

Consolidated Financial Statements

goeasy Ltd.

For the Years Ended
December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of *goeasy* Ltd.

We have audited the accompanying consolidated financial statements of *goeasy* Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *goeasy* Ltd. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The logo for Ernst & Young LLP is written in a black, cursive script font. The letters are fluid and connected, with a professional yet approachable feel.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 15, 2017

goeasy Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

| | As At December 31, 2016 | As At December 31, 2015 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Cash | 24,928 | 11,389 |
| Amounts receivable (note 5) | 7,857 | 9,480 |
| Prepaid expenses | 1,909 | 2,446 |
| Consumer loans receivable (note 6) | 354,499 | 274,481 |
| Lease assets (note 7) | 55,288 | 60,753 |
| Property and equipment (note 8) | 16,103 | 18,689 |
| Deferred tax assets (note 18) | 6,856 | 5,913 |
| Intangible assets (note 9) | 14,312 | 14,041 |
| Goodwill (note 9) | 21,310 | 21,310 |
| TOTAL ASSETS | 503,062 | 418,502 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | 31,879 | 22,196 |
| Income taxes payable | 2,874 | 700 |
| Dividends payable (note 13) | 1,666 | 1,341 |
| Deferred lease inducements | 1,506 | 1,922 |
| Unearned revenue | 5,204 | 3,982 |
| Provisions (note 11) | 608 | 582 |
| Term loan (note 12) | 263,294 | 211,720 |
| TOTAL LIABILITIES | 307,031 | 242,443 |
| Shareholders' equity | | |
| Share capital (note 13) | 82,598 | 81,725 |
| Contributed surplus | 9,943 | 9,852 |
| Accumulated other comprehensive income | 880 | 969 |
| Retained earnings | 102,610 | 83,513 |
| TOTAL SHAREHOLDERS' EQUITY | 196,031 | 176,059 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 503,062 | 418,502 |

See accompanying notes to the consolidated financial statements

On behalf of the Board:



David Ingram
Director



Donald K. Johnson
Director

goeasy Ltd.**CONSOLIDATED STATEMENTS OF INCOME**

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

| | Year Ended | |
|--|----------------------|----------------------|
| | December 31, 2016 | December 31, 2015 |
| REVENUE | | |
| Interest income | 138,782 | 100,814 |
| Lease revenue | 137,849 | 146,692 |
| Other | 70,874 | 56,767 |
| | 347,505 | 304,273 |
| Other income (note 15) | 3,000 | - |
| EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | | |
| Salaries and benefits | 91,557 | 85,658 |
| Stock-based compensation (note 14) | 4,323 | 4,753 |
| Advertising and promotion | 13,457 | 10,689 |
| Bad debts | 55,668 | 41,933 |
| Occupancy | 32,867 | 31,545 |
| Other expenses (note 16) | 29,398 | 25,547 |
| Transaction advisory costs (note 17) | 6,382 | - |
| | 233,652 | 200,125 |
| DEPRECIATION AND AMORTIZATION | | |
| Depreciation of lease assets (note 7) | 44,230 | 47,407 |
| Depreciation of property and equipment (note 8) | 5,606 | 5,545 |
| Amortization of intangible assets (note 9) | 4,205 | 3,138 |
| Impairment, net (note 8) | 296 | 6 |
| | 54,337 | 56,096 |
| Total operating expenses | 287,989 | 256,221 |
| Operating income | 62,516 | 48,052 |
| Finance costs (note 12) | 21,048 | 15,334 |
| Income before income taxes | 41,468 | 32,718 |
| Income tax expense (recovery) (note 18) | | |
| Current | 11,362 | 8,157 |
| Deferred | (943) | 833 |
| | 10,419 | 8,990 |
| Net income | 31,049 | 23,728 |
| Basic earnings per share (note 19) | 2.29 | 1.75 |
| Diluted earnings per share (note 19) | 2.23 | 1.69 |

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, 2016 | December 31, 2015 |
| Net income | 31,049 | 23,728 |
| Other comprehensive (loss) income | | |
| Change in foreign currency translation reserve | (89) | 1,144 |
| Transfer of realized translation losses | - | (869) |
| Comprehensive income | 30,960 | 24,003 |

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, 2015 | 81,725 | 9,852 | 91,577 | 83,513 | 969 | 176,059 |
| Common shares issued | 3,557 | (3,384) | 173 | - | - | 173 |
| Stock-based compensation (note 14) | - | 3,475 | 3,475 | - | - | 3,475 |
| Shares purchased for cancellation (note 13) | (2,684) | - | (2,684) | (5,253) | - | (7,937) |
| Comprehensive income (loss) | - | - | - | 31,049 | (89) | 30,960 |
| Dividends (note 13) | - | - | - | (6,699) | - | (6,699) |
| Balance, December 31, 2016 | 82,598 | 9,943 | 92,541 | 102,610 | 880 | 196,031 |
| Balance, December 31, 2014 | 80,364 | 6,458 | 86,822 | 66,452 | 694 | 153,968 |
| Common shares issued | 2,037 | (342) | 1,695 | - | - | 1,695 |
| Stock-based compensation (note 14) | - | 3,736 | 3,736 | - | - | 3,736 |
| Shares purchased for cancellation (note 13) | (676) | - | (676) | (1,297) | - | (1,973) |
| Comprehensive income | - | - | - | 23,728 | 275 | 24,003 |
| Dividends (note 13) | - | - | - | (5,370) | - | (5,370) |
| Balance, December 31, 2015 | 81,725 | 9,852 | 91,577 | 83,513 | 969 | 176,059 |

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, 2016 | December 31, 2015 |
| OPERATING ACTIVITIES | | |
| Net income | 31,049 | 23,728 |
| Add (deduct) items not affecting cash | | |
| Depreciation of lease assets (note 7) | 44,230 | 47,407 |
| Depreciation of property and equipment (note 8) | 5,606 | 5,545 |
| Amortization of intangible assets (note 9) | 4,205 | 3,138 |
| Impairment, net (note 8) | 296 | 6 |
| Stock-based compensation (note 14) | 3,475 | 3,736 |
| Bad debts expense | 55,668 | 41,933 |
| Deferred income tax (recovery) expense (note 18) | (943) | 833 |
| Other income (note 15) | (3,000) | - |
| Gain on sale of assets | (2,130) | (3,307) |
| | 138,456 | 123,019 |
| Net change in other operating assets and liabilities (note 20) | 14,849 | (8,853) |
| Net issuance of consumer loans receivable | (135,686) | (132,805) |
| Cash provided by (used in) operating activities | 17,619 | (18,639) |
| INVESTING ACTIVITIES | | |
| Purchase of lease assets (note 7) | (40,649) | (44,709) |
| Purchase of property and equipment (note 8) | (3,540) | (6,587) |
| Purchase of intangible assets (note 9) | (4,757) | (4,293) |
| Acquisitions (note 10) | - | (7,854) |
| Proceeds on sale of investment (note 15) | 3,000 | - |
| Proceeds on sale of assets | 4,430 | 8,527 |
| Cash used in investing activities | (41,516) | (54,916) |
| FINANCING ACTIVITIES | | |
| Repayments of bank revolving credit facility | - | (1,756) |
| Advances of term loan | 51,574 | 90,977 |
| Payment of common share dividends (note 13) | (6,374) | (5,164) |
| Issuance of common shares | 173 | 1,695 |
| Purchase of common shares for cancellation (note 13) | (7,937) | (1,973) |
| Cash provided by financing activities | 37,436 | 83,779 |
| Net increase in cash during the year | 13,539 | 10,224 |
| Cash, beginning of year | 11,389 | 1,165 |
| Cash, end of year | 24,928 | 11,389 |

See accompanying notes to the consolidated financial statements