

Interim Condensed Consolidated Financial Statements

**goeasy Ltd.**

(Unaudited)

September 30, 2016

goeasy Ltd.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(expressed in thousands of Canadian dollars)


	As At September 30, 2016	As At December 31, 2015
<b>ASSETS</b>		
Cash (note 5)	29,752	11,389
Amounts receivable	11,664	13,000
Prepaid expenses	3,139	2,446
Consumer loans receivable (note 4)	323,890	270,961
Lease assets	54,178	60,753
Property and equipment	16,757	18,689
Deferred tax assets (note 11)	7,942	5,913
Intangible assets	14,753	14,041
Goodwill (note 16)	21,310	21,310
<b>TOTAL ASSETS</b>	<b>483,385</b>	<b>418,502</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	35,518	23,617
Income taxes payable	2,737	700
Dividends payable (note 6)	1,665	1,341
Deferred lease inducements	1,572	1,922
Unearned revenue	4,640	3,982
Provisions	533	582
Term loan (note 5)	248,654	210,299
<b>TOTAL LIABILITIES</b>	<b>295,319</b>	<b>242,443</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	82,544	81,725
Contributed surplus	8,757	9,852
Accumulated other comprehensive income	832	969
Retained earnings	95,933	83,513
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>188,066</b>	<b>176,059</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>483,385</b>	<b>418,502</b>

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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<b>REVENUE</b>				
Lease revenue	33,825	37,256	104,017	110,129
Interest income	35,776	26,481	101,305	71,280
Other	18,187	14,246	50,889	39,989
	<b>87,788</b>	<b>77,983</b>	<b>256,211</b>	<b>221,398</b>
Other income (note 7)	-	-	3,000	-
<b>EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>				
Salaries and benefits	22,761	21,328	68,543	63,561
Stock-based compensation (note 8)	1,134	1,009	3,133	3,604
Advertising and promotion	2,595	2,754	9,215	8,069
Bad debts	14,037	10,856	39,732	28,460
Occupancy	8,334	7,995	24,543	23,584
Other expenses (note 9)	7,656	6,671	21,402	19,034
Transaction advisory costs (note 10)	5,308	-	6,382	-
	<b>61,825</b>	<b>50,613</b>	<b>172,950</b>	<b>146,312</b>
<b>DEPRECIATION AND AMORTIZATION</b>				
Depreciation of lease assets	10,854	12,248	33,441	35,506
Depreciation of property and equipment	1,418	1,326	4,222	3,965
Amortization of intangible assets	1,073	880	3,078	2,464
Impairment, net	174	44	179	90
	<b>13,519</b>	<b>14,498</b>	<b>40,920</b>	<b>42,025</b>
Total operating expenses	<b>75,344</b>	<b>65,111</b>	<b>213,870</b>	<b>188,337</b>
Operating income	<b>12,444</b>	<b>12,872</b>	<b>45,341</b>	<b>33,061</b>
Finance costs (note 5)	<b>5,411</b>	<b>3,978</b>	<b>15,346</b>	<b>10,729</b>
Income before income taxes	<b>7,033</b>	<b>8,894</b>	<b>29,995</b>	<b>22,332</b>
Income tax expense (recovery) (note 11)				
Current	2,090	1,960	9,317	4,998
Deferred	11	678	(2,029)	1,138
	<b>2,101</b>	<b>2,638</b>	<b>7,288</b>	<b>6,136</b>
<b>Net income</b>	<b>4,932</b>	<b>6,256</b>	<b>22,707</b>	<b>16,196</b>
<b>Basic earnings per share (note 12)</b>	<b>0.37</b>	<b>0.46</b>	<b>1.67</b>	<b>1.19</b>
<b>Diluted earnings per share (note 12)</b>	<b>0.36</b>	<b>0.45</b>	<b>1.63</b>	<b>1.15</b>

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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	4,932	6,256	22,707	16,196
<b>Other comprehensive income (loss)</b>				
Change in foreign currency translation reserve	18	491	(137)	983
Transfer of realized translation gains	-	(267)	-	(564)
<b>Comprehensive income</b>	<b>4,950</b>	<b>6,480</b>	<b>22,570</b>	<b>16,615</b>

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
<b>Balance, December 31, 2015</b>	81,725	9,852	91,577	83,513	969	176,059
Common shares issued	3,503	(3,380)	123	-	-	123
Stock-based compensation (note 8)	-	2,285	2,285	-	-	2,285
Shares purchased for cancellation (note 6)	(2,684)	-	(2,684)	(5,253)	-	(7,937)
Comprehensive income (loss)	-	-	-	22,707	(137)	22,570
Dividends (note 6)	-	-	-	(5,034)	-	(5,034)
<b>Balance, September 30, 2016</b>	<b>82,544</b>	<b>8,757</b>	<b>91,301</b>	<b>95,933</b>	<b>832</b>	<b>188,066</b>
<b>Balance, December 31, 2014</b>	80,364	6,458	86,822	66,452	694	153,968
Common shares issued	1,719	(284)	1,435	-	-	1,435
Stock-based compensation (note 8)	-	2,586	2,586	-	-	2,586
Shares purchased for cancellation (note 6)	(602)	-	(602)	(1,139)	-	(1,741)
Comprehensive income	-	-	-	16,196	419	16,615
Dividends (note 6)	-	-	-	(4,030)	-	(4,030)
<b>Balance, September 30, 2015</b>	<b>81,481</b>	<b>8,760</b>	<b>90,241</b>	<b>77,479</b>	<b>1,113</b>	<b>168,833</b>

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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<b>OPERATING ACTIVITIES</b>				
Net income	4,932	6,256	22,707	16,196
Add (deduct) items not affecting cash				
Depreciation of lease assets	10,854	12,248	33,441	35,506
Depreciation of property and equipment	1,418	1,326	4,222	3,965
Impairment, net	174	44	179	90
Amortization of intangible assets	1,073	880	3,078	2,464
Stock-based compensation (note 8)	286	1,039	2,285	2,586
Bad debts expense	14,037	10,856	39,732	28,460
Deferred income tax expense (recovery)	11	678	(2,029)	1,138
Other income (note 7)	-	-	(3,000)	-
Gain on sale of assets	-	(540)	(1,540)	(2,900)
	32,785	32,787	99,075	87,505
Net change in other operating assets and liabilities (note 13)	8,273	(6,953)	14,840	(11,057)
Net issuance of consumer loans receivable	(31,138)	(32,090)	(92,661)	(85,674)
<b>Cash provided by (used in) operating activities</b>	<b>9,920</b>	<b>(6,256)</b>	<b>21,254</b>	<b>(9,226)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of lease assets	(8,619)	(10,177)	(27,959)	(31,660)
Purchase of property and equipment	(434)	(950)	(2,507)	(5,514)
Purchase of intangible assets	(984)	(2,344)	(3,790)	(3,462)
Acquisitions	-	(4,183)	-	(7,854)
Proceeds on sale of investment	-	-	3,000	-
Proceeds on sale of assets	-	2,091	2,532	7,025
<b>Cash used in investing activities</b>	<b>(10,037)</b>	<b>(15,563)</b>	<b>(28,724)</b>	<b>(41,465)</b>
<b>FINANCING ACTIVITIES</b>				
Repayments of bank revolving credit facility	-	-	-	(1,756)
Advances of term loan	12,730	42,292	38,355	77,674
Payment of common share dividends (note 6)	(1,677)	(1,349)	(4,708)	(3,825)
Issuance of common shares	19	84	123	1,435
Purchase of common shares for cancellation (note 6)	(1,694)	(1,741)	(7,937)	(1,741)
<b>Cash provided by financing activities</b>	<b>9,378</b>	<b>39,286</b>	<b>25,833</b>	<b>71,787</b>
<b>Net increase in cash during the period</b>	<b>9,261</b>	<b>17,467</b>	<b>18,363</b>	<b>21,096</b>
Cash, beginning of period	20,491	4,794	11,389	1,165
<b>Cash, end of period</b>	<b>29,752</b>	<b>22,261</b>	<b>29,752</b>	<b>22,261</b>

See accompanying notes to the interim condensed consolidated financial statements

**goeasy Ltd.**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

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### **1. CORPORATE INFORMATION**

goeasy Ltd. ["Parent Company"] was incorporated under the laws of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent Company changed its name from easyhome Ltd. to goeasy Ltd. effective September 14, 2015. The Parent Company has common shares listed on the Toronto Stock Exchange ["TSX"] and its head office is located in Mississauga, Ontario, Canada.

The principal operating activities of the Parent Company and all the companies that it controls [collectively referred to as "goeasy" or the "Company"] include i) merchandise leasing of household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements and ii) offering unsecured instalment loans to consumers.

The Company operates in two reportable segments: easyhome and easyfinancial. As at September 30, 2016, the Company operated 177 easyhome stores (including 26 franchises and 3 consolidated franchises) and 209 easyfinancial locations (December 31, 2015 – 184 easyhome stores including 26 franchises and 3 consolidated franchises, and 202 easyfinancial locations).

### **2. BASIS OF PREPARATION**

The unaudited interim condensed consolidated financial statements include the financial statements of the Parent Company and all 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 September 30, 2016, 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 November 3, 2016.

### **Statement of Compliance with IFRS**

The unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2016 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

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**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**IFRS 9 Financial Instruments**

The Company will be required to adopt IFRS 9, *Financial Instruments*, 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 with early adoption permitted. The Company is in the process of assessing the impact of this standard.

**IFRS 15 Revenue from Contracts with Customers**

The Company will be required to adopt IFRS 15, *Revenue from Contracts with Customers*, 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, with early adoption permitted, and is to be applied retrospectively. The Company is in the process of assessing the impact of this standard.

**IFRS 16 Leases**

The Company will be required to adopt IFRS 16, *Leases*, 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**4. CONSUMER LOANS RECEIVABLE**

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

	September 30, 2016	December 31, 2015
Consumer loans receivable	343,711	289,426
Unamortized deferred acquisition costs	1,895	-
Allowance for loan losses	(21,716)	(18,465)
	<b>323,890</b>	<b>270,961</b>
Current	139,644	118,850
Non-current	184,246	152,111
	<b>323,890</b>	<b>270,961</b>

During the three and nine month periods ended September 30, 2016, the Company recorded net deferred acquisition costs of \$614 and \$1,895 respectively (2015 – nil for both periods) related to commissions paid to third parties. Deferred acquisition costs are amortized over the estimated term of the loan.

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

	September 30, 2016		December 31, 2015	
	\$	% of total loans	\$	% of total loans
1 - 30 days	10,245	3.0%	12,282	4.2%
31 - 44 days	2,410	0.7%	2,256	0.8%
45 - 60 days	2,202	0.6%	1,919	0.7%
61 - 90 days	3,090	0.9%	3,258	1.1%
	<b>17,947</b>	<b>5.2%</b>	<b>19,715</b>	<b>6.8%</b>

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

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Balance, beginning of the period	18,465	11,532
Net amounts written off against allowance	(36,481)	(35,000)
Increase due to lending and collection activities	39,732	41,933
<b>Balance, end of the period</b>	<b>21,716</b>	<b>18,465</b>



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**5. REVOLVING OPERATING FACILITY AND TERM LOAN**

The Company's credit facilities consisted of a \$280 million term loan and a \$20 million revolving operating facility. \$255 million of the term loan was drawn as at September 30, 2016, with the balance available in periodic advances until March 31, 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 credit facilities expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company.

The drawings under the Company's credit facilities were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Amounts borrowed under term loan	<b>255,000</b>	217,500
Unamortized deferred financing costs	<b>(6,346)</b>	(7,201)
<b>Term loan</b>	<b>248,654</b>	210,299

As at September 30, 2016, 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:

<b>Financial Covenant</b>	<b>Requirements</b>	<b>September 30, 2016</b>
Total debt to EBITDA ratio	< 4.10	<b>3.49</b>
Total debt to tangible net worth ratio	< 1.80	<b>1.66</b>
Adjusted EBITDA for preceding 12 months (consolidated)	> 61,800	<b>73,125</b>

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 September 30, 2016, the Company was in compliance with all of its financial covenants under its lending agreements.

During the quarter ending September 30, 2016, the Company drew an additional \$12,500 on its term loan. Under the terms of the Company's lending agreement, \$4,500 of this draw was required to be held in escrow by the lender, subject to release to the Company once the value of the Company's lease assets and consumer loans receivable provide a sufficient borrowing base to support the full drawings under the credit facilities. This amount has been included in cash in the interim condensed consolidated statements of financial position.

## goeasy Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

#### Finance Costs

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

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest expense	4,897	3,530	13,857	9,623
Amortization of deferred financing charges	514	448	1,489	1,106
	<b>5,411</b>	<b>3,978</b>	<b>15,346</b>	<b>10,729</b>

## 6. SHARE CAPITAL

#### Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	# of shares	\$	# of shares	\$
<b>Balance, beginning of the period</b>	<b>13,411</b>	<b>81,725</b>	13,330	80,364
Exercise of stock options	7	84	189	1,975
Exercise of RSUs	336	3,365	-	-
Shares repurchased for cancellation	(435)	(2,684)	(111)	(676)
Dividend reinvestment plan	3	54	3	62
<b>Balance, end of the period</b>	<b>13,322</b>	<b>82,544</b>	13,411	81,725

#### Dividends on Common Shares

For the three and nine month periods ended September 30, 2016, the Company paid dividends of \$1.7 million or \$0.125 per share and \$4.7 million or \$0.35 per share, respectively. For the three and nine month periods ended September 30, 2015, the Company paid dividends of \$1.3 million or \$0.10 per share and \$3.8 million or \$0.285 per share, respectively. On February 17, 2016, the Company increased the dividend rate by 25% from \$0.10 per share to \$0.125 per share.

On August 2, 2016, the Company declared a dividend of \$0.125 per share to shareholders of record on September 30, 2016, payable on October 14, 2016. The dividend paid on October 14, 2016 was \$1.7 million.

**goeasy Ltd.**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

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### **Shares Purchased for Cancellation**

During the three month period ended September 30, 2016, the Company purchased and cancelled 94,500 (2015 – 98,941) of its common shares on the open market at an average price of \$17.92 per share pursuant to a normal course issuer bid for a total cost of \$1.7 million. During the nine month period ended September 30, 2016, the Company purchased and cancelled 435,800 (2015 – 98,941) of its common shares on the open market at an average price of \$18.19 per share pursuant to a normal course issuer bid for a total cost of \$7.9 million.

## **7. 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.

## **8. STOCK-BASED COMPENSATION**

### **Share Option Plan**

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and nine month periods ended September 30, 2016, the Company granted nil options (2015 – nil and 79,806 options, respectively). For the three and nine month periods ended September 30, 2016, an expense of \$103 and \$336, respectively (2015 – \$142 and \$397, respectively) was recorded in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

### **Restricted Share Unit ["RSU"] Plan**

On May 3, 2016 the Company's shareholders approved a resolution to amend the RSU plan, increasing the maximum number of common shares reserved for issuance from treasury under the RSU Plan by 250,000 shares, from 915,000 to 1,165,000.

During the three and nine month periods ended September 30, 2016, the Company granted 5,000 and 326,860 RSUs (2015 – 5,000 and 193,239, respectively) 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 nine month periods ended September 30, 2016, \$897 and \$2,372, respectively (2015 – \$771 and \$1,816, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus. For the three and nine month periods ended September 30, 2016, an additional 3,377 and 8,584 RSUs, respectively (2015 – 3,027 and 7,249 RSUs, respectively) were granted as a result of dividends payable.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**Performance Share Unit [“PSU”] Plan**

During the three and nine month periods ended September 30, 2016, the Company granted nil and 226,236 PSUs, respectively (2015 – nil and 199,330 PSUs, respectively) to senior executives of the Company under its PSU Plan. On May 11, 2016, the PSUs granted in 2016 were cancelled and an equivalent number of RSUs were granted to senior executives of the Company (see RSU Plan described above).

For the three and nine month periods ended September 30, 2016, nil (2015 – expense recovery of \$30 and expense of \$1,018, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. For the three and nine month periods ended September 30, 2016, an additional nil and 1,504 PSUs, respectively (2015 – 57 and 2,832 PSUs, respectively) were granted as a result of dividends payable.

The PSU liability as at September 30, 2016 was nil (December 31, 2015 – nil).

**Deferred Share Unit [“DSU”] Plan**

During the three and nine month periods ended September 30, 2016, the Company granted 5,086 and 18,547 DSUs, respectively (2015 – 6,877 and 17,631 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 nine month periods ended September 30, 2016, \$134 and \$425, respectively (2015 – \$126 and \$373 respectively) was recorded as stock-based compensation expense under the DSU Plan in the interim condensed consolidated statements of income. For the three and nine month periods ended September 30, 2016, an additional 1,235 and 3,412 DSUs, respectively (2015 – 766 and 2,051 DSUs, respectively) were granted as a result of dividends payable.

DSUs are equity settled. However, during the third quarter of 2016, the Company cash-settled 47,208 DSUs for \$848.

**Stock Based Compensation Expense**

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Equity-settled stock-based compensation	1,134	1,039	3,133	2,586
Cash-settled stock-based compensation	-	(30)	-	1,018
	<b>1,134</b>	<b>1,009</b>	<b>3,133</b>	<b>3,604</b>

**9. OTHER EXPENSES**

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the three and nine month periods ended September 30, 2016, other expenses included net gains realized on the sale of lease portfolios and other assets of nil and \$1,540, respectively (2015 - \$540 and \$2,900, respectively).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**10. TRANSACTION ADVISORY COSTS**

During the three and nine month periods ended September 30, 2016, the Company incurred \$5,308 and \$6,382, respectively (2015 – nil for both periods) to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company.

**11. INCOME TAXES**

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Combined basic federal and provincial income tax rates	27.4%	27.3%
Expected income tax expense	8,215	6,099
Non-deductible expenses	115	239
U.S. and SPE results not tax effected	105	122
Effect of capital gains on sale of assets and investments	(675)	(498)
Other	(472)	174
	<b>7,288</b>	<b>6,136</b>

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

	September 30, 2016	December 31, 2015
Tax cost of assets in excess of net book value	199	(1,177)
Amounts receivable and provisions	6,453	5,575
Deferred salary arrangements	1,119	1,382
Unearned revenue	417	500
Financing fees	(246)	(100)
Other	-	(267)
	<b>7,942</b>	<b>5,913</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

### 12. EARNINGS PER SHARE

#### Basic Earnings Per Share

Basic earnings per share amounts were calculated by dividing net income 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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	4,932	6,256	22,707	16,196
Weighted average number of ordinary shares outstanding (in 000's)	13,496	13,590	13,589	13,558
<b>Basic earnings per ordinary share</b>	<b>0.37</b>	0.46	<b>1.67</b>	1.19

For the three and nine month period ended September 30, 2016, 145,017 and 162,453 DSUs respectively (2015 – 149,439 and 142,807 DSUs respectively) were included in the weighted average number of ordinary shares outstanding.

#### Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share was determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, were assumed to be exercised and the proceeds are used to purchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and warrants was included in the calculation of diluted earnings per share.

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	4,932	6,256	22,707	16,196
Weighted average number of ordinary shares outstanding (in 000's)	13,496	13,590	13,589	13,558
Dilutive effect of stock-based compensation (in 000's)	358	439	330	472
Weighted average number of diluted shares outstanding	13,854	14,029	13,919	14,030
<b>Dilutive earnings per ordinary share</b>	<b>0.36</b>	0.45	<b>1.63</b>	1.15

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

### 13. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Amounts receivable	(780)	(2,374)	1,336	2,187
Prepaid expenses	(557)	(439)	(693)	(1,031)
Accounts payable and accrued liabilities	10,076	(969)	11,901	(7,347)
Income taxes payable	(482)	(2,858)	2,037	(4,302)
Deferred lease inducements	(110)	(25)	(350)	(481)
Unearned revenue	28	(479)	658	(353)
Provisions	98	191	(49)	270
	<b>8,273</b>	<b>(6,953)</b>	<b>14,840</b>	<b>(11,057)</b>

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

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Income taxes paid	3,472	5,996	8,184	10,464
Income taxes refunded	900	1,178	904	1,178
Interest paid	4,917	3,537	13,919	9,648
Interest received	35,552	25,511	100,529	69,656

### 14. 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**15. FINANCIAL INSTRUMENTS**

**Recognition and Measurement of Financial Instruments**

The Company classified its financial instruments as follows:

<b>Financial Instruments</b>	<b>Measurement</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Cash	Fair value	<b>29,752</b>	11,389
Amounts receivable	Amortized cost	<b>11,664</b>	13,000
Consumer loans receivable	Amortized cost	<b>323,890</b>	270,961
Accounts payable and accrued liabilities	Amortized cost	<b>35,518</b>	23,617
Term loan	Amortized cost	<b>248,654</b>	210,299

**Fair Value Measurement**

All assets and liabilities for which fair value was measured or disclosed in the 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 September 30, 2016:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Amounts receivable	<b>11,664</b>	-	-	<b>11,664</b>
Consumer loans receivable	<b>323,890</b>	-	-	<b>323,890</b>
Accounts payable and accrued liabilities	<b>35,518</b>	-	-	<b>35,518</b>
Term loan	<b>248,654</b>	-	-	<b>248,654</b>

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



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

**16. SEGMENTED REPORTING**

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

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 and nine month periods ended September 30, 2016 and 2015:

<b>Three Months Ended September 30, 2016</b>	<b>easyhome</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	35,140	52,648	-	87,788
Total operating expenses before depreciation and amortization and transaction advisory costs	18,369	30,011	8,137	56,517
Transaction advisory costs	-	-	5,308	5,308
Depreciation and amortization	11,705	1,652	162	13,519
Segment operating income (loss)	5,066	20,985	(13,607)	12,444
Finance costs	-	-	5,411	5,411
<b>Income (loss) before income taxes</b>	<b>5,066</b>	<b>20,985</b>	<b>(19,018)</b>	<b>7,033</b>

<b>Three Months Ended September 30, 2015</b>	<b>easyhome</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	38,692	39,291	-	77,983
Total operating expenses before depreciation and amortization	19,653	25,191	5,769	50,613
Depreciation and amortization	12,986	1,379	133	14,498
Segment operating income (loss)	6,053	12,721	(5,902)	12,872
Finance costs	-	-	3,978	3,978
<b>Income (loss) before income taxes</b>	<b>6,053</b>	<b>12,721</b>	<b>(9,880)</b>	<b>8,894</b>

**goeasy Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2016 and September 30, 2015

<b>Nine Months Ended September 30, 2016</b>	<b>easyhome</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	108,134	148,077	-	256,211
Other income	-	-	3,000	3,000
Total operating expenses before depreciation and amortization and transaction advisory costs	56,464	88,071	22,033	166,568
Transaction advisory costs	-	-	6,382	6,382
Depreciation and amortization	35,626	4,804	490	40,920
Segment operating income (loss)	16,044	55,202	(25,905)	45,341
Finance costs	-	-	15,346	15,346
<b>Income (loss) before income taxes</b>	<b>16,044</b>	<b>55,202</b>	<b>(41,251)</b>	<b>29,995</b>

<b>Nine Months Ended September 30, 2015</b>	<b>easyhome</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	114,556	106,842	-	221,398
Total operating expenses before depreciation and amortization	59,204	70,991	16,117	146,312
Depreciation and amortization	37,725	3,840	460	42,025
Segment operating income (loss)	17,627	32,011	(16,577)	33,061
Finance costs	-	-	10,729	10,729
<b>Income (loss) before income taxes</b>	<b>17,627</b>	<b>32,011</b>	<b>(27,306)</b>	<b>22,332</b>

As at September 30, 2016, the Company's goodwill of \$21.3 million (December 31, 2015 – \$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 nine month periods ended September 30, 2016 and 2015 were as follows:

	<b>Nine Months Ended</b>	
	<b>September 30, 2016 (%)</b>	<b>September 30, 2015 (%)</b>
Furniture	41	39
Electronics	34	34
Computers	13	15
Appliances	12	12
	<b>100</b>	<b>100</b>