Interim Condensed Consolidated Financial Statements

goeasy Ltd.

(Unaudited)
June 30, 2017

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As At June 30, 2017	As At December 31, 2016
ASSETS		
Cash	**44,828**	24,928
Amounts receivable	**13,410**	7,857
Prepaid expenses	**3,243**	1,909
Consumer loans receivable (note 5)	**409,644**	354,499
Lease assets	**53,189**	55,288
Property and equipment	**15,963**	16,103
Deferred tax assets (note 14)	**2,369**	6,856
Intangible assets	**14,905**	14,312
Goodwill	**21,310**	21,310
TOTAL ASSETS	**578,861**	503,062
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**32,545**	31,879
Income taxes payable	**2,689**	2,874
Dividends payable (note 8)	**2,399**	1,666
Deferred lease inducements	**1,282**	1,506
Unearned revenue	**5,411**	5,204
Provisions	**436**	608
Term loan (note 6)	**276,132**	263,294
Convertible debentures (note 7)	**46,110**	-
TOTAL LIABILITIES	**367,004**	307,031
Shareholders' equity		
Share capital (note 8)	**83,748**	82,598
Contributed surplus (note 7,10)	**12,457**	9,943
Accumulated other comprehensive income	**853**	880
Retained earnings	**114,799**	102,610
TOTAL SHAREHOLDERS' EQUITY	**211,857**	196,031
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**578,861**	503,062

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
REVENUE				
Interest income	**41,451**	33,974	**80,053**	65,529
Lease revenue	**33,027**	34,244	**66,385**	70,192
Other	**23,737**	17,880	**46,490**	32,702
	98,215	86,098	**192,928**	168,423
Other income (note 9)	-	3,000	-	3,000
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	**25,793**	23,326	**49,615**	45,782
Stock-based compensation (note 10)	**1,266**	992	**2,332**	1,999
Advertising and promotion	**5,964**	4,135	**9,864**	6,620
Bad debts	**17,173**	13,315	**31,290**	25,695
Occupancy	**8,304**	8,230	**16,616**	16,209
Other expenses (note 11)	**8,317**	6,761	**18,152**	13,746
Transaction advisory costs (note 12)	-	597	-	1,074
	66,817	57,356	**127,869**	111,125
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**10,220**	11,141	**20,942**	22,587
Depreciation of property and equipment	**1,331**	1,426	**2,655**	2,809
Amortization of intangible assets	**1,241**	1,031	**2,443**	2,005
	12,792	13,598	**26,040**	27,401
Total operating expenses	**79,609**	70,954	**153,909**	138,526
Operating income	**18,606**	18,144	**39,019**	32,897
Finance costs (note 13)	**6,578**	5,114	**12,403**	9,935
Income before income taxes	**12,028**	13,030	**26,616**	22,962
Income tax expense (recovery) (note 14)				
Current	**(1,310)**	3,574	**4,137**	7,227
Deferred	**4,448**	(1,067)	**3,319**	(2,040)
	3,138	2,507	**7,456**	5,187
Net income	**8,890**	10,523	**19,160**	17,775
Basic earnings per share (note 15)	**0.66**	0.77	**1.42**	1.30
Diluted earnings per share (note 15)	**0.63**	0.75	**1.36**	1.27

See accompanying notes to the interim condensed consolidated financial statements

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income	**8,890**	10,523	**19,160**	17,775
Other comprehensive (loss) income				
Change in foreign currency translation reserve	**(13)**	7	**(27)**	(155)
Comprehensive income	**8,877**	10,530	**19,133**	17,620

See accompanying notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2016	**82,598**	**9,943**	**92,541**	**102,610**	**880**	**196,031**
Common shares issued	**1,686**	**(1,379)**	**307**	**-**	**-**	**307**
Equity component of convertible debentures issued (note 7)	**-**	**3,241**	**3,241**	**-**	**-**	**3,241**
Stock-based compensation (note 10)	**-**	**2,332**	**2,332**	**-**	**-**	**2,332**
Shares withheld related to net share settlement	**-**	**(1,680)**	**(1,680)**	**-**	**-**	**(1,680)**
Shares purchased for cancellation (note 8)	**(536)**	**-**	**(536)**	**(2,158)**	**-**	**(2,694)**
Comprehensive income	**-**	**-**	**-**	**19,160**	**(27)**	**19,133**
Dividends (note 8)	**-**	**-**	**-**	**(4,813)**	**-**	**(4,813)**
Balance, June 30, 2017	**83,748**	**12,457**	**96,205**	**114,799**	**853**	**211,857**
Balance, December 31, 2015	81,725	9,852	91,577	83,513	969	176,059
Common shares issued	3,484	(3,380)	104	-	-	104
Stock-based compensation (note 10)	-	1,999	1,999	-	-	1,999
Shares purchased for cancellation (note 8)	(2,098)	-	(2,098)	(4,145)	-	(6,243)
Comprehensive income	-	-	-	17,775	(155)	17,620
Dividends (note 8)	-	-	-	(3,367)	-	(3,367)
Balance, June 30, 2016	83,111	8,471	91,582	93,776	814	186,172

See accompanying notes to the interim condensed consolidated financial statements

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
OPERATING ACTIVITIES				
Net income	**8,890**	10,523	**19,160**	17,775
Add (deduct) items not affecting cash				
Depreciation of lease assets	**10,220**	11,141	**20,942**	22,587
Depreciation of property and equipment	**1,331**	1,426	**2,655**	2,809
Amortization of intangible assets	**1,241**	1,031	**2,443**	2,005
Stock-based compensation (note 10)	**1,266**	992	**2,332**	1,999
Bad debts expense	**17,173**	13,315	**31,290**	25,695
Deferred income tax (recovery) expense (note 14)	**4,448**	(1,067)	**3,319**	(2,040)
Other income (note 9)	**-**	(3,000)	**-**	(3,000)
Gain on sale of assets	**(934)**	(754)	**(867)**	(1,540)
	43,635	33,607	**81,274**	66,290
Net change in other operating assets and liabilities (note 16)	**(2,624)**	4,028	**(6,595)**	6,567
Net issuance of consumer loans receivable	**(55,155)**	(34,836)	**(86,435)**	(61,523)
Cash (used in) provided by operating activities	**(14,144)**	2,799	**(11,756)**	11,334
INVESTING ACTIVITIES				
Purchase of lease assets	**(9,281)**	(10,250)	**(19,563)**	(19,340)
Purchase of property and equipment	**(1,604)**	(1,004)	**(2,630)**	(2,073)
Purchase of intangible assets	**(1,271)**	(1,377)	**(3,036)**	(2,806)
Proceeds on sale of investment (note 9)	**-**	3,000	**-**	3,000
Proceeds on sale of assets	**1,676**	1,227	**1,676**	2,532
Cash used in investing activities	**(10,480)**	(8,404)	**(23,553)**	(18,687)
FINANCING ACTIVITIES				
Advances of term loan	**(152)**	12,908	**12,838**	25,625
Issuance of convertible debentures (note 7)	**50,519**	-	**50,519**	-
Payment of common share dividends (note 8)	**(2,414)**	(1,690)	**(4,080)**	(3,031)
Issuance of common shares	**28**	42	**307**	104
Taxes paid related to net share settlement of equity awards	**(28)**	-	**(1,681)**	-
Purchase of common shares for cancellation (note 8)	**(2,694)**	(3,437)	**(2,694)**	(6,243)
Cash provided by financing activities	**45,259**	7,823	**55,209**	16,455
Net increase in cash during the period	**20,635**	2,218	**19,900**	9,102
Cash, beginning of period	**24,193**	18,273	**24,928**	11,389
Cash, end of period	**44,828**	20,491	**44,828**	20,491

See accompanying notes to the interim condensed 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"], is a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. The principal operating activities of the Company include: i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: easyfinancial and easyhome. As at June 30, 2017, the Company operated 215 easyfinancial locations (including 43 kiosks within easyhome stores) and 173 easyhome stores (including 28 franchises and 2 consolidated locations). As at December 31, 2016, the Company operated 208 easyfinancial locations (including 46 kiosks within easyhome stores) and 176 easyhome stores (including 28 franchises and 2 consolidated franchise locations).

2. BASIS OF PREPARATION

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

As at June 30, 2017, the Parent Company's principal subsidiaries were:

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

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 1, 2017.

Statement of Compliance with IFRS

The unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2017 were prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

3. ADOPTION OF ACCOUNTING STANDARDS

Amendments to IFRS 2, *Share-based Payment*

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

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, *Financial Instruments*

The Company will be required to adopt IFRS 9, *Financial Instruments* ["IFRS 9"], which is the IASB's replacement of IAS 39. IFRS 9 will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is required to be applied for years beginning on or after January 1, 2018.

The transition to IFRS 9 will have a significant impact for financial services companies. The most significant impact on the Company's financial reporting will be as a result of the new impairment requirements within IFRS 9.

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

IFRS 9 introduces a new impairment model based on expected credit losses ["ECL"] which will replace the existing incurred loss model under IAS 39. Under IAS 39, an allowance for loan loss is recorded on those loans, or groups of loans, where a triggering event has occurred as at, or prior to, the balance sheet date which provides objective evidence that the loan will likely charge off in the future. The Company's current allowance for loan losses essentially estimates the charge offs that are expected to occur over the subsequent five month period for loans that existed as at the balance sheet date.

Under IFRS 9, the Company will be required to assess and segment its loan portfolio into performing, under-performing and non-performing categories as at each balance sheet date. Loans will be categorized as under-performing if there has been a deterioration in the loans credit quality. Loans will be categorized as non-performing if there is objective evidence that such loans will likely charge off in the future. For performing loans, the Company will record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company will record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. Ultimately, the expected credit loss will be calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and will consider reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Under IFRS 9, ECL will be recognized in profit or loss before a triggering or loss event has occurred, which will likely result in the earlier recognition of credit losses compared to IAS 39. Similarly, as the allowance for loan losses will provide for either expected 12 month or lifetime losses, the amount of the allowance for loan losses under IFRS 9 will increase when compared to the methodology under IAS 39 as will the volatility of this allowance for loan losses from one balance sheet date to the next.

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

The Company is on track to complete its implementation within the required timeframe.

IFRS 15, *Revenue from Contracts with Customers*

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

The Company is in the process of analyzing its inventory of impacted contracts under the new standard. The Company does not believe that the implementation of this standard will have a material impact on its consolidated financial statements.

IFRS 16, *Leases*

The Company will be required to adopt IFRS 16, *Leases* ["IFRS 16"], which is the IASB's replacement of IAS 17. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" for most lease contracts. IFRS 16 is required to be applied for years beginning on or after January 1, 2019, with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

5. CONSUMER LOANS RECEIVABLE

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

	June 30, 2017	**December 31, 2016**
Gross consumer loans receivable	**425,324**	370,517
Interest receivable from consumer loans	**4,382**	4,753
Unamortized deferred acquisition costs	**6,293**	2,685
Allowance for loan losses	**(26,355)**	(23,456)
	409,644	354,499
Current	**175,223**	153,600
Non-current	**234,421**	200,899
	409,644	354,499

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

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

	June 30, 2017		December 31, 2016	
	$	% of total loans	$	% of total loans
1 - 30 days	**10,725**	**2.5%**	13,468	3.6%
31 - 44 days	**2,179**	**0.5%**	2,712	0.7%
45 - 60 days	**2,078**	**0.5%**	2,366	0.6%
61 - 90 days	**3,574**	**0.8%**	3,094	0.8%
	18,556	**4.3%**	21,640	5.7%

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

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Balance, beginning of the year	**23,456**	18,465
Net amounts written off against allowance	**(28,391)**	(50,677)
Increase due to lending and collection activities	**31,290**	55,668
Balance, end of the year	**26,355**	23,456

6. CREDIT FACILITIES

The Company's credit facilities consisted of a $280.0 million term loan and a $20.0 million revolving operating facility. $280.0 million of the term loan was drawn as at June 30, 2017. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps with a 799 bps floor, while borrowings under the revolving operating facility bore interest at the lender's prime rate plus 175 to 275 bps depending on the Company's debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The Company's term loan and revolving operating facility expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company.

	June 30, 2017	December 31, 2016
Revolving operating facility	**-**	-
Amounts borrowed under term loan	**280,000**	267,500
Accrued interest on term loan	**1,839**	1,733
Unamortized deferred financing costs	**(5,707)**	(5,939)
Term loan	**276,132**	263,294

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

As at June 30, 2017, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

The financial covenants of the credit facility were as follows:

Financial covenant	Requirements	June 30, 2017
Total debt to EBITDA ratio	< 3.70	**3.34**
Total debt to tangible net worth ratio	< 1.70	**1.59**
Adjusted EBITDA for preceding 12 months (consolidated)	> 75,500	**84,389**

The financial covenant requirements described above adjust each quarter as per the lending agreement and were based on accommodating the Company's financial forecast over these periods. As at June 30, 2017, the Company was in compliance with all of its financial covenants under its lending agreements.

7. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year and commencing on January 31, 2018 [the "Debentures"]. The Debentures mature on July 31, 2022, and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share.

On and after July 31, 2020, and prior to July 31, 2021, the Debentures may be redeemed in whole or in part from time to time and with proper notice by the Company, provided that the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days prior to the 5th trading day before redemption notification date was not less than 125% of the conversion price. On or after July 31, 2021, the Company may redeem with proper notice the convertible debentures for the principal amount plus accrued and unpaid interest.

On the date of issuance, the gross proceeds of $53.0 million were first allocated to the debt component of the Debentures by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument. The difference between the gross proceeds and the debt component, or residual value, was then allocated to contributed surplus within shareholders' equity. A deferred tax liability arose from the temporary difference between the carrying value of the liability and its tax basis. Transaction costs were allocated to the debt and equity components on a pro-rata basis.

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

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

	Liability component of Debenture	Equity component of Debenture	**Net Book Value June 30, 2017**	Net Book Value December 31, 2016
Debentures	48,342	4,658	**53,000**	-
Transaction costs	(2,582)	(249)	**(2,831)**	-
Net proceeds	45,760	4,409	**50,169**	-
Deferred taxes	-	(1,168)	**(1,168)**	-
Accretion in carrying value of debenture liability	97	-	**97**	-
Accrued interest	253	-	**253**	-
	46,110	3,241	**49,351**	-

As at June 30, 2017, the Debentures remained fully outstanding.

8. SHARE CAPITAL

Common Shares Issued and Outstanding

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

	Six Months Ended June 30, 2017		**Year Ended December 31, 2016**	
	# of shares (in 000's)	**$**	**# of shares (in 000's)**	**$**
Balance, beginning of the period	**13,325**	**82,598**	13,411	81,725
Exercise of stock options	**27**	**321**	9	106
Exercise of RSUs	**58**	**1,315**	337	3,365
Shares purchased for cancellation	**(85)**	**(536)**	(436)	(2,684)
Dividend reinvestment plan	**2**	**50**	4	86
Balance, end of the period	**13,327**	**83,748**	13,325	82,598

Dividends on Common Shares

For the three and six month periods ended June 30, 2017, the Company paid dividends of $2.4 million or $0.18 per share and $4.1 million or $0.305 per share, respectively. For the three and six month periods ended June 30, 2016, the Company paid dividends of $1.7 million or $0.125 per share and $3.0 million or $0.225 per share, respectively. On February 15, 2017, the Company increased the dividend rate by 44% from $0.125 per share to $0.18 per share. On May 2, 2017 the Company declared a dividend of $0.18 per share to shareholders of record on June 30, 2017, payable on July 14, 2017. The dividend paid on July 14, 2017 was $2.4 million.

Shares Purchased for Cancellation

During the three and six month periods ended June 30, 2017, the Company purchased and cancelled 85,388 of its common shares on the open market at an average price of $31.53 for a total cost of $2.7 million pursuant to a normal course issuer bid. During the three and six month periods ended June 30, 2016, the Company purchased and cancelled 182,800 and 341,300 respectively of its shares on the open market at an average price of $18.78 and $18.27, respectively, at a total cost of $3.4 million and $6.2 million respectively.

9. OTHER INCOME

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

10. STOCK-BASED COMPENSATION

Share Option Plan

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

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. During the three and six month periods ended June 30, 2017, the Company granted 238,088 options for both periods (2016 – nil for both periods). For the three and six month periods ended June 30, 2017, the Company recorded an expense of $115 and $272, respectively (2016 – $104 and $232, respectively) in stock-based compensation expense in the unaudited interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Restricted Share Unit ["RSU"] Plan

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

During the three and six month periods ended June 30, 2017, the Company granted 167,423 RSUs for both periods (2016 – 321,860 for both periods) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three and six month periods ended June 30, 2017, $988 and $1,771, respectively (2016 – $747 and $1,476, respectively) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income. For the three and six month periods ended June 30, 2017, an additional 1,830 and 4,281 RSUs, respectively (2016 – 2,106 and 5,207 RSUs, respectively) were granted as a result of dividends payable.

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

Deferred Share Unit ["DSU"] Plan

During the three and six month periods ended June 30, 2017, the Company granted 4,573 and 8,235 DSUs, respectively (2016 – 6,563 and 13,461 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three and six month periods ended June 30, 2017, $163 and $289, respectively (2016 – $141 and $291, respectively) was recorded as stock-based compensation expense under the DSU Plan in the unaudited interim condensed consolidated statements of income. Additionally, for the three and six month periods ended June 30, 2017, 769 and 1,494 DSUs, respectively (2016 – 1,118 and 2,178 DSUs, respectively) were granted as a result of dividends payable.

11. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the three and six month periods ended June 30, 2017, other expenses included net gains realized on the sale of lease portfolios and other assets of $934 for both periods (2016 – $754 and $1,540, respectively).

12. TRANSACTION ADVISORY COSTS

During the three and six month periods ended June 30, 2016, the Company incurred $597 and $1,074, respectively, in transaction advisory costs to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company.

13. FINANCE COSTS

Included in finance costs in the unaudited interim condensed consolidated statements of income was interest expense, amortization of deferred financing costs and accretion expense on both the credit facilities and the convertible debentures as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Interest expense	**5,886**	4,594	**11,170**	8,960
Amortization of deferred financing charges and accretion expense	**692**	520	**1,233**	975
	6,578	5,114	**12,403**	9,935

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

14. INCOME TAXES

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

	Six Months Ended	
	June 30, 2017	**June 30, 2016**
Combined basic federal and provincial income tax rates	**27.4%**	27.4%
Expected income tax expense	**7,283**	6,296
Non-deductible expenses	**186**	37
U.S. and SPE results not tax effected	**380**	44
Effect of capital gains on sale of assets and investments	**(115)**	(664)
Other	**(278)**	(526)
	7,456	5,187

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

	June 30, 2017	**December 31, 2016**
Tax cost of lease assets and property and equipment in excess of net book value	**788**	(1,817)
Amounts receivable and provisions	**1,390**	7,090
Deferred salary arrangements	**1,160**	1,368
Unearned revenue	**447**	501
Financing fees	**(238)**	(286)
Equity component of convertible debentures	**(1,178)**	-
	2,369	6,856

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

15. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Net income	**8,890**	10,523	**19,160**	17,775
Weighted average number of ordinary shares outstanding (in 000's)	**13,540**	13,730	**13,514**	13,636
Basic earnings per ordinary share	**0.66**	0.77	**1.42**	1.30

For the three and six month periods ended June 30, 2017, 151,021 and 148,844 DSUs respectively (2016 – 175,485 and 171,267, respectively) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the three and six month periods ended June 30, 2017, the convertible debentures were anti-dilutive. Therefore the shares that those debentures could be converted into were excluded from the calculation of diluted earnings per share.

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Net income	**8,890**	10,523	**19,160**	17,775
Weighted average number of ordinary shares outstanding (in 000's)	**13,540**	13,730	**13,514**	13,636
Dilutive effect of stock-based compensation (in 000's)	**562**	252	**590**	358
Weighted average number of diluted shares outstanding (in 000's)	**14,102**	13,982	**14,104**	13,994
Dilutive earnings per ordinary share	**0.63**	0.75	**1.36**	1.27

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

16. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Amounts receivable	**(1,580)**	1,185	**(5,553)**	2,116
Prepaid expenses	**791**	125	**(1,334)**	(136)
Accounts payable and accrued liabilities	**964**	1,016	**666**	1,825
Income taxes payable	**(3,471)**	1,236	**(185)**	2,519
Deferred lease inducements	**(91)**	(140)	**(224)**	(240)
Unearned revenue	**811**	626	**207**	630
Provisions	**(48)**	(20)	**(172)**	(147)
	(2,624)	4,028	**(6,595)**	6,567

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Income taxes paid	**2,161**	2,338	**4,322**	4,708
Interest paid	**5,713**	4,622	**10,909**	9,002
Interest received	**41,424**	34,888	**80,462**	64,977

17. 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.

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

18. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	June 30, 2017	December 31, 2016
Cash	Fair value	**44,828**	24,928
Amounts receivable	Amortized cost	**13,410**	7,857
Consumer loans receivable	Amortized cost	**409,644**	354,499
Accounts payable and accrued liabilities	Amortized cost	**32,545**	31,879
Term loan	Amortized cost	**276,132**	263,294
Convertible debentures	Amortized cost	**46,110**	-

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the unaudited interim condensed consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at June 30, 2017:

	Total	Level 1	Level 2	Level 3
Amounts receivable	**13,410**	-	-	**13,410**
Consumer loans receivable	**409,644**	-	-	**409,644**
Accounts payable and accrued liabilities	**32,545**	-	-	**32,545**
Term loan	**276,132**	-	-	**276,132**
Convertible debentures	**46,110**	-	-	**46,110**

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

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

19. SEGMENTED REPORTING

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

General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss). The following tables summarize the relevant information for the three month period ended June 30, 2017 and 2016:

Three Months Ended June 30, 2017	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	**63,642**	**34,573**	**-**	**98,215**
Total operating expenses before depreciation and amortization	**40,559**	**18,464**	**7,794**	**66,817**
Depreciation and amortization	**1,727**	**10,822**	**243**	**12,792**
Segment operating income (loss)	**21,356**	**5,287**	**(8,037)**	**18,606**
Finance costs	**-**	**-**	**6,578**	**6,578**
Income (loss) before income taxes	**21,356**	**5,287**	**(14,615)**	**12,028**

Three Months Ended June 30, 2016	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	50,426	35,672	-	86,098
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	30,300	19,260	7,199	56,759
Transaction advisory costs	-	-	597	597
Depreciation and amortization	1,607	11,825	166	13,598
Segment operating income (loss)	18,519	4,587	(4,962)	18,144
Finance costs	-	-	5,114	5,114
Income (loss) before income taxes	18,519	4,587	(10,076)	13,030

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

Six Months Ended June 30, 2017	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	**123,663**	**69,265**	**-**	**192,928**
Total operating expenses before depreciation and amortization	**74,349**	**36,663**	**16,857**	**127,869**
Depreciation and amortization	**3,415**	**22,147**	**478**	**26,040**
Segment operating income (loss)	**45,899**	**10,455**	**(17,335)**	**39,019**
Finance costs	**-**	**-**	**12,403**	**12,403**
Income (loss) before income taxes	**45,899**	**10,455**	**(29,738)**	**26,616**

Six Months Ended June 30, 2016	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue	95,429	72,994	-	168,423
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	58,060	38,095	13,896	110,051
Transaction advisory costs	-	-	1,074	1,074
Depreciation and amortization	3,152	23,921	328	27,401
Segment operating income (loss)	34,217	10,978	(12,298)	32,897
Finance costs	-	-	9,935	9,935
Income (loss) before income taxes	34,217	10,978	(22,233)	22,962

As at June 30, 2017, the Company's goodwill of $21.3 million (December 31, 2016 – $21.3 million) related entirely to its easyhome segment.

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the six month period ended June 30, 2017 and 2016 were as follows:

	Six Months Ended	
	June 30, 2017 (%)	**June 30, 2016 (%)**
Furniture	**42**	40
Electronics	**33**	34
Computers	**13**	14
Appliances	**12**	12
	100	100