

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 prominent 'E' and 'Y'.

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