company. For the easyfinancial and LendCare Holdings Inc. ("LendCare") business units, a CGU was determined to be at the business unit level, as the cash inflows are largely dependent on their centralized loan and collection centres.

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

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

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

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

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

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

Financial Liabilities

Financial liabilities are initially recognized at fair value. In the case of certain loans and borrowings, the fair value at initial recognition includes the value of proceeds received net of directly attributable transaction costs. The Company's financial liabilities include a revolving credit facility, United States Dollar ("USD") denominated notes payable, a revolving securitization warehouse facility, secured borrowings, 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 included both liability and equity components associated with the conversion option. The liability component of the convertible debentures is initially recognized at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument.

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

On July 31, 2020, the Company redeemed all unconverted debentures (note 16).

Derivative Financial Instruments and Hedge Accounting

The Company's financing activities expose it to the financial risks of changes in foreign exchange and interest rate volatility. The Company utilizes derivative financial instruments as cash flow hedges to assist in the management of these risks.

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

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

In order to qualify for hedge accounting, formal documentation must include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the change in values that result from that economic relationship.
- The hedge ratio of the hedging relationship is consistent with management's risk strategy.

Where an effective hedge exists, the change in the fair value of the derivative instrument is recognized in OCI and reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. As such there is no net impact on net income.

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

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 taxation authorities. Income 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 taxes relating to items recognized directly in equity are also recognized in equity and not in net income.

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 realized. 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, taxation authorities 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 19.

i) Equity-Settled Transactions

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

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

ii) Cash-Settled Transactions

The Company grants Performance Share Units ("PSUs"), which mirror the value of the Company's publicly traded common shares and can only be settled in cash ("cash-settled transactions"). The cost of cash-settled transactions is measured at fair value at the grant date. The liability is remeasured, 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 reflects the extent to which the vesting period has 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 calculated 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 cash received from the exercise of options, warrants and convertible debentures is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

Significant Accounting Judgements, Estimates and Assumptions

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

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

Impact of COVID-19 Pandemic

The Company's business has been impacted by the COVID-19 pandemic, which has created significant societal and economic disruptions. The COVID-19 pandemic has had, and will continue to have, a broad impact across industries and the economy, including effects on consumer confidence, global financial markets, regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, country-wide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce.

With the active vaccination campaigns during the year, Canada saw improvements in containing outbreaks of the COVID-19 pandemic and the economy reopened at a different pace across the country. Lighter control measures led to partial economic recovery. However, towards the end of 2021, the emergence of new variants, including the Omicron variant, have led the Canadian government, and governments around the world, to re-institute measures to combat the spread of COVID-19, including, but not limited to: the implementation of travel bans, border closings, mandated capacity limits and closures, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally, resulting in continued economic uncertainty.

The ever-changing and rapidly-evolving effects of COVID-19, the duration, extent and severity of which are currently unknown, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. With the stricter control measures back in place, the Company will continue to remain vigilant in its efforts to mitigate the impact of COVID-19 related risks to the Company. The COVID-19 virus, and the measures to prevent its spread, may continue to contribute to a higher level of uncertainty with respect to management's judgements and estimates.

Significant Accounting Judgements, Estimates and Assumptions

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

i) Business combinations

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed.

ii) Allowance for Credit Losses and Allowance for Loan Losses

The ECL method is applied in determining the allowance for credit losses on gross consumer loans receivable. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgments, estimates and assumptions are discussed in note 2, Financial Assets. In light of the turbulent economic environment brought on by the COVID-19 pandemic, management identified the need to incorporate additional data and methodological approaches into the Company's forward-looking scenario modelling. Therefore, additional factors have been incorporated in assessing the economic impact of the COVID-19 pandemic on the Company's consumer loan portfolio, as discussed in note 7.

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

iii) Depreciation of Lease Assets

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

iv) Impairment of Non-Financial Assets

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.

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.

v) Impairment of Goodwill and Indefinite-Life Intangible Assets

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

vi) Fair Value of Stock-Based Compensation

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

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

vii) Taxation Amounts

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

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

viii) Fair Value Measurement of Investments

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

There were no new standards, interpretations or amendments that had a material impact to the Company's consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(b) Standards issued but not yet effective

There are no new standards issued but not yet effective as at January 1, 2021 that have a material impact to the Company's consolidated financial statements.

4. SIGNIFICANT ACQUISITION

On April 30, 2021 ("Acquisition Date"), through its newly created wholly-owned subsidiary, 2830844 Ontario Inc., the Company acquired 100% of the outstanding equity of LendCare, a Canadian point-of-sale ("POS") consumer finance and technology company, from LendCare's founders and CIVC Partners for consideration of $324.8 million, of which $313.0 million was paid in cash and $11.8 million was paid in the Company's common shares (the "Acquisition"). The $11.8 million fair value of the 81,400 common shares issued as consideration was calculated with reference to the closing price of the Company's common shares on the Acquisition Date.

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

The Company determined the fair value of the identifiable net assets and liabilities, goodwill and intangible assets acquired of LendCare at the date of acquisition as follows:

	Amount
Total identifiable net assets acquired	**71,212**
Intangible assets	**134,186**
Goodwill	**159,613**
Deferred tax liabilities	**(40,229)**
Total purchase consideration transferred	**324,782**
Purchase consideration	
Cash	**312,945**
Common shares	**11,837**
Total consideration	**324,782**
Analysis of cash flows on Acquisition	
Transaction costs of the Acquisition (included in cash flows from operating activities)	**(9,341)**
Cash used in Acquisition, net of cash acquired (included in cash flows from investing activities)	**(281,041)**
Issuance of notes payable, net of financing charges (note 17) (included in cash flows from financing activities)	**391,516**
Issuance of common shares, net of issuance costs (note 18) (included in cash flows from financing activities)	**164,812**
Payment of notes payable (included in cash flows from financing activities)	**(243,567)**
Net cash flow on Acquisition	**22,379**

The goodwill of $159.6 million largely reflects the synergies of combining and streamlining the Company's current business with LendCare's operations. Goodwill is not deductible for income tax purposes.

The results of the Acquisition have been consolidated from the Acquisition Date and combined within the easyfinancial reporting segment (note 30).

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

Identifiable assets acquired and liabilities assumed

The following table summarizes the identifiable assets acquired and liabilities assumed at the Acquisition Date:

	Amount
Cash	**29,507**
Amounts receivable	**9,337**
Prepaid expenses	**798**
Consumer loans receivable	**444,520**
Property and equipment	**4,159**
Right-of-use assets	**1,160**
Income tax recoverable	**6,120**
Accounts payable and accrued liabilities	**(9,034)**
Accrued interest	**(564)**
Deferred tax liabilities, net	**(2,859)**
Notes payable	**(243,567)**
Secured borrowings	**(167,205)**
Lease liabilities	**(1,160)**
Total identifiable net assets acquired	**71,212**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Consumer loans receivable	Income approach: The income approach considers the present value of future contractual cash flows expected to be generated by loans. For non-credit impaired loans, estimated fair value is determined by discounting the expected future contractual cash flows, considering changes in market interest rates and credit risk that have occurred since the loans were originated, amongst other factors. For purchased credit-impaired loans, fair value is estimated by discounting the expected future cash flows using assumptions of probability of default, loss given default and exposure at default based on historical experience.
Property and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Income approach and replacements cost method: The income approach considers the present value of net cash flows expected to be generated by the merchant network, by excluding any cash flows related to contributory assets. The replacement cost method considers the cost for the Company to replace the asset.

The total gross consumer loan contractual amounts due were $457.3 million, of which $16 million was expected to be uncollectible at the date of acquisition.

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

Acquisition costs

During 2021, the Company incurred transaction costs of $9.3 million related to the Acquisition, including advisory and consulting costs, legal costs, commitment loan fees and other direct transaction costs. Of these transaction costs, $7.6 million and $1.7 million was recognized under Other expenses and Finance costs, respectively, in the consolidated statements of income.

5. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates.

The Company has pledged part of its cash to fulfill collateral requirements under its cross-currency swap contracts and total return swap. As at December 31, 2021, the fair value of the cash pledged by the Company as a cash collateral in respect of the cross-currency swap was $19.6 million (2020 – $30.1 million).

Related to its secured borrowing loans, the Company holds back an amount from the proceeds of the loan transfer as a reserve against future customer defaults. As at December 31, 2021, the cash held back as a reserve for the Revolving Securitization Warehouse Facility and Secured Borrowings was $6.8 million and $20.8 million, respectively.

6. AMOUNTS RECEIVABLE

	December 31, 2021	**December 31, 2020**
Commission receivable	**15,223**	6,367
Vendor rebate receivable	**601**	539
Due from franchisees	**337**	656
Amounts due from customers and others	**4,608**	2,217
	20,769	9,779
Current	**20,769**	9,595
Non-current	**-**	184
	20,769	9,779

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

7. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represent amounts advanced to customers and includes both unsecured and secured loans. Unsecured loan terms generally range from 9 to 84 months while secured loan terms generally range from 5 to 10 years.

	December 31, 2021	**December 31, 2020**
Gross consumer loans receivable	**2,030,339**	1,246,840
Interest receivable from consumer loans	**18,881**	16,566
Unamortized deferred acquisition costs	**16,320**	14,648
Unamortized deferred revenues	**(6,147)**	-
Allowance for credit losses	**(159,762)**	(125,676)
	1,899,631	1,152,378

The allocation of the Company's gross consumer loans receivable as at December 31, 2021 and 2020, based on loan types, is as follows:

	December 31, 2021	**December 31, 2020**
Unsecured instalment loans	**1,364,696**	1,091,562
Secured instalment loans	**665,643**	155,278
	2,030,339	1,246,840

The scheduled principal repayment aging analyses of the gross consumer loans receivable portfolio as at December 31, 2021 and 2020 are as follows:

	December 31, 2021		**December 31, 2020**	
	$	**% of total loans**	**$**	**% of total loans**
0 - 6 months	**220,383**	**10.9%**	184,553	14.8%
6 - 12 months	**160,914**	**7.9%**	144,341	11.6%
12 - 24 months	**351,028**	**17.3%**	300,560	24.1%
24 - 36 months	**408,762**	**20.1%**	289,065	23.2%
36 - 48 months	**332,049**	**16.4%**	181,866	14.6%
48 - 60 months	**229,782**	**11.3%**	62,361	5.0%
60 months +	**327,421**	**16.1%**	84,094	6.7%
	2,030,339	**100.0%**	1,246,840	100.0%

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

The gross consumer loans receivable portfolio categorized by the contractual time to maturity as at December 31, 2021 and 2020 are summarized as follows:

	December 31, 2021		December 31, 2020	
	$	% of total loans	$	% of total loans
0 - 1 year	**60,319**	**3.0%**	48,561	3.9%
1 - 2 years	**155,957**	**7.7%**	142,958	11.5%
2 - 3 years	**347,331**	**17.1%**	321,683	25.8%
3 - 4 years	**501,830**	**24.7%**	381,055	30.6%
4 - 5 years	**473,096**	**23.3%**	209,994	16.8%
5 years +	**491,806**	**24.2%**	142,589	11.4%
	2,030,339	**100.0%**	1,246,840	100.0%

An aging analysis of gross consumer loans receivable past due as at December 31, 2021 and 2020 is as follows:

	December 31, 2021		December 31, 2020	
	$	% of total loans	$	% of total loans
1 - 30 days	**71,505**	**3.5%**	34,880	2.8%
31 - 44 days	**14,417**	**0.7%**	7,645	0.6%
45 - 60 days	**12,358**	**0.6%**	5,503	0.4%
61 - 90 days	**14,966**	**0.7%**	7,258	0.6%
91 - 120 days	**3,350**	**0.2%**	231	0.0%
121 - 150 days	**2,792**	**0.1%**	83	0.0%
151 - 180 days	**1,841**	**0.1%**	64	0.0%
	121,229	**5.9%**	55,664	4.4%

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

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

	As at December 31, 2021				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	**635**	**1,090,814**	**1,586**	**122**	**1,092,522**
Normal Risk	**557**	**610,484**	**6,122**	**270**	**616,876**
High Risk	**504**	**167,008**	**105,102**	**48,831**	**320,941**
Total	**583**	**1,868,306**	**112,810**	**49,223**	**2,030,339**

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

The improvement in the customers' median TransUnion Risk Score as at December 31, 2021, compared with December 31, 2020, was mainly driven by the inclusion of gross consumer loans acquired from LendCare, which are typically issued to consumers with higher credit scores.

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

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

	Year ended December 31, 2021			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)***	**Total**
Balance as at January 1, 2021	**1,141,801**	**84,835**	**20,204**	**1,246,840**
Gross loans originated	**1,594,480**	**-**	**-**	**1,594,480**
Gross loans purchased (note 4)	**435,311**	**-**	**9,209**	**444,520**
Principal payments and other adjustments	**(1,091,069)**	**11,778**	**(14,275)**	**(1,093,566)**
Transfers to (from)				
Stage 1 (Performing)	**265,508**	**(226,178)**	**(39,330)**	**-**
Stage 2 (Under-Performing)	**(356,082)**	**369,644**	**(13,562)**	**-**
Stage 3 (Non-Performing)	**(88,832)**	**(112,779)**	**201,611**	**-**
Gross charge offs	**(32,811)**	**(14,490)**	**(114,634)**	**(161,935)**
Net growth in gross consumer loans receivable during the year	**726,505**	**27,975**	**29,019**	**783,499**
Balance as at December 31, 2021	**1,868,306**	**112,810**	**49,223**	**2,030,339**

* Includes purchased credit-impaired loans from the Acquisition (note 4).

	Year ended December 31, 2020			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2020	983,323	103,448	23,862	1,110,633
Gross loans originated	1,033,130	-	-	1,033,130
Gross loans purchased	31,275	-	-	31,275
Principal payments and other adjustments	(813,788)	17,805	(5,417)	(801,400)
Transfers to (from)				
Stage 1 (Performing)	298,014	(264,592)	(33,422)	-
Stage 2 (Under-Performing)	(313,536)	325,354	(11,818)	-
Stage 3 (Non-Performing)	(54,358)	(84,617)	138,975	-
Gross charge offs	(22,259)	(12,563)	(91,976)	(126,798)
Net growth in gross consumer loans receivable during the year	158,478	(18,613)	(3,658)	136,207
Balance as at December 31, 2020	1,141,801	84,835	20,204	1,246,840

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

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

	December 31, 2021	December 31, 2020
Balance, beginning of year	**125,676**	107,107
Net charge offs against allowance	**(147,998)**	(116,429)
Increase due to lending and collection activities	**182,084**	134,998
Balance, end of year	**159,762**	125,676

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

	Year ended December 31, 2021			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)***	**Total**
Balance as at January 1, 2021	**77,759**	**32,608**	**15,309**	**125,676**
Gross loans originated	**57,648**	**-**	**-**	**57,648**
Gross loans purchased	**14,252**	**-**	**-**	**14,252**
Principal payments and other adjustments	**(28,520)**	**800**	**(17,032)**	**(44,752)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**35,662**	**(45,015)**	**(26,283)**	**(35,636)**
Stage 2 (Under-Performing)	**(25,851)**	**97,907**	**(9,018)**	**63,038**
Stage 3 (Non-Performing)	**(10,635)**	**(32,030)**	**170,199**	**127,534**
Net charge offs against allowance	**(30,650)**	**(13,590)**	**(103,758)**	**(147,998)**
Balance as at December 31, 2021	**89,665**	**40,680**	**29,417**	**159,762**

* Includes purchased credit-impaired loans from the Acquisition (note 4).

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

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

In calculating the allowance for credit losses, internally developed models were used which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, the Company employed distinct forecast scenarios for the period as at December 31, 2020, derived from the FLI forecasts produced by five large Canadian banks, which include neutral, optimistic and pessimistic forecast scenarios. For the period as at December 31, 2021, the Company enhanced the methodology by employing five distinct forecast scenarios, derived from the FLI forecasts produced by Moody's Analytics, which include neutral, moderately optimistic, extremely optimistic, moderately pessimistic and extremely pessimistic forecast scenarios. These scenarios use a combination of four inter-related macroeconomic variables including unemployment rates, GDP, inflation rates, and oil prices and are utilized to determine the probability weighted allowance. Judgment is then applied to the recommended probability weightings to these scenarios to determine a probability weighted allowance for credit losses.

The following table shows the key macroeconomic variables used in the determination of the probability weighted allowance during the forecast periods as at December 31, 2021 and December 31, 2020, respectively:

12-Month Forward-Looking Macroeconomic Variables (Average annual)	December 31, 2021					December 31, 2020		
	Neutral Forecast Scenario	Moderately Optimistic Forecast Scenario	Extremely Optimistic Forecast Scenario	Moderately Pessimistic Forecast Scenario	Extremely Pessimistic Forecast Scenario	Neutral Forecast Scenario	Optimistic Forecast Scenario	Pessimistic Forecast Scenario
Unemployment rate[1]	**5.81%**	**5.02%**	**4.33%**	**8.04%**	**9.45%**	7.51%	7.30%	11.41%
GDP growth rate[2]	**3.78%**	**6.36%**	**9.03%**	**(2.18%)**	**(6.91%)**	5.91%	6.55%	(2.90%)
Inflation growth rate[3]	**3.07%**	**3.64%**	**4.14%**	**2.38%**	**1.79%**	1.52%	1.05%	2.03%
Oil prices[4]	**$67.34**	**$69.02**	**$72.75**	**$42.25**	**$38.69**	$49.91	$55.04	$31.33

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

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

The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices and the rate of GDP growth were negatively correlated with the Company's historic loss rates. The assignment of the probability weighting for the various scenarios using these variables involves management judgment through a robust internal review and analysis to arrive at a collective view of the likelihood of each scenario, particularly in light of the current COVID-19 pandemic. If management were to assign 100% probability to the extremely pessimistic scenario forecast, the allowance for credit losses would have been $24.7 million (2020 – $14.0 million under 100% pessimistic scenario forecast) higher than the reported allowance for credit losses as at December 31, 2021. This sensitivity does not consider the migration of exposure and/or changes in credit risk that would have occurred in the loan portfolio due to risk mitigation actions or other factors.

8. INVESTMENTS

Investments include the following:

	December 31, 2021	December 31, 2020
Listed and actively traded equities		
Affirm Holdings Inc.	**53,543**	-
Others	**398**	-
Unlisted equities		
Brim Financial Inc.	**10,500**	-
PayBright	**-**	56,040
	64,441	56,040

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

Changes in the holdings, fair values of investments and the related total return swap and realized and unrealized gains (losses) recorded in Other income in the consolidated statements of income are summarized below:

	Fair value, beginning of the year	Additions	Sales/ Settlements	Total realized and unrealized gains (losses)	Fair value, end of the year
For the year ended December 31, 2021					
Investments					
Listed and actively traded equities					
Affirm Holdings Inc.[1]	**-**	**33,065**	**(54,577)**	**75,055**	**53,543**
Others	**-**	**843**	**-**	**(445)**	**398**
Unlisted equities					
Brim Financial Inc.	**-**	**10,500**	**-**	**-**	**10,500**
PayBright[1]	**56,040**	**-**	**(56,040)**	**-**	**-**
Investments	**56,040**	**44,408**	**(110,617)**	**74,610**	**64,441**
Total return swap related to Affirm Holdings Inc.[2]	**-**	**-**	**(33,287)**	**40,266**	**6,979**
Investments including total return swap	**56,040**	**44,408**	**(143,904)**	**114,876**	**71,420**
For the year ended December 31, 2020					
Investments					
Unlisted equities					
PayBright	34,300	-	-	21,740	56,040
Investments	34,300	-	-	21,740	56,040

[1] On January 1, 2021, the Company sold its equity investment in PayBright for consideration of cash and equity in Affirm Holdings Inc.
[2] In August 2021, the Company settled the total return swap related to the non-contingent portion of the equity in Affirm Holdings Inc. and in September 2021 and November 2021, the Company entered into new total return swaps to partially hedge the contingent portion of the equity consideration received.

Affirm Holdings Inc. and PayBright

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

On January 1, 2021, PayBright sold 100% of its shares to Affirm Holdings Inc. ("Affirm"), including the Company's minority equity interest in PayBright. Subsequent to the closing of the sale transaction, Affirm completed an initial public offering and its shares now trade on the Nasdaq Global Select Market under the symbol "AFRM". The equity consideration received by the Company is subject to customary lock-up agreements in connection with Affirm's initial public offering.

Under the terms of the sale to Affirm, the Company received total consideration, which was valued at that time, as follows:

- Cash of $23.0 million, excluding one-time expenses and closing adjustments and including $2.1 million held in escrow;
- Equity in Affirm with a value of $21.5 million; and
- Contingent equity in Affirm with a value of $15.4 million, subject to revenue performance achieved in 2021 and 2022.

After considering the likelihood of realizing the contingent equity, the fair value of the investment in PayBright was determined to be $56.0 million as at December 31, 2020.

On January 1, 2021, the Company derecognized its investment in PayBright and recognized its $33.1 million investment in Affirm in the consolidated statements of financial position.

The Company's investment in Affirm was classified at initial recognition at fair value through profit or loss ("FVTPL") on January 1, 2021.

In August 2021, the lock-up period for the non-contingent portion of the equity in Affirm ended and the Company sold all non-contingent Affirm shares with a total consideration of $54.6 million and realized a fair value gain of $33.0 million under Other income in the consolidated statements of income.

For the year ended December 31, 2021, the Company recognized an unrealized fair value gain of $42.0 million under Other income in the consolidated statements of income.

Total Return Swap

Subsequent to Affirm's initial public offering, the Company entered into a 6-month total return swap ("TRS") agreement to substantively hedge its market exposure related to its equity in Affirm which represents the non-contingent portion of the equity consideration received, pursuant to the sale of its investment in PayBright. This TRS effectively results in the economic value of the Company's non-contingent shares in Affirm being settled in cash at maturity for USD108.87, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

The TRS related to the non-contingent portion of the equity in Affirm was settled in August 2021 for $33.3 million, which was recognized as a realized fair value gain under Other income in the consolidated statements of income.

In September 2021, the Company entered into a 9-month TRS agreement to partially hedge its market exposure related to 100,000 contingent shares of Affirm. This TRS effectively results in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for USD110.35 per share, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

In November 2021, the Company entered into a 7-month TRS agreement to partially hedge its market exposure related to an additional 75,000 contingent shares of Affirm. This TRS effectively results in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for USD163.00 per share, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

Included in Derivative financial assets is the change in fair value of the above 9-month and 7-month TRS, in the amount of $7.0 million as at December 31, 2021, which was recorded as an unrealized fair value gain in Other income in the consolidated statements of income.

The fair value of the cash posted by the counter parties in respect of the 9-month and 7-month TRS related to the contingent portion of the equity in Affirm was $6.3 million.

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

Brim Financial Inc.

In 2021, the Company invested $10.5 million to acquire a minority equity interest in Brim Financial Inc. (“Brim”), a Canadian fintech company and globally certified credit card issuer.

9. LEASE ASSETS

	December 31, 2021	**December 31, 2020**
Cost		
Balance, beginning of year	**52,539**	54,840
Additions	**33,642**	36,458
Disposals	**(38,469)**	(38,759)
Balance, end of year	**47,712**	52,539
Accumulated Depreciation		
Balance, beginning of year	**(3,155)**	(6,144)
Depreciation for the year	**(35,844)**	(35,770)
Disposals	**38,469**	38,759
Balance, end of year	**(530)**	(3,155)
Net book value	**47,182**	49,384

During the years ended December 31, 2021 and 2020, the net book value of the lease assets sold or disposed of were nil.

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

10. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Computer and Office Equipment	Signage	Leasehold Improvements	Total
Cost					
December 31, 2019	9,369	8,376	3,407	22,826	43,978
Additions	1,651	3,546	462	8,746	14,405
Disposals	(294)	(147)	(17)	(71)	(529)
December 31, 2020	**10,726**	**11,775**	**3,852**	**31,501**	**57,854**
Additions through business acquisition (note 4)	**216**	**806**	**-**	**3,137**	**4,159**
Additions	**893**	**1,306**	**751**	**4,865**	**7,815**
Disposals	**(10)**	**(9)**	**(14)**	**(5)**	**(38)**
December 31, 2021	**11,825**	**13,878**	**4,589**	**39,498**	**69,790**
Accumulated Depreciation					
December 31, 2019	(5,169)	(3,726)	(1,976)	(10,100)	(20,971)
Depreciation	(1,058)	(1,229)	(442)	(3,268)	(5,997)
Disposals	242	120	13	61	436
December 31, 2020	**(5,985)**	**(4,835)**	**(2,405)**	**(13,307)**	**(26,532)**
Depreciation	**(1,100)**	**(1,911)**	**(439)**	**(4,554)**	**(8,004)**
Disposals	**8**	**9**	**12**	**2**	**31**
December 31, 2021	**(7,077)**	**(6,737)**	**(2,832)**	**(17,859)**	**(34,505)**
Net Book Value					
December 31, 2020	4,741	6,940	1,447	18,194	31,322
December 31, 2021	**4,748**	**7,141**	**1,757**	**21,639**	**35,285**

As at December 31, 2021, the amount of property and equipment classified as under construction or development and not being amortized was $1.1 million (2020 – $4.1 million).

Regarding the easyhome CGU, various impairment indicators were used to determine the need to test the CGU for impairment. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations of negative CGU operating income. Where these impairment indicators exist, 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. Revenue 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 3% long-term growth rate. The pre-tax discount rate used on the forecasted cash flows was 14.7%. 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. As at December 31, 2021 and 2020, no impairment on property and equipment was recognized.

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

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

For the years ended December 31, 2021 and 2020, no net impairment of property and equipment was recognized by the Company.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use Assets			
	Premises	Vehicles	Total	Lease Liabilities
December 31, 2019	43,419	2,728	46,147	52,573
Additions	15,945	426	16,371	16,371
Depreciation expense	(15,339)	(844)	(16,183)	-
Interest expense	-	-	-	2,744
Interest payment	-	-	-	(2,744)
Lease inducement received	-	-	-	1,795
Principal payment	-	-	-	(16,837)
December 31, 2020	**44,025**	**2,310**	**46,335**	**53,902**
Additions through business acquisition (note 4)	**1,160**	**-**	**1,160**	**1,160**
Additions	**27,554**	**298**	**27,852**	**27,852**
Depreciation expense	**(17,435)**	**(772)**	**(18,207)**	**-**
Interest expense	**-**	**-**	**-**	**3,115**
Interest payment	**-**	**-**	**-**	**(3,115)**
Lease inducement received	**-**	**-**	**-**	**1,573**
Principal payment	**-**	**-**	**-**	**(18,880)**
December 31, 2021	**55,304**	**1,836**	**57,140**	**65,607**

For the year ended December 31, 2021, the Company recognized rent expense from short-term leases of $1,759 (2020 – $2,433) and variable lease payments of $12,598 (2020 – $12,061).

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

12. INTANGIBLE ASSETS AND GOODWILL

	Trademarks	Customer Lists	Software	Merchant Network	Total
Cost					
December 31, 2019	2,088	1,254	34,893	-	38,235
Additions	-	-	14,268	-	14,268
December 31, 2020	**2,088**	**1,254**	**49,161**	**-**	**52,503**
Additions through business acquisition (note 4)	**-**	**-**	**3,186**	**131,000**	**134,186**
Additions	**-**	**-**	**19,634**	**-**	**19,634**
Disposals or write-off	**-**	**-**	**(3,689)**	**-**	**(3,689)**
December 31, 2021	**2,088**	**1,254**	**68,292**	**131,000**	**202,634**
Accumulated Amortization					
December 31, 2019	(1,992)	(858)	(17,636)	-	(20,486)
Amortization	-	(159)	(6,614)	-	(6,773)
December 31, 2020	**(1,992)**	**(1,017)**	**(24,250)**	**-**	**(27,259)**
Amortization	**-**	**(116)**	**(7,982)**	**(8,733)**	**(16,831)**
Disposals or write-off	**-**	**-**	**1,107**	**-**	**1,107**
December 31, 2021	**(1,992)**	**(1,133)**	**(31,125)**	**(8,733)**	**(42,983)**
Net Book Value					
December 31, 2020	96	237	24,911	-	25,244
December 31, 2021	**96**	**121**	**37,167**	**122,267**	**159,651**

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, 2021 were $19.6 million (2020 – $14.3 million) of internally developed software application and website development costs.

For the year ended December 31, 2021, the Company wrote off software in the amount of $2.3 million in conjunction with the integration of LendCare.

Goodwill was $180.9 million as at December 31, 2021 (2020 – $21.3 million). In April 2021, the Company purchased LendCare resulting in the recognition of $159.6 million of goodwill (note 4). There were no disposals of goodwill during the years ended December 31, 2021 and 2020.

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

Goodwill and indefinite-life intangible assets are attributed to the group of CGUs to which they relate. As at December 31, 2021, the carrying value of goodwill attributed to the easyhome CGU was $21.3 million (2020 – $21.3 million) and $159.6 million (2020 – nil) was attributed to the LendCare CGU. Impairment testing was performed as at December 31, 2021 and 2020. 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. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Revenue 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 3% long-term growth rate for both easyhome and LendCare. The pre-tax discount rate used on the forecasted cash flows was 14.7% for easyhome and 21.0% for LendCare.

No impairment charges of goodwill or indefinite-life intangible assets were recorded in the years ended December 31, 2021 and 2020.

13. REVOLVING SECURITIZATION WAREHOUSE FACILITY

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

The primary use of the Trust is to provide the Company with funding for its operational needs. The Trust initially entered into a $200 million Revolving Securitization Warehouse Facility ("Revolving Securitization Warehouse Facility") with National Bank Financial Markets ("NBFM"), and as collateral for the drawn amount, consumer loans are sold from easyfinancial Services Inc. into the Trust. The economic exposure associated with the rights inherent to these consumer loans are controlled by easyfinancial Services Inc. As a result, these consumer loans do not qualify for derecognition in the Company's consolidated statements of financial position. The Revolving Securitization Warehouse Facility had an initial maturity date of December 7, 2023 and beared interest equal to the 1-month Canadian Dollar Offered Rate ("CDOR") plus 295 bps.

In September 2021, the Company increased its existing revolving securitization warehouse facility to $600 million. The Revolving Securitization Warehouse Facility continues to be structured and underwritten by NBFM under a new three-year agreement, which incorporates favourable key modifications, including improvements to eligibility criteria and advance rates. The interest on advances are payable at the rate of 1-month CDOR plus 185 bps, an improvement of 110 bps.

The following table summarizes the details of the Revolving Securitization Warehouse Facility:

	December 31, 2021	December 31, 2020
Drawn amount	**295,000**	-
Unamortized deferred financing costs	**(2,186)**	-
	292,814	-

As at December 31, 2021, $457.7 million (2020 – nil) of consumer loans receivable were pledged by the Company as collateral for the drawn amount against its Revolving Securitization Warehouse Facility.

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

Concurrent with the establishment of the Revolving Securitization Warehouse Facility, the Company entered into derivative financial instruments (the "interest rate swap") as a cash flow hedge to protect against the variability of future interest payments by paying a fixed rate based on the weighted average life of the securitized loans and receiving a variable rate equivalent to 1-month CDOR.

The Company has elected to use hedge accounting for the Revolving Securitization Warehouse Facility and related interest rate swap (i.e., the same notional amount, maturity date, and interest payment dates). The Company has established a hedge ratio of 1:1 for the hedging relationships. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Revolving Securitization Warehouse Facility and interest rate swap. There was no hedge ineffectiveness recognized in net income for the year ended December 31, 2021.

As the Revolving Securitization Warehouse Facility and the interest rate swap are in an effective hedging relationship, changes in the fair value of the interest rate swap are recorded in OCI and subsequently reclassified into net income upon settlement.

The interest rate swap has an aggregated notional amount equal to the aggregated principal outstanding of the Revolving Securitization Warehouse Facility. The fair value of the interest rate swap is determined using swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The fair value of the interest rate swap is as follows:

	December 31, 2021	**December 31, 2020**
Derivative financial asset		
Interest rate swap	**1,035**	-
	1,035	-

The financial covenant of the Revolving Securitization Warehouse Facility is as follows:

Financial covenant	**Requirements**	**December 31, 2021**	**December 31, 2020**
Minimum consolidated fixed charge coverage ratio	> 2.0	**4.83**	-

As at December 31, 2021, the Company was in compliance with its financial covenant under the terms of the Revolving Securitization Warehouse Facility.

14. SECURED BORROWINGS

The Company's also securitizes consumer loans through non-structured third parties. The economic exposure associated with the rights inherent to these consumer loans are retained by the Company. As a result, these consumer loans do not qualify for derecognition in the Company's consolidated statements of financial position and Secured Borrowings are recognized for the cash proceeds received.

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

The Company has the following securitization facilities with non-structured third parties:

- A $105 million securitization facility (“$105 million Securitization Facility”), which bears interest at the Government of Canada Bonds (“GOCB”) rate (with a floor rate of 0.95%) plus 395 bps. The loan sale agreement to sell loans into the facility expired on July 31, 2021. The balance of the loans that were sold into the facility will amortize down based on their contractual time to maturity; and
- An $85 million securitization facility (“$85 million Securitization Facility”), which bears interest at the GOCB rate (with a floor rate of 0.25%) plus 325 bps. In addition to the securitization loan facility, there is a $6 million accumulation loan agreement which advances 85% of the face value of consumer loans for up to a 90-day period, bearing interest rate at the Canadian Bankers’ Acceptance rate (“BA”) plus 400 bps. The loan sale agreement to sell loans into the facility expired on November 30, 2021. The balance of the loans that were sold into the facility will amortize down based on their contractual time to maturity.

As at December 31, 2021, the drawn amount against the Secured Borrowings was $174.0 million.

As at December 31, 2021, $171.3 million consumer loans receivable was pledged by the Company as collateral for these Secured Borrowings.

The financial covenants on the Secured Borrowings of the $105 million Securitization Facility are as follows:

Financial covenant	**Requirements**	**December 31, 2021**
Minimum LCI tangible net worth	**>20,000**	**70,027**

The financial covenants on the Secured Borrowings of the $85 million Securitization Facility are as follows:

Financial covenant	**Requirements**	**December 31, 2021**
Minimum LCI tangible net worth	**>30,000**	**75,919**
Maximum LCI leverage ratio	**< 9.00**	**6.79**

As at December 31, 2021, the Company was in compliance with its financial covenants for all Secured Borrowings.

15. REVOLVING CREDIT FACILITY

The Company’s Revolving Credit Facility consists of a $310 million senior secured revolving credit facility maturing on February 12, 2022. The Revolving Credit Facility is provided by a syndicate of banks. The Company also has the ability to exercise the accordion feature under its Revolving Credit Facility to add an additional $75 million in borrowing capacity. Interest on advances is payable at either the BA plus 300 bps or the lender’s prime rate (“Prime”) plus 200 bps, at the option of the Company.

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

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

	December 31, 2021	December 31, 2020
Drawn amount	-	200,000
Unamortized deferred financing costs	-	(1,661)
	-	198,339

The financial covenants of the Revolving Credit Facility were as follows:

Financial covenant	Requirements as at December 31, 2021	December 31, 2021	Requirements as at December 31, 2020	December 31, 2020
Minimum consolidated tangible net worth	**>132,000, plus 50% of consolidated net income**	**$472,917**	>132,000, plus 50% of consolidated net income	$384,692
Maximum consolidated leverage ratio	**< 4.25**	**3.23**	< 3.25	2.26
Minimum consolidated fixed charge coverage ratio	**> 1.75**	**2.41**	> 1.75	2.77
Maximum net charge off ratio	**< 15.0%**	**9.0%**	< 15.0%	10.0%
Minimum collateral performance index	**> 90.0%**	**99.2%**	> 90.0%	100.1%

As at December 31, 2021 and 2020, the Company was in compliance with its financial covenants under its Revolving Credit Facility agreements.

16. 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, commencing on January 31, 2018 (the “Debentures”). The Debentures had a maturity date of July 31, 2022 and were convertible at the holder’s option into common shares of the Company at a conversion price of $43.36 per share.

On and after July 31, 2020, and prior to July 31, 2021, the Debentures could 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 could redeem with proper notice the Debentures for the principal amount plus accrued and unpaid interest.

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

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

The following table summarizes the details of the convertible debentures:

	December 31, 2021	December 31, 2020
Balance, beginning of the year	**-**	40,656
Accretion in carrying value of debenture liability	**-**	632
Redemption of Debentures in cash (net of $118 unamortized deferred financing costs)	**-**	(2,309)
Conversion of Debentures to equity (net of $2,650 unamortized deferred financing costs)	**-**	(38,979)
Balance, end of the year	**-**	-

During the year ended December 31, 2020, $41,629 of Debentures were converted into 959,983 common shares.

17. NOTES PAYABLE

On November 27, 2019, the Company issued USD550.0 million of 5.375% senior unsecured notes payable (the "2024 Notes") with interest payable semi-annually on June 1 and December 1 of each year and commencing on June 1, 2020. The 2024 Notes mature on December 1, 2024 and include certain prepayment features.

Concurrent with the issuance of the 2024 Notes, the Company entered into derivative financial instruments (the "2024 cross-currency swaps") as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2024 Notes at a fixed exchange rate of USD1.000 = CAD1.3242, thereby fully hedging the USD550.0 million 2024 Notes at a CAD interest rate of 5.65%. The 2024 cross-currency swaps fully hedge the obligation under the 2024 Notes.

The following table summarizes the details of the Notes Payable:

	December 31, 2021	December 31, 2020
Notes Payable in CAD at issuance	**728,310**	728,310
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**(33,275)**	(28,380)
	695,035	699,930
Unamortized deferred financing costs	**(8,063)**	(10,520)
	686,972	689,410

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

On April 29, 2021, the Company issued USD320.0 million of 4.375% senior unsecured notes payable (“2026 Notes”) (the 2024 Notes and 2026 Notes are collectively referred to as “Notes Payable”) with interest payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2021. The 2026 Notes mature on May 1, 2026 and include certain prepayment features.

Concurrent with the issuance of the 2026 Notes, the Company entered into derivative financial instruments (the “2026 cross-currency swaps”) (the 2024 cross-currency swaps and 2026 cross-currency swaps are collectively referred to as the “cross-currency swaps”) as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2026 Notes at a fixed exchange rate of USD1.000 = CAD1.2501, thereby fully hedging the USD320.0 million 2026 Notes at a CAD interest rate of 4.818%. The 2026 cross-currency swaps fully hedge the obligation under the 2026 Notes.

The following table summarizes the details of the 2026 Notes:

	December 31, 2021
2026 Notes in CAD at issuance	**400,032**
Change in fair value of 2026 Notes since issuance date due to changes in foreign exchange rate	**4,352**
	404,384
Unamortized deferred financing costs	**(5,450)**
	398,934

The following table summarizes the total carrying value of Notes Payable:

	December 31, 2021	**December 31, 2020**
2024 Notes	**686,972**	689,410
2026 Notes	**398,934**	-
	1,085,906	689,410

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps (i.e., the same notional amount, maturity date, interest rate, and interest payment dates). The Company has elected to designate foreign currency basis as a cost of hedging, thereby excluding foreign currency basis spreads from the designation of the hedging relationship, and has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the years ended December 31, 2021 and 2020.

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

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

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

	December 31, 2021	December 31, 2020
Derivative financial liabilities		
2024 Cross-currency swaps	**(34,132)**	(36,910)
Derivative financial assets		
2026 Cross-currency swaps	**12,620**	-
	(21,512)	(36,910)

18. SHARE CAPITAL

Authorized Capital

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

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

Common Shares Issued and Outstanding

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

	December 31, 2021		December 31, 2020	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the year	**14,801**	**181,753**	14,346	141,956
Share issuance	**1,486**	**184,358**	-	-
Share issuance costs, net of tax	**-**	**(6,034)**	-	-
Exercise of stock options	**164**	**7,326**	47	1,121
Exercise of RSUs	**75**	**2,904**	199	7,070
Dividend reinvestment plan	**6**	**807**	17	834
Shares purchased for cancellation	**(333)**	**(7,600)**	(768)	(8,207)
Conversion of Debentures	**-**	**-**	960	38,979
Balance, end of the year	**16,199**	**363,514**	14,801	181,753

$172.5 Million Bought Deal Equity Offering

In connection with the Acquisition (note 4), on April 16, 2021, the Company closed its bought deal equity offering of 1,404,265 subscription receipts of the Company ("Subscription Receipts") (including 183,165 Subscription Receipts issued pursuant to the exercise in full by the syndicate of underwriters of the over-allotment option granted by the Company), at a price of $122.85 per Subscription Receipt, for gross aggregate proceeds of $172.5 million (the "Offering"). The Subscription Receipts issued pursuant to the Offering commenced trading on the TSX on April 16, 2021 under the ticker symbol GSY.R. As a result of the completion of the Acquisition on April 30, 2021, each of the 1,404,265 outstanding Subscription Receipts were automatically exchanged for one common share of the Company. The Subscription Receipts were delisted from the TSX after the close of market on April 30, 2021.

Share Consideration for the Acquisition of LendCare

As share consideration for the Acquisition of LendCare (note 4), the Company issued 81,400 common shares to LendCare's founders valued at $11.8 million, calculated with reference to the closing price of the Company's common shares on the Acquisition Date.

Dividends on Common Shares

For the year ended December 31, 2021, the Company paid dividends of $38.3 million (2020 – $23.9 million) or $2.430 per share (2020 – $1.660 per share). On November 3, 2021, the Company declared a dividend of $0.66 per share to shareholders of record on December 31, 2021, payable on January 14, 2022. The dividend paid on January 14, 2022 was $10.7 million.

Shares Purchased for Cancellation

During the year ended December 31, 2021, the Company purchased and cancelled 333,315 (2020 – 767,855) of its common shares on the open market at an average price of $186.86 (2020 – $55.18) per share for a total cost of $62.3 million (2020 – $42.4 million) pursuant to a normal course issuer bid. This normal course issuer bid expired on December 20, 2021. The normal course issuer bid was renewed on December 14, 2021, which allows for a total purchase of up to 1,243,781 common shares and expires on December 20, 2022.

19. STOCK-BASED COMPENSATION

Share Option Plan

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

	December 31, 2021		December 31, 2020	
	# of options (in 000s)	Weighted average exercise price $	# of options (in 000s)	Weighted average exercise price $
Outstanding balance, beginning of year	**577**	**36.07**	472	33.67
Options granted	**65**	**119.39**	181	37.81
Options exercised	**(165)**	**34.85**	(47)	18.81
Options forfeited or expired	**-**	**-**	(29)	35.62
Outstanding balance, end of year	**477**	**47.20**	577	36.07
Exercisable balance, end of year	**144**	**32.44**	-	-

Outstanding options to officers and employees as at December 31, 2021 were as follows:

	Outstanding			Exercisable	
Range of exercise prices $	**# of options (in 000s)**	**Weighted average remaining contractual life in years**	**Weighted average exercise price $**	**# of Options (in 000s)**	**Weighted average exercise price $**
32.37 - 49.99	**412**	**2.11**	**36.56**	**144**	**32.44**
50.00 - 99.99	**5**	**3.12**	**64.07**	**-**	**-**
100.00 - 149.99	**50**	**4.13**	**111.83**	**-**	**-**
150.00 - 159.61	**10**	**4.51**	**156.60**	**-**	**-**
32.37 - 159.61	**477**	**2.39**	**47.20**	**144**	**32.44**

The Company uses the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2021, the Company recorded an expense of $2.0 million (2020 – $1.2 million) 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 2021 and 2020 were determined using the Black-Scholes option pricing model with the following assumptions:

	2021	2020
Risk-free interest rate (% per annum)	**0.33**	0.75
Expected hold period to exercise (years)	**4.75**	4.75
Volatility in the price of the Company's shares (%)	**49.95**	47.51
Dividend yield (%)	**2.00**	5.00

Restricted Share Unit ("RSU") Plan

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

	December 31, 2021		December 31, 2020	
	# of RSUs (in 000s)	Weighted average fair value at grant date $	# of RSUs (in 000s)	Weighted average fair value at grant date $
Outstanding balance, beginning of year	**270**	**46.11**	401	41.34
RSUs granted	**86**	**127.63**	100	40.97
RSU dividend reinvestments	**4**	**112.33**	8	54.05
RSUs exercised	**(87)**	**38.07**	(199)	35.53
RSUs forfeited	**(10)**	**48.74**	(40)	39.66
Outstanding balance, end of year	**263**	**76.33**	270	46.11

For the year ended December 31, 2021, $4.5 million (2020 – $3.8 million) 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, 2021, the Company granted 14,352 DSUs (2020 – 32,246 DSUs) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the year ended December 31, 2021, $2.3 million (2020 – $2.6 million) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income with a corresponding adjustment to contributed surplus. Additionally, for the year ended December 31, 2021, an additional 4,667 DSUs (2020 – 8,011 DSUs) were granted as a result of dividends reinvested. During the year ended December 31, 2021, no DSUs were settled. In 2020, 28,028 DSUs were settled for $2.0 million.

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

Contributed Surplus

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

	December 31, 2021	December 31, 2020
Contributed surplus, beginning of year	**19,732**	20,296
Equity-settled stock-based compensation expense		
Restricted share units	**4,544**	3,820
Deferred share units	**2,339**	2,574
Stock options	**1,992**	1,181
Conversion of convertible debentures	**-**	1,168
Reduction due to exercise of stock-based compensation		
Restricted share units	**(4,431)**	(7,065)
Stock options	**(1,593)**	(242)
Deferred share units	**-**	(2,000)
Contributed surplus, end of year	**22,583**	19,732

20. INTEREST EXPENSE AND AMORTIZATION OF DEFERRED FINANCING CHARGES

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

	December 31, 2021	December 31, 2020
Interest expense		
Notes payable	**54,106**	41,150
Revolving securitization warehouse facility	**6,441**	-
Secured borrowings	**5,674**	-
Revolving credit facility	**2,897**	5,866
Convertible debt		1,409
Amortization of deferred financing costs and accretion expense	**5,655**	4,338
Loan commitment fees (note 4)	**1,726**	-
Interest income on cash in bank, net	**(589)**	(515)
	75,910	52,248

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

21. INCOME TAXES

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

	December 31, 2021	December 31, 2020
Combined basic federal and provincial income tax rates	**26.6%**	26.6%
Expected income tax expense	**84,283**	48,727
Non-deductible acquisition transaction costs	**1,998**	-
Non-deductible expenses	**1,293**	1,119
Effect of capital gains on sale of assets and investments	**(15,221)**	(2,891)
Other	**(442)**	(276)
	71,911	46,679

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

	December 31, 2021	December 31, 2020
Current income tax:		
Current income tax charge	**74,017**	37,482
Adjustments in respect of prior years and other	**(273)**	(4,441)
	73,744	33,041
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(1,833)**	13,638
	71,911	46,679

Deferred tax related to items recognized in OCI during the year are summarized below:

	December 31, 2021	December 31, 2020
Change in fair value of cash flow hedge	**3,704**	(240)
Change in costs of hedging	**(575)**	(1,335)
Deferred tax expense (recovery) charged to OCI	**3,129**	(1,575)

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

The changes in deferred tax assets (liabilities) are as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of the year	**4,066**	14,961
Tax recovery (expense) during the year recognized in profit or loss	**1,833**	(13,638)
Tax (expense) recovery during the year recognized in OCI	**(3,129)**	1,575
Deferred taxes in business acquisition (note 4)	**(43,088)**	-
Tax on share issuance costs	**1,670**	-
Tax on the equity component of Debentures	**-**	1,168
Balance, end of the year	**(38,648)**	4,066

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

	December 31, 2021	December 31, 2020
Financing fees	**3,578**	4,593
Amounts receivable and allowance for credit losses	**3,312**	4,933
Stock-based compensation	**1,874**	1,551
Loss carry forwards	**1,467**	182
Right-of-use assets, net of lease liabilities	**1,230**	1,184
Revaluation of Notes Payable and derivative financial instruments	**(868)**	2,261
Unrealized fair value gains on investments	**(7,015)**	(2,880)
Tax cost of lease assets and property and equipment in excess of net book value	**(10,165)**	(8,062)
Intangible asset arising from business acquisition (note 4)	**(32,401)**	-
Others	**340**	304
	(38,648)	4,066

As at December 31, 2021 and 2020, there were no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries.

22. EARNINGS PER SHARE

Basic Earnings Per Share

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

	December 31, 2021	December 31, 2020
Net income	**244,943**	136,505
Weighted average number of ordinary shares outstanding (in 000s)	**16,200**	14,817
Basic earnings per ordinary share	**15.12**	9.21

For the year ended December 31, 2021, 274,735 DSUs (2020 – 254,200 DSUs) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options or 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. On July 31, 2020, the Company redeemed all Debentures that remained unconverted on that date. For the year ended December 31, 2020, the convertible debentures were dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after-tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	December 31, 2021	December 31, 2020
Net income	**244,943**	136,505
After tax impact of convertible debentures	**-**	1,586
Fully diluted net income	**244,943**	138,091
Weighted average number of ordinary shares outstanding (in 000s)	**16,200**	14,817
Dilutive effect of stock-based compensation (in 000s)	**557**	376
Dilutive effect of convertible debentures (in 000s)	**-**	564
Weighted average number of diluted shares outstanding (in 000s)	**16,757**	15,757
Dilutive earnings per ordinary share	**14.62**	8.76

For the year ended December 31, 2021, 10,076 stock options to acquire common shares (2020 – nil) were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

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

23. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	December 31, 2021	December 31, 2020
Amounts receivable	**(1,834)**	8,703
Prepaid expenses	**5,785**	(5,928)
Accounts payable and accrued liabilities	**4,064**	4,296
Income taxes payable	**19,506**	9,710
Unearned revenue	**732**	2,540
Accrued interest	**4,973**	(1,760)
	33,226	17,561

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

	December 31, 2021	December 31, 2020
Income taxes paid	**54,846**	25,534
Income taxes refunded	**1,184**	2,203
Interest paid	**64,094**	50,111
Interest received	**535,601**	409,887

24. COMMITMENTS AND GUARANTEES

The Company has technology commitments and operating leases for premises and vehicles. Some of the Company's lease contracts for premises include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. As at December 31, 2021, no extension option for lease contracts for premises is expected to be exercised.

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

	Within 1 year	After 1 year, but not more than 5 years	More than 5 years
Premises	**21,210**	**45,212**	**4,400**
Vehicles	**710**	**1,358**	**45**
Technology commitments	**19,939**	**23,095**	**-**
	41,859	**69,665**	**4,445**

25. 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.

26. 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 debt facilities (revolving credit facility, Revolving Securitization Warehouse Facility and secured borrowings), Notes Payable and shareholders' equity, which includes share capital, contributed surplus, accumulated OCI 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 drawn amounts against the Company's debt facilities and Notes Payable or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

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

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

For the years ended December 31, 2021 and 2020, the Company was in compliance with all of its externally imposed financial covenants.

27. 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

Credit risk is the risk of loss that arises when a customer or counterparty fails to pay an amount owing to the Company.

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

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by FLIs. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices and the rate of GDP were negatively correlated with the Company's historic loss rates. In calculating the allowance for credit losses, internally developed models were used, which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, for the year ended December 31, 2020, three forward-looking scenarios were generated – 1) neutral, 2) optimistic, and 3) pessimistic – based on forecasting degrees of change in the macroeconomic variables (GDP, unemployment rates, inflation rates, and oil prices) within a 12-month period. For the year ended December 31, 2021, five forward-looking scenarios were generated – 1) neutral, 2) moderately optimistic, 3) extremely optimistic, 4) moderately pessimistic, and 5) extremely pessimistic – based on forecasting degrees of change in the macroeconomic variables (GDP, unemployment rates, inflation rates, and oil prices) within a 12-month period. Judgment is then applied by management to assign probabilistic weightings to these scenarios to determine a probability weighted allowance for credit losses as at the reporting date. The proposed macroeconomic forecasts and probability weightings are then subject to robust internal review and analysis by management to arrive at a collective view on the likelihood for each scenario. Refer to note 7 for additional details on the allowance for credit losses. As at December 31, 2021, the Company's gross consumer loans receivable portfolio was $2.03 billion (2020 – $1. 25 billion). Net charge offs expressed as a percentage of the average loan book were 8.8% for the year ended December 31, 2021 (2020 – 10.0%).

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, 2021, the Company's lease assets were $47.2 million (2020 – $49.4 million). Lease asset losses for the year ended December 31, 2021 represented 2.5% (2020 – 2.4%) of total revenue for the easyhome segment.

For amounts receivable from third parties, the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of counterparties and consumers and creates an allowance 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 facilities. 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.

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

The Company believes that the cash flow provided by operations and funds available from the 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 through the Revolving Securitization Warehouse Facility in 2021 will allow the Company to continue growing its consumer loans receivable portfolio into the fourth quarter of 2023 based on the Company's organic growth assumptions. In order for the Company to achieve the full growth opportunities available, however, additional sources of financing over and above the currently available credit facilities 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.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

December 31, 2021	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**5 years +**	**Total**
Accounts payable and accrued liabilities	**57,134**	**-**	**-**	**-**	**57,134**
Accrued interest	**8,135**	**-**	**-**	**-**	**8,135**
Revolving securitization warehouse facility	**-**	**-**	**295,000**	**-**	**295,000**
Secured borrowings	**19,129**	**19,598**	**125,715**	**4,936**	**169,378**
Derivative financial liabilities	**-**	**-**	**34,132**	**-**	**34,132**
Notes payable	**-**	**-**	**1,099,419**	**-**	**1,099,419**

December 31, 2020	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**5 years +**	**Total**
Accounts payable and accrued liabilities	46,065	-	-	-	46,065
Accrued interest	2,598	-	-	-	2,598
Revolving credit facility	-	-	200,000	-	200,000
Derivative financial liabilities	-	-	36,910	-	36,910
Notes payable	-	-	699,930	-	699,930

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, 2021, the Notes Payable had a fixed rate of interest.

The revolving credit facility has a variable interest rate at either the BA rate plus 300 bps or the Prime rate plus 200 bps, at the option of the Company. The Company does not hedge interest rates on the revolving credit facility. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company to the extent that draws are made on the variable rate revolving credit facility. As at December 31, 2021, the Company's has no drawn amount against its $310 million revolving credit facility.

The Revolving Securitization Warehouse Facility has a variable interest rate at 1-month CDOR plus 185 bps. The Company entered into an interest rate swap agreement as a cash flow hedge to protect itself against the variability of future interest payments by paying a fixed rate based on the weighted average life of the securitized loans and receiving variable rate equivalent to 1-month CDOR.

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

The $105 million Securitization Facility bears interest at the GOCB rate (with a floor rate of 0.95%) plus 395 bps and the $85 million Securitization Facility bears interest at the GOCB (with a floor rate of 0.25%) plus 325 bps. The loan sale agreements to sell loans into these facilities expired in 2021. The balance of the loans that were sold into the facility will amortize down based on their contractual time to maturity.

As at December 31, 2021, 100% (2020 – 78%) of the Company's drawn debt balances effectively bear fixed rates due to the type of debt and the aforementioned interest rate swap agreement on the Revolving Securitization Warehouse Facility.

Currency Risk

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

On November 27, 2019, the Company issued the 2024 Notes with a USD coupon rate of 5.375% and on April 29, 2021, the Company issued the 2026 Notes with a USD coupon rate of 4.375%. Concurrent with these offerings, the Company entered into currency swap agreements to hedge the risk of changes in the foreign exchange rate for the proceeds from the offerings and for all required payments of principal and interest under these notes effectively hedging the obligation. The hedge is designed to match the cash flow obligations of the Company under the Notes Payable.

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

28. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	December 31, 2021	December 31, 2020
Cash	Fair value	**102,479**	93,053
Amounts receivable	Amortized cost	**20,769**	9,779
Consumer loans receivable	Amortized cost	**1,899,631**	1,152,378
Investments	Fair value	**64,441**	56,040
Derivative financial assets	Fair value	**20,634**	-
Accounts payable and accrued liabilities	Amortized cost	**57,134**	46,065
Accrued interest	Amortized cost	**8,135**	2,598
Revolving credit facility	Amortized cost	**-**	198,339
Secured borrowings	Amortized cost	**173,959**	-
Revolving securitization warehouse facility	Amortized cost	**292,814**	-
Derivative financial liabilities	Fair value	**34,132**	36,910
Notes payable	Amortized cost	**1,085,906**	689,410

(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 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, 2021 and 2020:

December 31, 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	**102,479**	**102,479**	**-**	**-**
Amounts receivable	**20,769**	**-**	**-**	**20,769**
Consumer loans receivable	**1,899,631**	**-**	**-**	**1,899,631**
Investments	**64,441**	**53,941**	**-**	**10,500**
Derivative financial asset	**20,634**	**-**	**20,634**	**-**
Accounts payable and accrued liabilities	**57,134**	**-**	**-**	**57,134**
Accrued interest	**8,135**	**-**	**-**	**8,135**
Secured borrowings	**173,959**	**-**		**173,959**
Revolving securitization warehouse facility	**292,814**	**-**	**-**	**292,814**
Derivative financial liabilities	**34,132**	**-**	**34,132**	**34,132**
Notes payable	**1,085,906**	**-**	**-**	**1,085,906**

December 31, 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	93,053	93,053	-	-
Amounts receivable	9,779	-	-	9,779
Consumer loans receivable	1,152,378	-	-	1,152,378
Investments	56,040	-	-	56,040
Accounts payable and accrued liabilities	46,065	-	-	46,065
Accrued interest	2,598	-	-	2,598
Revolving credit facility	198,339	-	-	198,339
Derivative financial liabilities	36,910	-	36,910	-
Notes payable	689,410	-	-	698,410

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

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

29. RELATED PARTY TRANSACTIONS

Key management personnel includes all directors and corporate officers. The following summarizes the expense related to key management personnel during the year.

	December 31, 2021	December 31, 2020
Short-term employee benefits including salaries	**6,462**	4,694
Share-based payment transactions	**5,847**	5,473
	12,309	10,167

30. SEGMENTED REPORTING

For management reporting purposes, the Company has two reportable operating segments:

- The easyfinancial operating segment lends out capital in the form of unsecured and secured consumer loans to non-prime borrowers. easyfinancial's product offering consists of unsecured and real estate secured installment loans. The LendCare operating segment specializes in financing consumer purchases in the powersports, automotive, retail, healthcare, and home improvement categories. The majority of LendCare loans are secured by personal property or a Notice of Security Interest. The Company aggregates operations of easyfinancial and LendCare into one reportable operating segment called easyfinancial, on the basis of their similar economic characteristics, customer profile, nature of products, and regulatory environment. This aggregation most accurately reflects the nature and financial results of the business activities in which the Company engages, and the broader economic and regulatory environment in which it operates.

  The Company's chief operating decision maker ("CODM"), which has been determined by the Company to be the Chief Executive Officer, utilizes the same key performance indicators to allocate resources and assess the performance of the operating segments. The CODM uses several metrics to evaluate the performance of the operating segments, including but not limited to, the volume of consumer loan originations and the risk-adjusted margin of the businesses (comprising the yield on the consumer loan portfolios net of the annualized loss rates). These key financial and performance indicators, which are used to assess results, manage trends and allocate resources to each of the operating segments, have been, and are expected to remain, similar. In addition, the Company will gradually centralize and share some of the common functions such as finance and certain aspects of human resources and information technology.

  The customers served by the easyfinancial and LendCare operating segments are Canadian consumers, the majority of whom are classified as non-prime borrowers and seeking alternative financial solutions to those of a traditional bank. These consumers actively use a wide range of financial products and will migrate across the products offered in each segment. Furthermore, the nature of products sold by each of the operating segments and the distribution methods of those products are similar. Both the easyfinancial and LendCare operating segments offer unsecured and secured instalment loans, which are offered through a retail network of branches or merchant partnerships, and complemented by an online digital platform. In addition, both operating segments are subject to the same federal and provincial legislations and regulations applicable to the consumer lending industry.

- The easyhome reportable operating segment provides leasing services for household furniture, appliances and electronics and unsecured lending products to retail consumers.

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

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

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

The following tables summarize the relevant information for the years ended December 31, 2021 and 2020:

Year ended December 31, 2021	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	**512,810**	**22,828**	**-**	**535,638**
Lease revenue	**-**	**112,371**	**-**	**112,371**
Commissions earned	**152,485**	**11,249**	**-**	**163,734**
Charges and fees	**11,056**	**3,923**	**-**	**14,979**
	676,351	**150,371**	**-**	**826,722**
Total operating expenses before depreciation and amortization	**323,381**	**68,706**	**74,746**	**466,833**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**18,553**	**37,115**	**5,011**	**60,679**
Depreciation of right-of-use assets	**9,666**	**7,689**	**852**	**18,207**
	28,219	**44,804**	**5,863**	**78,886**
Segment operating income (loss)	**324,751**	**36,861**	**(80,609)**	**281,003**
Other income				**114,876**
Finance costs				
Interest expense and amortization of deferred financing charges				**75,910**
Interest expense on lease liabilities				**3,115**
				79,025
Income before income taxes				**316,854**

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

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

As at December 31, 2021, the Company's goodwill of $21.3 million (2020 – $21.3 million) is related to its easyhome reportable operating segment and $159.6 million relates to the LendCare operating segment within easyfinancial reportable operating segment.

In scope under IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")* are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16, *Leases*. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15. These revenues totalled $13.2 million in both 2021 and 2020.

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

The Company's easyhome reportable operating segment consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the years ended December 31, 2021 and 2020 were as follows:

	December 31, 2021 (%)	December 31, 2020 (%)
Furniture	**40**	42
Electronics	**32**	32
Appliances	**15**	14
Computers	**13**	12
	100	100

31. SUBSEQUENT EVENTS

In January 2022, the Company increased its Revolving Securitization Warehouse Facility from $600 million to $900 million. The Revolving Securitization Warehouse Facility continues to be underwritten by NBFM, with the addition of new lenders to the syndicate. The facility matures on December 7, 2023 and continues to bear interest on advances payable at the rate equal to 1-month CDOR plus 185 bps.

In addition, the Company amended its Revolving Credit Facility agreement. The amendments reduced the maximum principal amount available from $310 million to $270 million, with the maturity extended to January 27, 2025 and increased the accordion feature from $75 million to $100 million. The amendments also include key modifications including improved advance rates, less restrictive covenants, and a broader syndicate of banks. On lenders Prime advances, the interest rate payable has been reduced by 125 bps, from the previous rate of Prime plus 200 bps to Prime plus 75 bps. On draws elected to be taken utilizing the BA rate, the interest rate payable has been reduced by 75 bps from the previous rate of BA plus 300 bps to BA plus 225 bps.