the future is now

2015 ANNUAL REPORT

go

A new name, a renewed focus

2015 was a significant year in the history of the Company, marked with the adoption of a new name—*goeasy*. The name change reflected both the evolution of our business and a commitment to embody *goeasy's* values in all interactions with our customers.

At *goeasy*, our customer is at the heart of everything we do. We give them a second chance, even if they have been denied access by traditional retailers and financial institutions. Our customers are hard-working, family-focused individuals that often live paycheque to paycheque with little financial flexibility to deal with unexpected bills and expenses. It is our goal to help these customers get back on track to a better financial future.

Over the past several years we have worked hard to build a foundation for future growth and success. We have established a strong track record of growth. **The future is now**.

goeasy Ltd.

goeasy is the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians.

We serve our customers through two key operating divisions: *easyhome* and *easyfinancial*. *easyhome* offers customers brand-name household furniture, appliances and electronics under flexible weekly or monthly lease agreements. *easyfinancial* offers customers unsecured installment loans from $500 to $15,000.

Our products and services are offered through a number of channels – stores, transactional websites and through our merchant partners, offering customers choice in how they transact with us. We differentiate ourselves from our competitors by giving our customers **access**, **relief** and most of all, **respect**.

ACCESS

We say yes more than anyone else

We give everyday people who may have limited financial options **access** to the things they need in their lives, when they need them most.

RELIEF

We give our customers a decision in minutes

We provide a sense of **relief** and hope through our customers having something that was previously out of reach become a reality.

RESPECT

We have happy customers

We treat our customers with the **respect** they deserve by understanding their needs and providing a full service solution that is delivered with the highest level of customer service and transparency.

Highlights

2015 was the fourteenth consecutive year of growing revenues and delivering profits

Achieved 17.4% total revenue growth and 16.3% same store sales growth

Grew *easyfinancial*'s gross consumer loans receivable portfolio by a record of $97.2 million to finish the year with a gross consumer loans receivable portfolio of $289.4 million

Achieved 27.6% growth in adjusted earnings and 26.1% growth in adjusted earnings per share

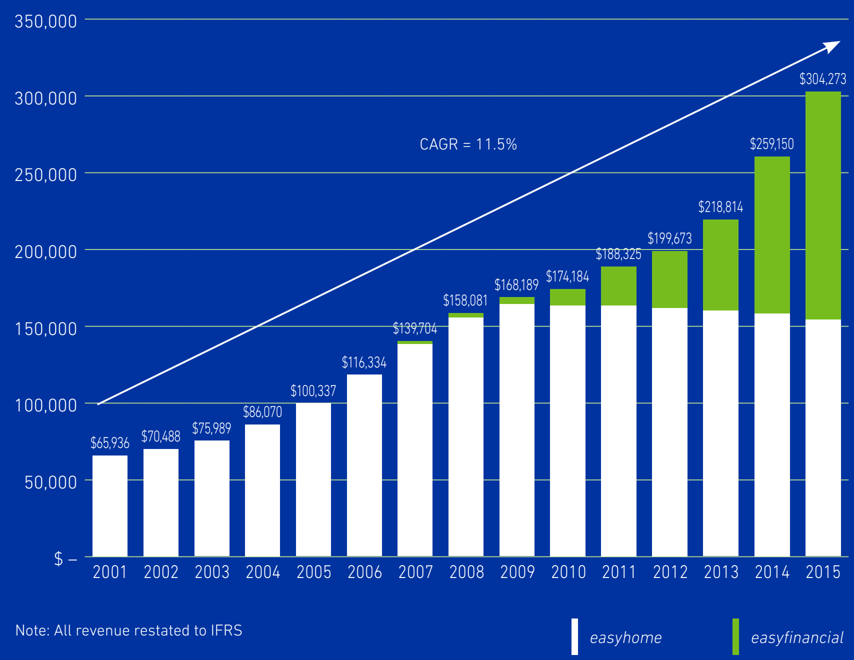
Increased the available credit facilities from $200 million to $300 million to support the growth of *easyfinancial* while increasing flexibility and decreasing the interest rate

Opened 64 new *easyfinancial* locations

Increased quarterly dividend by 25% from $0.10 per share to $0.125 per share

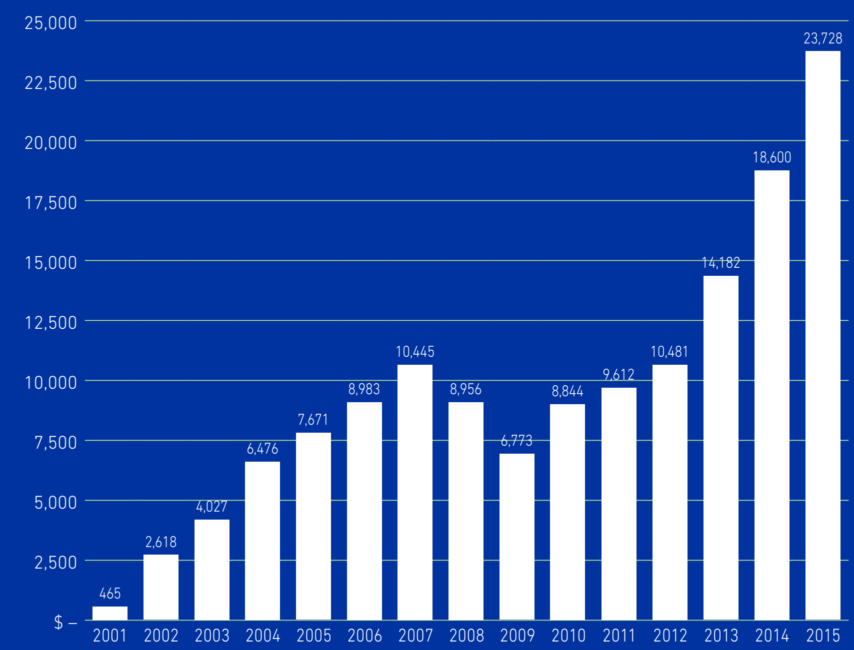
Expanded the indirect lending channel by partnering with a large, national furniture retailer and using a new point-of-sale financing alternative

Annual Revenue ($000s)



Note: All revenue restated to IFRS

Normalized Net Income ($000s)



Note: 2001 to 2009 amounts reported on a Canadian GAAP basis. 2010 to 2015 amounts reported under IFRS

Financial summary

(in $000s except per share amounts, store and employee counts, percentages and ratios)	2015	2014	2013	2012	2011
Income statement					
Revenue	304,273	259,150	218,814	199,673	188,325
Operating income	48,052	34,593	24,965	17,709	15,267
Net income	23,728	19,748	14,182	11,057	9,612
Diluted earnings per share	1.69	1.42	1.15	0.92	0.81
Balance sheet					
Gross consumer loans receivable	289,426	192,225	110,704	70,658	47,565
Lease assets	60,753	64,526	68,453	68,075	66,996
Total assets	418,502	319,472	232,900	189,927	159,123
External debt	210,299	121,597	61,374	39,611	33,123
Shareholders' equity	176,059	153,968	135,633	105,013	97,542
Cash flow					
Net issuance of consumer loans receivable	132,201	101,021	52,152	31,425	29,398
Purchase of lease assets	44,709	49,066	49,423	55,446	48,614
Purchase of property and equipment, intangibles and goodwill	10,880	12,339	11,233	11,630	5,584
Dividend payments	5,164	4,527	4,060	4,038	3,913
Annual dividend per share	0.40	0.34	0.34	0.34	0.34
Key metrics					
Revenue growth	17.4%	18.4%	9.6%	6.0%	8.1%
Same store revenue growth	16.3%	19.6%	17.7%	8.9%	8.2%
Normalized Net Income[1]	23,728	18,600	14,182	10,481	9,612
Adjusted earnings per share[1]	1.69	1.34	1.15	0.87	0.81
Operating margin (adjusted)[1]	15.8%	12.9%	11.4%	8.7%	8.1%
Return on equity (adjusted)[1]	14.4%	12.9%	12.4%	10.4%	10.2%
External debt to shareholders' equity	1.19	0.79	0.45	0.38	0.34
External debt to adjusted EBITDA[1]	3.71	2.91	2.01	1.82	1.72
Operations					
Total store count:					
easyhome	184	192	237	253	261
easyfinancial	202	154	119	100	88
easyfinancial branch openings	64	39	36	20	20
Employees	1,566	1,496	1,254	1,241	1,259

[1]Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in the Management's Discussion and Analysis.

"*easyhome* is a great company who helped me to get my furniture when I was starting a new chapter in my life. Everyone who works there is great and very friendly."

– Karen

easyhome

easyhome is Canada's largest lease-to-own company. We offer brand-name household furniture, appliances and electronics to consumers under weekly or monthly lease agreements. The access to merchandise that we provide appeals to a wide variety of consumers who are looking for alternatives to traditional retailers. These consumers are attracted to a leasing transaction that does not involve a credit check or initial down payment, and includes delivery and set-up with the flexibility to terminate the agreement at any time.

easyhome provides a more inviting retail experience than any direct competitors, guarantees the lowest weekly payment rates and services its customers through engaged and well-trained retail associates.

easyhome operates through both corporately owned and franchised stores located across Canada. Additionally, since 2013, the Company allows customers to enter into merchandise leasing transactions through its e-commerce platform.

$152.6M
Revenue

60,000
Customers

$60.8M
Lease assests

184
Stores

Why *easyhome* is the better choice for customers

No credit needed

We approve 97% of customers for leases. All they need is a source of income and a place of residence.

Flexible terms

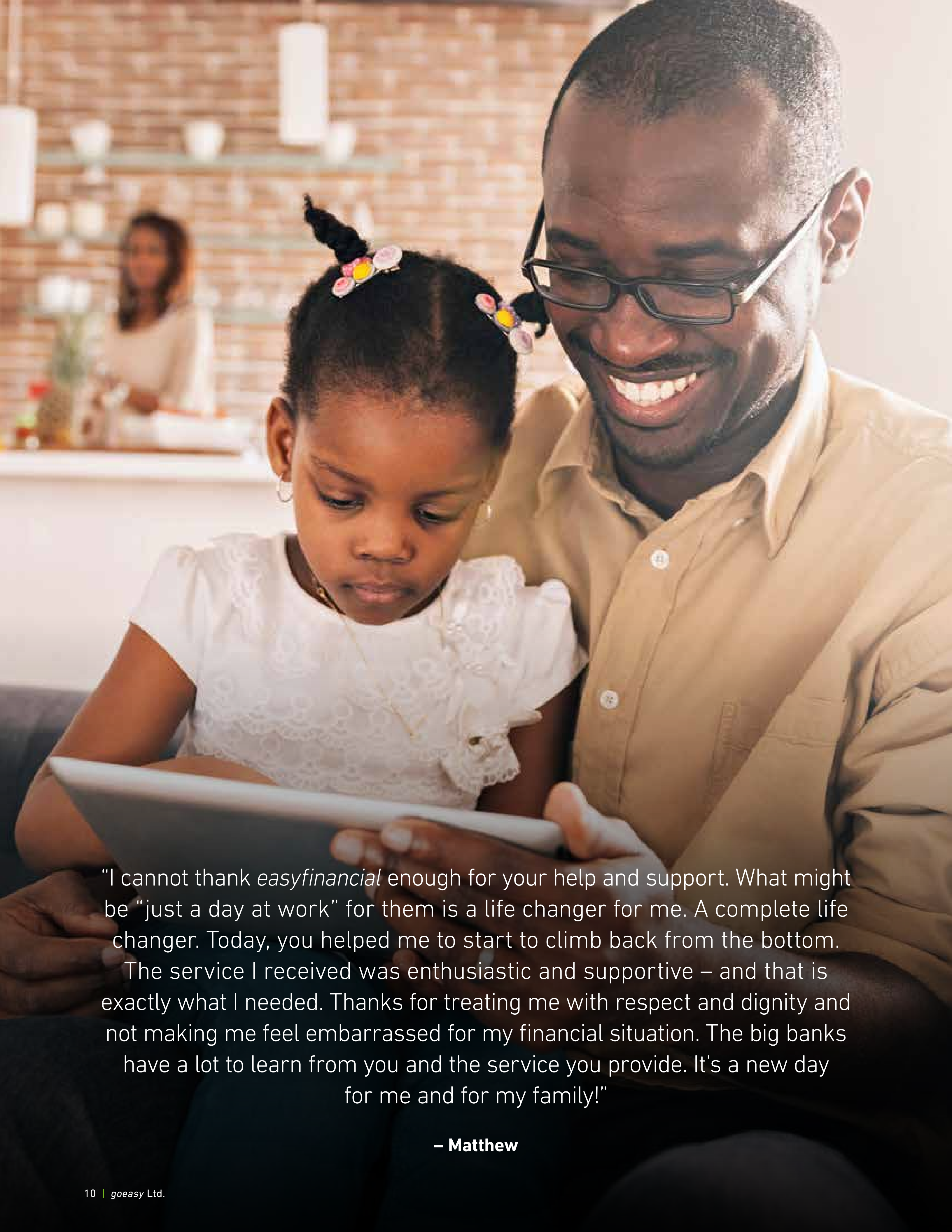
Customers can make weekly, bi-weekly or monthly payments and have the option to pay off or cancel their agreement at any time.

Free delivery, set-up & repairs

Our optional total protection plan includes product delivery, set up and a full warranty.

Lowest payment guarantee

Customers do not need to shop around. We will beat any competitor's advertised price by 10%.



"I cannot thank *easyfinancial* enough for your help and support. What might be "just a day at work" for them is a life changer for me. A complete life changer. Today, you helped me to start to climb back from the bottom. The service I received was enthusiastic and supportive – and that is exactly what I needed. Thanks for treating me with respect and dignity and not making me feel embarrassed for my financial situation. The big banks have a lot to learn from you and the service you provide. It's a new day for me and for my family!"

– Matthew

easyfinancial

easyfinancial is one of Canada's largest non-bank personal loan providers and offers customers unsecured installment loans from $500 to $15,000 with repayment terms from 9- to 60-months. Customers can choose to repay the entire loan balance at any time during the term without penalty. As a credit-reporting lender, *easyfinancial* positions its loan products as a vehicle to help rebuild credit and provide access to financing for the everyday Canadian consumer.

easyfinancial's loans occupy a critical space in the marketplace, bridging the gap between traditional financial institutions and costly payday lenders. Traditional financial institutions generally will not offer credit solutions to customers with challenging financial situations or less-than-perfect credit. Approximately 60% of *easyfinancial*'s customers have been denied credit by these same traditional financial institutions. Our consumers prefer to avoid the high fees and onerous repayment terms imposed on them by payday lenders (which could have an interest rate in excess of 500%). *easyfinancial*'s products appeal to these consumers who are looking for alternatives.

easyfinancial transacts with its customers in store, on-line and through point of sale financing. On-line and indirect lending complement *easyfinancial*'s retail footprint to increase brand awareness and maximize loan applications.

The loan products offered by *easyfinancial* carry a higher risk of default than the loan products offered by traditional banks and therefore have a comparatively higher yield. The Company utilizes its extensive data set to develop proprietary underwriting and credit scoring models that optimize the balance between growth and controlling loan losses. Taking advantage of the underwriting experience gained since 2006, and including over $1.0 billion in credit originations, the Company regularly enhances its lending models to make better lending decisions, with a goal of maximizing total long-term returns.

$151.7M	78,000	$289.4M	$1B+	202
Revenue	**Customers**	**Gross consumer loans receivable**	**Total loan originations to-date**	**Branches**

Why *easyfinancial* is the better choice for customers

Access to financing

60% of our customers have been turned down by a bank.

Cheaper than Payday loans

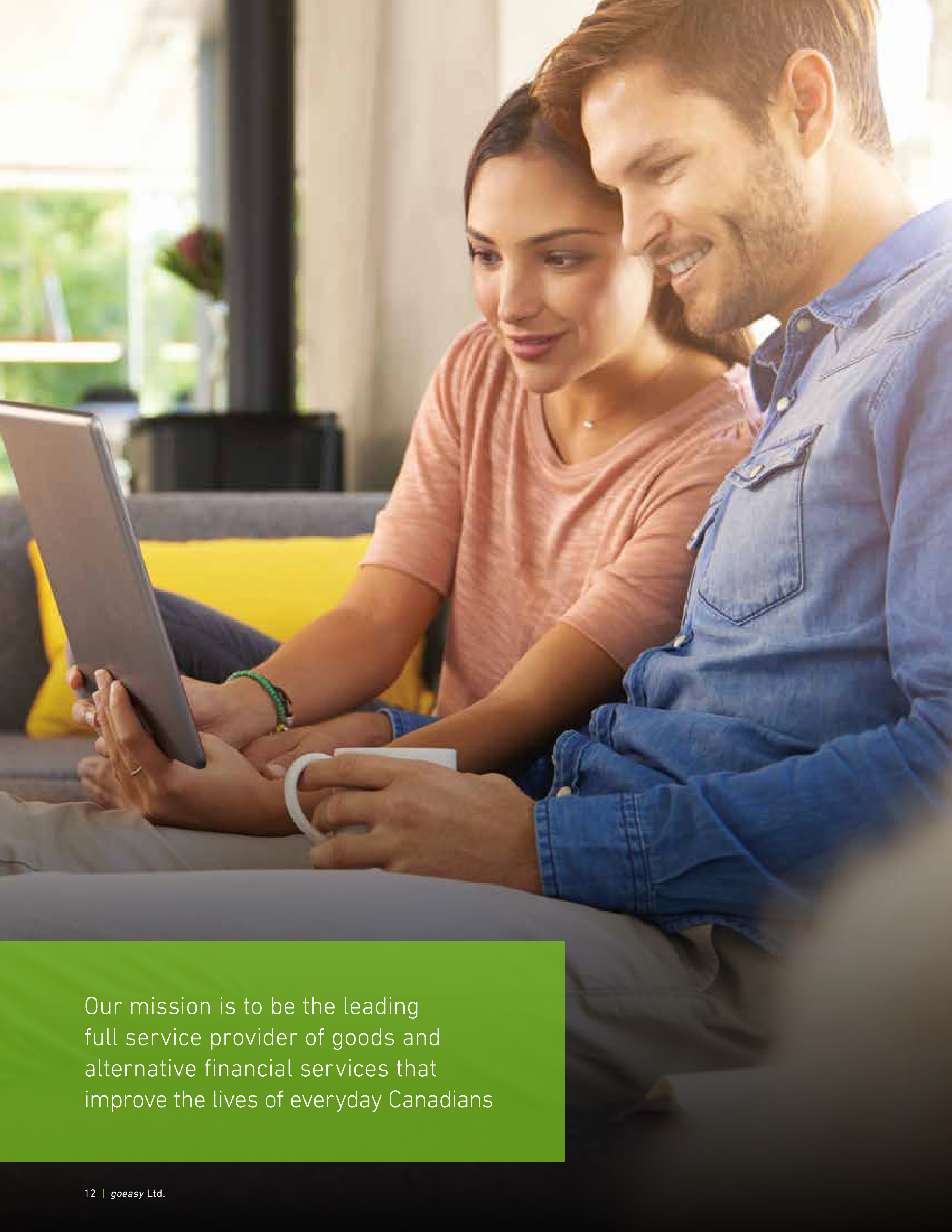
We provide our customers with an alternative to the high cost of payday loans that can charge over 500% interest.

Rebuild customer credit

We report to the credit bureaus allowing our customers to rebuild their credit.

Get customers back on track

80% of customers say they struggle when a financial emergency occurs.



Our mission is to be the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians

Message to shareholders

David Ingram, President & CEO

A track record of accomplishment

2015 was a year of accomplishments for *goeasy*. It was our fourteenth consecutive year of growing revenues and delivering profits. Since 2001, our total revenue has seen a compounded annual growth rate of 11.5% while net income has grown from a loss of $1.9 million in 2001 to net income of $23.7 million in 2015. The Company once again delivered record levels of loan book growth, revenue and profit. Our strong financial performance and our confidence for the future allowed our Board of Directors to approve a 25% increase to our quarterly dividend beginning in the first quarter of 2016.

Our corporate strategy remains unchanged and is built on three imperatives: evolve the delivery channels, expand the size and scope of *easyfinancial* and execute with efficiency and effectiveness across the organization.

Evolve the delivery channels

Over the last several years, we have developed multiple delivery channels in response to consumer demand, technology advancements and market opportunities. Up until 2013, all of our interactions with our customers occurred at a physical retail location. Today, more than 50% of our loan applications originate on-line.

Our transactional websites were launched in 2013 and significantly enhanced in 2015 to improve the customer experience, better explain the value proposition and streamline the application process. We will continue to invest in this technology. The analysis of transactional performance data and the enhanced transactional websites will allows us to continue to optimize these channels.

In 2015, we launched our indirect lending platform with a large, national furniture retailer to provide its customers that do not qualify for traditional prime credit with a new point-of-sale financing alternative. This is the first step in our broader strategy of developing the indirect lending channel where we will offer our loan products at the point of sale in the home furnishing, health care and automotive repair sectors.

We developed an industry leading and proprietary mobile tablet solution to allow our merchant partners to process credit applications right in their store and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, we are able to process paperless loans in minutes.

Expand the size and scope of *easyfinancial*

We continue to expand the size and scope of *easyfinancial*. We believe there is significant demand for the products we offer in the Canadian marketplace and that a large portion of this demand is currently not being satisfied.

In the first quarter of 2015, we acquired 45 retail locations across Canada from a former payday loan operator, effectively fast tracking our planned real estate build-out for *easyfinancial*. Including these locations, we opened 64 *easyfinancial* branches in the year, achieving the Company's stated objective of opening 60 to 65 branches in 2015.

During the year, we increased our maximum loan size to $10,000. This was rolled out after carefully testing it with a select customer group and evaluating the performance of those test loans. It is our goal to continue expanding our product line, including offering larger loans for longer payment durations, but only after we have performed the required data analysis and completed a comprehensive pilot so that the results are predictable. In early 2016, we began a pilot of increasing our maximum loan size to $15,000.

As we have said before, our mission is to be the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians. These services include tools that allow our customer to take better charge of their own personal financial situation. In 2015, we launched a credit monitoring service to our customers, allowing them to review their credit score and monitor their credit status on an ongoing basis.

Finally, we increased our total credit facility in 2015 by $100 million (to $300 million) while reducing the interest rate. The additional capital will allow *easyfinancial* to continue its growth through to 2017 and build upon our leadership position as an alternative provider of term financing to consumers.

Execute with efficiency and effectiveness

We believe that the products and services presented to our customers are clearly differentiated from those of our competitors. *easyhome* has established itself as the Canadian market leader by providing a more inviting retail experience than its direct competitors, providing consumers with the guaranteed lowest weekly payment rates and by employing more engaged and better trained retail associates. *easyfinancial* provides consumers with a financing alternative that is less costly than payday loans and quicker and more convenient than traditional banks, all in an inviting retail or electronic environment.

To meet the demands of our customers and to maximize the profitability of the overall business, we continue to focus on improving execution across all areas of the business; particularly the fundamentals of lending, leasing and collecting.

In 2015, we focused our marketing efforts on the *goeasy* master brand. This allowed us to gain stronger brand recognition and make our marketing spend more efficient. Later in 2015, we formally changed the company name to *goeasy* Ltd. The change reflects the evolution and growth in the business as it moves from a name that was aligned with our legacy leasing business to a corporate name that encompasses all of the Company's business units and our ambition to add new *goeasy* brands as we expand our offerings.

In the third quarter of 2015, we acquired 14 Canadian merchandise leasing stores from a U.S.-based rent-to-own competitor. This transaction secured our place as the market leader in Canada. During the year, we also completed the wind-down of our US operations. Today we are solely focused on the Canadian market and our *easyhome* business operates a smaller, more profitable store network.

Navigating through outside economic pressures

Outside economic issues can have an adverse impact on the leasing and consumer loan sectors. Our market research tells us that the main economic indicators that affect our customers are the price of gas, inflation on food and clothing and the rate of unemployment.

Overall, it was a challenging year for the Canadian economy. The oil price shock and subsequent devaluation of the Canadian dollar created uncertainty in the economic landscape. On one hand, lower gas prices left more money for people to spend or meet their debt obligations, while on the other hand the oil price shock raised the unemployment rate in regions dependent on the energy sector and the devaluation of the Canadian dollar increased the cost of living. Although markets such as Alberta experienced negative impacts due to these difficulties, we benefited from our larger exposure in Ontario and British Colombia which showed positive indicators.

Our approach has been to have a geographically diverse loan portfolio. Our loan book roughly reflects the population distribution across the country. For 2015, Ontario represented approximately 44% of our *easyfinancial* loan portfolio, and Alberta only 14%. We believe this geographical distribution, combined with our more than a decade of credit underwriting experience, allowed us to successfully navigate through these economic challenges.

Committed to our values

goeasy is a company that is committed to our employees, our customers and the communities we serve. We believe financial literacy is key to helping our customers get on a path to good credit. In 2015, we introduced *goeasy* Academy, a free on-line resource to help improve our customers' financial literacy. It contains tools, articles and videos to help people make better financial decisions and take control of their financial future.

As a company, we believe in investing in our communities. For more than 10 years, *goeasy* has been a proud supporter of Boys and Girls Clubs of Canada, raising over $1 million in total. We are also in our second year of the 10-year commitment we have made to renovate all 100 kitchens of Boys and Girls clubs across the country through our "easybites" program.

In addition, our employees have volunteered time and resources to the Habitat for Humanity Global Village project building houses in Nicaragua for families in need. Hundreds of our employees have taken advantage of the company's commitment to volunteering in company sponsored community events.

Looking ahead

The successes we achieved in the past year have buoyed our confidence for the future. We see a large, untapped market serving a segment of the population whose needs have not been adequately met by traditional retailers or banks. Our presence and experience nationally, plus our deep understanding of the needs of our customers, give us a competitive advantage.

Looking ahead, we will continue on the same strategic path. We will evolve our delivery channels to better meet the needs of our customers. We will expand the size and scope of *easyfinancial*. We will execute with efficiency and effectiveness.

The progress made on all fronts during the last few years has positioned the Company for significant earnings expansion and unencumbered loan book growth. Our plans for 2016 are focused on four key areas.

First, we will continue to build and enhance our IT infrastructure. Technology is rapidly changing and we must stay abreast of these changes to continue meeting the expectations of our customers. We must also ensure that all of our core systems take advantage of emerging technologies to maximize reliability and protect our electronic data.

Second, we realize that we need to evolve our business to reward and ultimately retain our best customers. As such we will begin testing risk adjusted loan pricing in 2016 and offering reduced interest rates based on a customer's credit profile and repayment history. We feel that this is the right thing for the customer and benefits the Company by improving customer retention and opening up our business to a larger segment of the lending market.

Third, we will continuously invest in our credit risk management expertise and collection practices. Bad debts represent one of our largest expenses and therefore small improvements in reducing these costs, without impacting loan origination volumes, can have a significant positive impact on the bottom line. For 2016, we expect charge-off rates to be within our optimal rage of 14% to 16% with an expected reduction compared to the fourth quarter of 2015 beginning in the first quarter of 2016.

Finally, we will use the experience gained with our initial indirect lending partners to further penetrate the large untapped opportunity within this channel.

We are well positioned for our anticipated growth with a seasoned management team in place with the right skills and experience. In addition, our commitment to employee training will ensure we deliver on our promise of excellent service and respect for our customers.

On behalf of the management team, I want to thank all of our employees for their dedication to our customers. I also want to thank our Board of Directors for their guidance and support and I look forward to another year of achievement in 2016.

Sincerely,

David Ingram,
President & CEO

Proven performance, infinite

We are a high-performing team that is accountable, dedicated to achieving the goals of our organization, and proud of how we work together to serve our customers. Together we **make great things happen.**

David Ingram
President and Chief Executive Officer

David has been the President and Chief Executive Officer of *goeasy* Ltd. since 2001. Prior to *goeasy* David was an executive with Kingfisher plc (a retail conglomerate) in the United Kingdom. He has also held progressively senior executive roles with Thorn which included leading a 370 branch network for Rent a Center. He is also Vice Chair of the Boys & Girls Clubs of Canada foundation committee and serves on the Board of Directors.

Steve Goertz
Executive Vice President and Chief Financial Officer

Steve is the Executive Vice-President and Chief Financial Officer of *goeasy* Ltd. having joined *goeasy* in 2009. Prior to *goeasy*, Steve was Vice President, Finance, for Sobeys Ontario and also held the role of Vice President, Finance for Maple Leaf Foods Inc. Steve is a Chartered Accountant and holds an Honours Degree, Bachelor of Mathematics from the University of Waterloo.

David Yeilding
Senior Vice President, Finance

David is the Senior Vice President, Finance of *goeasy* Ltd. having joined *goeasy* in 2010. Prior to joining *goeasy*, David was Vice President Finance with Fidelity Investments and a Director for PricewaterhouseCoopers Transaction Services. David is a Chartered Accountant and holds a Masters in Business Administration degree from the DeGroote School of Business and a Bachelors Degree from Queens University.

possibilities. **The future is now.**

Jason Mullins
Executive Vice President and Chief Operating Officer

Jason is the Executive Vice President and Chief Operating Officer having joined *goeasy* Ltd. in 2010. Prior to *goeasy*, Jason was the Vice President of Sales and Operations at Mogo Finance Technology. He has held previous operations management roles at CIBC and Allied International Credit, and has a Masters in Business Administration from the Ivey School of Business at the University of Western Ontario.

Andrea Fiederer
Executive Vice President & Chief Marketing Officer

Andrea is the Executive Vice President and Chief Marketing Officer of *goeasy* Ltd. having joined *goeasy* in January of 2015. Prior to *goeasy*, Andrea held senior roles in management consulting and marketing most recently at Mobilicity and XM Satellite Radio. She has a Master of Business Administration from the Schulich School of Business and a Bachelor of Commerce degree from McGill University

Jason Appel
Senior Vice President, Risk and Analytics

Jason is the Senior Vice President, Risk and Analytics of *goeasy* Ltd. having joined *goeasy* in 2012. Jason was previously Senior Vice President, Decision Management, with Citigroup and prior to that held senior positions in the mortgages and lending division of CIBC. Jason holds a Master of Business Administration from the Schulich School of Business and a Bachelor's Degree from the University of Toronto.

Shane Pennell
Senior Vice President, Operations and Shared Service

Shane is the Senior Vice President, Operations and Shared Services for *goeasy* Ltd. having joined *goeasy* in 2013. Shane was previously Vice President of Consumer Lending and Marketing at HSBC Financial and prior to that held senior management roles at CitiFinancial.

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Management's discussion and analysis of financial condition and results of operations

Date: February 17, 2016

The following Management's Discussion and Analysis ["MD&A"] presents an analysis of the financial condition of *goeasy* Ltd. (formerly *easyhome* Ltd.) and its subsidiaries [collectively referred to as "*goeasy*" or the "Company"] as at December 31, 2015 compared to December 31, 2014, and the results of operations for the three-month period and year ended December 31, 2015 compared with the corresponding periods of 2014. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2015. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.goeasy.com.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about *goeasy*, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' or negative versions thereof and similar expressions, and/or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company's operations, economic factors and the industry generally, as well as those factors referred to in the section entitled "Risk Factors". There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company, due to, but not limited to important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls. The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Overview of the Business

goeasy Ltd. is the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians. *goeasy* Ltd. serves its customers through two key operating divisions: *easyhome* Leasing and *easyfinancial*.

On September 14, 2015 *easyhome* Ltd. changed its name to *goeasy* Ltd.

The activities of both *easyhome* Leasing and *easyfinancial* are governed by federal laws which set a maximum rate of interest and by the various consumer protection acts that exist in each province. As the Company does not offer payday loans and does not accept customer deposits, it is not subject to payday loan legislation or the rules set out for banks by the Office of the Superintendent of Financial Institutions.

Overview of *easyhome* Leasing

easyhome Leasing is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores.

easyhome Leasing's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the arrangement at any time. These consumers may not be able to purchase merchandise because of a lack of credit or insufficient cash resources, may have a short-term or otherwise temporary need for the merchandise, or who simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from *easyhome* Leasing are required to enter into *easyhome* Leasing's standard form merchandise leasing agreement (a "Merchandise Lease Agreement"). The Merchandise Lease Agreement provides that the customer will lease merchandise for a set term and make payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise. In addition, at specified times during the term of a Merchandise Lease Agreement, customers can exercise an option to purchase the leased merchandise at a predetermined price. *easyhome* Leasing maintains ownership of its merchandise until this purchase option is exercised. Ultimately, *easyhome* Leasing customers have the flexibility to return the merchandise at any time without any further obligations.

easyhome Leasing operates through both corporately owned stores located across Canada and through a network of franchised locations. Additionally, since 2013, the Company allows customers to enter into merchandise leasing transactions through its e-commerce platform.

Overview of *easyfinancial*

easyfinancial is the Company's financial services arm, offering unsecured, installment loans in amounts from $500 to $10,000 for 9 to 48 month terms with bi-weekly, semi-monthly and monthly repayment options. Customers can choose to repay the entire loan balance at any time during the term without penalty. As a credit reporting lender, *easyfinancial* positions its loan products as a vehicle to help rebuild credit and provide access to alternative financing for the everyday Canadian consumer.

easyfinancial's loans occupy a critical niche in the marketplace, bridging the gap between traditional financial institutions and costly payday lenders. Traditional financial institutions are unable to effectively offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit. Historically, approximately 60% of *easyfinancial*'s customers have been denied credit by these same traditional financial institutions. These same consumers prefer to avoid the high fees (which could have an interest rate in excess of 500%) and onerous repayment terms imposed on them by payday lenders. *easyfinancial*'s products appeal to these consumers who are looking for alternatives.

The Company believes that there is significant demand for the products offered by *easyfinancial* in the Canadian marketplace. Historically, the consumer demand for these loans was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest participants in this market have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk adjusted capital reserves, leaving *easyfinancial* as the only national participant with stated growth aspirations. The Company estimates that the historic Canadian market for unsecured consumer installment loans, consistent with the products offered by *easyfinancial*, was in excess of $2.0 billion and that this market was serviced by more than 600 retail locations.

The *easyfinancial* business model has continued to evolve in response to changing consumer expectations and technology developments.

- The *easyfinancial* business was initially piloted using a kiosk that was physically located within an existing *easyhome* Leasing location.
- In 2011, to better meet customer demand for its products, the Company determined that the *easyfinancial* business would scale more successfully by operating out of stand-alone locations that were physically separated from the *easyhome* Leasing stores. These larger and higher capacity stand-alone locations also exhibited a more rapid growth trajectory. The first *easyfinancial* stand-alone location was opened in July 2011.
- Once the business model was finalized and prior to its large scale expansion, *easyfinancial* launched a centralized loan decision platform and deployed a highly scalable core banking system in 2011.
- In 2013, a transactional website was launched by *easyfinancial* for securing consumer installment loans. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or those who preferred to interact through the privacy and convenience of their home.
- In 2014, the Company launched an internally developed and proprietary loan application management system that was fully integrated with its CRM and collections activities.
- In 2015, *easyfinancial* launched its indirect lending platform. Indirect lending involves creating partnerships with merchants, both on-line and offline, to provide financing for their customers who do not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through *easyfinancial* at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

- The Company is committed to helping its customers improve their financial literacy. In 2015, the Company developed an on-line financial education platform through *goeasy* Academy that included articles, videos and other educational content.

The Company recognizes that the loan products it offers to consumers carry a higher risk of default than the loan products offered by traditional banks and, as such, the Company will incur a higher level of delinquencies and charge offs, but that this will be offset by the higher yield generated on the consumer loans receivable. To assist with the management of this risk, the Company has developed proprietary underwriting practices and credit scoring models that have been developed using the historical performance of its portfolio. Additionally, the Company continuously explores and incorporates, where appropriate, leading edge date sources when they become available. Taking advantage of its underwriting experience gained since 2006 and including almost $1.0 billion in relevant credit originations, the Company regularly enhances these practices and scoring models to make better lending decisions, with a goal of maximizing total returns.

Through its multiple delivery channels and utilizing an extensive analysis of the historic performance of its portfolio, *easyfinancial* has created a business model that is somewhat unique within its industry.

- On-line advertising, coupled with the Company's mobile responsive transactional website, create a cost-effective way to attract new customers and optimize the application process.
- Indirect lending significantly expands the Company's distribution points without significant incremental costs by leveraging a mobile tablet solution.
- The Company's national footprint of retail branch locations further promote the Company's brand and allow customers to apply in-person if that is their preferred means of application. Recent surveys indicated that over 36% of *easyfinancial* customers became aware of *easyfinancial* through the physical retail presence.
- By analyzing all of its loan transactions originated since 2006, the Company has developed underwriting practices and credit scoring models that are able to predict the performance of its customers with far more accuracy than the traditional generic scoring models utilized by other lenders.
- Subsequent to a successful loan application, the responsibility for loan closing and funding and for ongoing customer relationship management, including collections, is assigned to a retail branch that is conveniently located near the customer. In this way, the customer lifetime value is enhanced as the sale of ancillary products is maximized, customer retention is improved and the Company experiences lower delinquency rates due to the local relationship and engagement with the customer.
- Since ongoing customer relationship management is performed at the local branch level, the Company is able to establish a stronger relationship with its customers that better allows it to work with these customers to resolve any financial challenges. In this way, bad debts are significantly reduced, especially when compared to a pure on-line lender.

Corporate Strategy

The Company is committed to being the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians. To maintain this position, the Company must continuously evolve to meet the needs of its chosen consumer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will further contribute to the Company's ability to contend with competitive activities in the marketplace.

To achieve this long-term goal, the Company has three key business imperatives:

- **Evolve** the delivery channels
- **Expand** the size and scope of *easyfinancial*
- **Execute** with efficiency and effectiveness

Evolving the Delivery Channels

Over the last several years, the Company has developed multiple delivery channels in response to customer demands, technology advancements and market opportunities. Up until 2013, all of *goeasy*'s interactions with its customers occurred at a physical retail location.

In 2013, transactional websites were launched by *easyhome* Leasing for the leasing of new merchandise, and *easyfinancial* for applying for a consumer installment loans. These new delivery channels allowed the Company to reach consumers who may not have had access to a physical location or those who preferred to interact through the privacy and convenience of their home. These transactional websites require continued evolution to stay abreast of changing technologies and to offer improved levels of service. All of the Company's websites were significantly enhanced in 2015 and these investments in technology will be ongoing. The 2015 enhancement of the *easyfinancial* website resulted in the time required to complete an application being reduced by 75% which contributed to improvements in the conversion rates. Further optimization of these channels will be achieved through ongoing analysis of performance data and the enhancement of the transactional websites. Ultimately, the transactional websites will be personalized to the unique needs of each user.

The continued enhancement of the *easyfinancial* transactional website and the shift from traditional advertising channels towards digital media has resulted in a large portion of the *easyfinancial* loans originating from on-line applications. This shift has resulted in an overall lower cost of acquisition due to more efficient advertising and reduced transaction support costs (labour, real estate, etc.). This cost reduction, however, has been offset by a modest increase in the overall charge-off rate. The Company's experience has shown that on-line-originated consumers have a higher charge-off rate than retail originated consumers. On a net basis, the achieved margins from each of these two origination channels are similar and the Company benefits from an overall increase in volume.

In 2015, the Company launched its indirect lending platform to provide financing solution to the customers of merchant partners who did not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through *easyfinancial* at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

The initial launch of the indirect lending platform was the first step in a broader strategy of developing the indirect lending channel, where the Company will offer its loan products at the point of sale in the home furnishing, health care and automotive industries. The internally developed mobile tablet solution allows current partners to process credit applications right in their store and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company is able to process loans fully paperless in less than 15 minutes. As the indirect lending channel expands, the Company will need to deploy a desktop based solution and continue to enhance the mobile tablet solution, taking advantage of developments in technology.

The *easyhome* Leasing business will complement the expansion into indirect lending. Consumer loans made by *easyfinancial* to consumers for the purchase of product categories that are similar to those offered by *easyhome* Leasing will be secured by the purchased merchandise. In the event that the loan goes into default, the goods can be repossessed and the value of these recovered goods can be realized by leasing or selling the assets through the *easyhome* Leasing store network. In this manner, the Company can better manage its risk and has a significant competitive advantage over potential competitors that lack a viable outlet for realizing any value against the security.

Expanding the Size and Scope of *easyfinancial*

In addition to evolving its delivery channels, the Company will continue to focus on expanding the size and scope of *easyfinancial*. The Company believes there is significant demand for the products offered by *easyfinancial* in the Canadian marketplace and that a large portion of this demand is currently not being satisfied.

The Company has made significant investments in its processes and infrastructure to position its *easyfinancial* business for long-term sustainable growth, including making the following key enhancements:

- Outside experts were engaged by the Company to evaluate all of the key *easyfinancial* control processes and make recommendations on best practices in the industry. All of the opportunities identified by these experts have been addressed.
- The Company has developed an internal competence in evaluating and managing credit risk. Using leading-edge, data-driven modeling and analytical techniques, underwriting and credit adjudication rules were enhanced with the goal of balancing throughput and charge offs to optimize returns.
- An industry-standard banking platform was implemented in 2011 to ensure that the loans receivable portfolio could be appropriately managed and information could be securely maintained on a scalable infrastructure.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system is supported by a new credit decision engine built in partnership with a global leader in risk management technology solutions and is fully integrated with Company's customer relationship management platform enabling it to more efficiently meet the needs of its growing customer base.
- The *easyfinancial* management team was enhanced through the recruitment of senior managers with broad experience in the financial services and mobile technology industries.
- Through a combination of equity offerings, debt offerings and renegotiation of existing lending relationships, the Company secured the necessary capital to fund the expected growth for the near-term. The continued successful growth of the *easyfinancial* portfolio and the strengthened balance sheet should provide for access to further levels of capital in the future at reduced costs.

The Company estimates that its retail footprint for *easyfinancial* could expand to over 250 locations across Canada. Significant progress was made towards this goal in 2015 with the acquisition of 45 retail locations from a payday lender that exited the marketplace. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards its goal. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will strengthen the Company's financial services brand, establishing *easyfinancial* as the leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday lenders.

Over the long-term, the Company expects the operating margin of its *easyfinancial* business unit to exceed 35% (before any allocation of indirect corporate costs and interest). This operating margin, however, will be muted in periods of rapid expansion. Additional *easyfinancial* store openings will provide a drag on margins as the relatively fixed cost base of a new location in the months after opening will be disproportionately large until the consumer loans receivable portfolio for that location has grown to a sufficient size to generate larger revenues. The Company will continue to make investments in technology as it develops the required platforms for the new delivery channels.

The expansion of *easyfinancial* will also be aided by the introduction of complementary financial products. The Company has a stated goal of being the leading full service provider of goods and alternative financial services that improve the lives of everyday Canadians and as such, the Company intends to build out a suite of products that can ladder a customer from establishing credit to home ownership. In cases where the Company has the expertise and resources to offer these products directly, it will do so. In other cases, it will look to partner with primary providers of these products and offer such products to the Company's customers under a commission or fee-type arrangement. As an example, in 2015 the Company began offering a credit monitoring service to its customers, allowing them to take better control of their financial situation and credit score by monitoring their credit status on an ongoing basis.

Executing with Efficiency and Effectiveness

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. *easyhome* Leasing has established itself as the Canadian market leader by providing a more inviting retail experience than its direct competitors, providing consumers with the guaranteed lowest weekly payment rates, and by employing more engaged and better trained retail associates. *easyfinancial* provides consumers with a financing alternative that is less costly than payday loans and quicker and more convenient than traditional banks, all in an inviting retail or electronic environment.

To meet the demands of its customers and to maximize the profitability of the overall business, the Company will continue to focus on improving its level of execution across all areas of the business.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its effort to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisions and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has developed intensive employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools to drive a positive customer experience and ensure customer retention.

Increase Store Level Efficiency

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also aggressively manage all discretionary spending. Supplier relationships and economies of scale will be leveraged to reduce overall cost ratios. Idle inventory levels within its stores will be maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, especially labour, will be tightly controlled through centrally established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company will remediate and, if necessary, close underperforming stores, merging their portfolios with other nearby locations.

Utilize Data Analytics as a Competitive Advantage

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and also to allow the business to analyze this data to make better business decisions. The intelligent use of this data and analysis will allow *easyfinancial* to continually enhance its underwriting practices and credit scoring models to make better lending decisions. It will allow *easyhome* Leasing to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer's needs while maximizing profitability to the Company.

Leverage the Synergies of Both Business Units

The *easyhome* Leasing and *easyfinancial* businesses offer different products to a common customer segment and share many operational practices such as customer relationship management, collections and contract administration. Historically, and as is common with both industries, these practices have been performed by each business unit at the local operating store level. While this approach results in more direct contact with customers, it makes it difficult to foster best practices and achieve economies of scale.

In the fourth quarter of 2013, The Company opened a new Shared Service Centre to provide operational support for both business units in areas such as collections, customer retention and customer care and to support the new delivery channels that do not operate with a dedicated local presence. The Company believes that this hybrid structure will allow local operators to continue to provide a strong level of service directly to their customers, and will enable many administrative and support functions to be performed at a reduced cost, employing best practices. Going forward, additional opportunities for providing coordinated operational support for all business units will be explored.

Continue to Invest in New Technologies

As indicated previously, the Company has made significant investments in technology over the past several years to provide *easyfinancial* with a scalable platform on which to support significant future growth and to allow new delivery channels to be accessed. As an example, in 2014 the Company implemented a proprietary loan application management system on the Salesforce platform to process applications originated in its retail and on-line channels. This investment in new technologies will continue in the future as the Company evolves its delivery channels and expands the size and scope of *easyfinancial*. Investments in new technology will also be made to provide the operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency.

Improve Brand Recognition Through goeasy

In the third quarter of 2014 the Company launched a new master brand, *goeasy*, and in the third quarter of 2015 the Company further aligned to this master brand by changing its corporate name from *easyhome* Ltd. to *goeasy* Ltd. Going forward, the Company's new *goeasy* master brand will provide a corporate umbrella that unites and supports its sub-brands of *easyhome* and *easyfinancial*, and allow it to more effectively reach its targeted demographic with all its lines of business.

The pillars of the *goeasy* master brand are Access, Relief and Respect. When a customer deals with any of the Company's business units, they will know they can obtain greater access to products and services than they can through more traditional retailers or banks who have denied them in the past. They can also access the Company's products through multiple channels, including retail, on-line and indirect. Customers will be provided with relief from their financial challenges with the promise of a decision within 30 minutes. Finally, customers will know that they will be respected by the Company and its people throughout their entire customer experience. These are the core pillars that anchor the *goeasy* brand.

The launch of the master brand also involved a shift away from paper-based advertising channels towards a greater investment in broadcast and digital media. Longer term, the master brand will facilitate the launch of new products and services and reduce the cost of customer acquisition.

Outlook

The discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements found in the "Caution Regarding Forward-Looking Statements" of this MD&A.

Update of 2015 Targets

The Company's 2015 targets along with the underlying assumptions and risk factors were originally communicated in its September 30, 2014 MD&A and most recently revised in its June 30, 2015 MD&A. The Company's actual performance against its targets for fiscal 2015 is as follows:

	Actual Results for 2015	Revised Targets for 2015	Explanation for Variance to Targets
New *easyfinancial locations* opened in year	**64**	60 – 65	Target achieved
Gross consumer loans receivable portfolio at year end	**$289.4 million**	$280 – $295 million	Target achieved
easyfinancial operating margin	**30.8%**	28 – 32%	Target achieved
Total revenue growth	**17.4%**	15 – 20%	Target achieved

Looking to 2016, *goeasy*'s strategic focus remains unchanged. The Company will focus on evolving its delivery channels, expanding the size and scope of *easyfinancial* and executing with efficiency and effectiveness.

Update of 2016 and Three-Year (2018) Targets

The Company's 2016 targets and assumptions were originally communicated in its December 31, 2013 MD&A and most recently revised in its September 30, 2015 MD&A. The Company's three-year (2018) targets and assumptions were originally communicated in its September 30, 2015 MD&A.

The following table outlines the Company's targets for 2016 and 2018 and provides the material assumptions used to develop such forward-looking statements. These targets are inherently subject to risks which are identified in the following tables, as well as those risks referred to in the section entitled "Risk Factors".

	Targets for 2016	Targets for 2018	Assumptions	Risk Factors[1]
New *easyfinancial* locations	**10 – 20 locations opened during the year**	**220 – 240 locations by the end of 2018**	• The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • Virtually all new locations will operate as stand-alone branches.	• The earnings drag from newly opened locations is within acceptable levels. • The Company's ability to secure new real estate and experienced personnel. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins.
Gross consumer loans receivable portfolio at year end	**$360 – $390 million**	**$500 million**	• The new store opening plan and the development of new delivery channels occur as expected. • The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • Increased expenditures on marketing and advertising within *easyfinancial*.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins. • The Company's ability to secure new real estate and experienced personnel. • Continued access to capital.
Total revenue growth	**18% – 22%**	**n/a**	• Nominal growth for the *easyhome* Leasing business unit. • Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, additional store openings and increased marketing spend.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand and margins. • Changes to regulations governing the products offered by the Company. • Reduction in the yield on *easyfinancial*'s products.
easyfinancial operating margin	**32% – 35%**	**35%**	• Yield and cost rates at mature locations are indicative of future performance.	• The Company's ability to achieve operating efficiencies as its locations mature. • The earnings drag from newly opened locations is within acceptable levels.

[1] Risk factors include those risks referred to in the section entitled "Risk Factors".

Analysis of Results for the Year Ended December 31, 2015

Financial Highlights and Accomplishments

- 2015 was the fourteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue has seen a compounded annual growth rate of 11.5% while net income has grown from a loss of $1.9 million in 2001 to net income of $23.7 million in 2015. In 2015, the Company again delivered record levels of revenue, net income and earnings per share.
- In consideration of the improved earnings achieved in 2014 compared to the prior year and the Company's confidence of its continued growth and access to capital going forward, the Board of Directors approved an increase to the quarterly dividend from $0.085 per share to $0.10 per share in the first quarter of 2015.
- *goeasy* continued to grow revenue during 2015. Revenue for the year increased to $304.3 million from $259.2 million in 2014, an increase of $45.1 million or 17.4%. The growth was driven primarily by the expansion of *easyfinancial* and its consumer loan receivable portfolio.
- The Company continued to secure the additional capital needed to fund the growth of its consumer loans receivable at lower costs throughout the year. During the year, the Company increased its total credit facilities by $100 million from $200 million to $300 million, while reducing the current interest rate on the term loan from 8.22% to 7.99%. The amended facilities were comprised of a $280 million term loan and a $20 million revolving operating facility. The increased capital will support the growth of *easyfinancial* into 2017. The amended facilities featured financial covenants that were more flexible and drawings that closely corresponded with the estimated cash flow requirements of the business. In addition, the expiry date was extended by 12 months to October 4, 2019.
- In the first quarter of 2015, the Company acquired the lease rights and obligations for 45 retail locations across Canada from a former payday loan operator for total consideration of $2.8 million, effectively fast tracking the Company's planned real estate build-out for its *easyfinancial* business. Including these locations the Company opened 64 *easyfinancial* branches in the year, achieving the Company's stated objective of opening 60 to 65 branches in 2015.
- In the third quarter of 2015, the Company acquired 14 Canadian merchandise leasing stores from a U.S.-based rent-to-own company. As part of the transaction, the Company sold two of its remaining U.S. franchised locations whose financial results were consolidated for financial statement purposes. The net purchase price for the transaction was $3.4 million.
- Also in the third quarter of 2015, the Company partnered with a large, national furniture retailer to provide their customers that do not qualify for traditional prime credit with a new point-of-sale financing alternative. This launch was part of a broader strategy to expand into the indirect lending channel, where the Company can offer its loan products at the point of sale in the home furnishing, health care and automotive industries.
- The gross consumer loans receivable portfolio experienced record growth, increasing by $97.2 million compared with growth of $81.5 million in 2014. The gross consumer loans receivable portfolio as at December 31, 2015 was $289.4 million compared with $192.2 million as at December 31, 2014, up 50.6%. Loan originations were also a record in 2015 at $330.7 million, up 41.4% compared with total loan originations of $233.8 million in 2014.

- *easyhome* Leasing operating margin improved from 15.4% in 2014 to 16.2% in 2015. The Company is now operating a smaller more profitable store network. *easyfinancial* operating margin for 2015 was 30.8%, achieving the Company's operating margin target of 28 to 32%.
- The operating income of both the *easyhome* leasing and *easyfinancial* businesses increased in 2015 driving overall operating income to a record $48.1 million, up $14.7 million or 44.0%, from 2014 excluding restructuring and other items in the prior comparative results. Overall, operating margin for the year was 15.8%, up from the 12.9% reported in 2014 excluding the impact of restructuring and other items in the prior comparative results. Overall operating margin benefitted from higher operating margins at the *easyhome* leasing business, strong margins at *easyfinancial* and an increasing percentage of the Company's operating income being generated by the higher margin *easyfinancial* business.
- Net income for 2015 was $23.7 million or $1.69 per share on a diluted basis. Excluding the impact of restructuring and other items which benefitted 2014, net income and diluted earnings per share in the prior year were $18.6 million and $1.34 respectively. On this normalized basis, net income and diluted earnings per share increased by $5.1 million (27.6%) and $0.35 (26.1%) respectively.

Summary Financial Results and Key Performance Indicators

(in $000's except earnings per share and percentages)	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Variance $ / %	Variance % Change
Summary Financial Results				
Revenue	**304,273**	259,150	45,123	17.4%
Operating expenses before depreciation and amortization	**200,125**	167,916	32,209	19.2%
EBITDA[1]	**56,741**	41,809	14,932	35.7%
EBITDA margin[1]	**18.6%**	16.1%	2.5%	–
Depreciation and amortization expense	**56,096**	56,641	(545)	(1.0%)
Operating income	**48,052**	34,593	13,459	38.9%
Operating margin[1]	**15.8%**	13.3%	2.5%	–
Finance costs	**15,334**	8,800	6,534	74.3%
Effective income tax rate	**27.5%**	23.4%	4.1%	–
Net income	**23,728**	19,748	3,980	20.2%
Diluted earnings per share	**1.69**	1.42	0.27	19.0%
Adjusted (Normalized) Financial Results[1]				
Adjusted EBITDA margin	**18.6%**	15.7%	2.9%	–
Adjusted operating earnings	**48,052**	33,368	14,684	44.0%
Adjusted operating margin	**15.8%**	12.9%	2.9%	–
Adjusted earnings	**23,728**	18,600	5,128	27.6%
Adjusted earnings per share	**1.69**	1.34	0.35	26.1%
Key Performance Indicators[1]				
Same store revenue growth	**16.3%**	19.6%	(3.3%)	–
Same store revenue growth excluding *easyfinancial*	**4.7%**	2.6%	2.1%	–
***easyhome* Leasing**				
Potential monthly lease revenue	**10,651**	10,955	(304)	(2.8%)
Change in potential monthly lease revenue due to ongoing operations	**(98)**	143	(241)	168.5%
easyhome Leasing revenue	**152,605**	158,322	(5,717)	(3.6%)
easyhome Leasing operating margin	**16.2%**	15.4%	0.8%	–
easyfinancial				
Gross consumer loans receivable	**289,426**	192,225	97,201	50.6%
Growth in gross consumer loans receivable	**97,201**	81,521	15,680	19.2%
Gross loan originations	**330,689**	233,805	96,884	41.4%
easyfinancial revenue	**151,668**	100,828	50,840	50.4%
Bad debt expense as a percentage of *easyfinancial* revenue	**27.6%**	24.1%	3.5%	–
Net charge offs as a percentage of average gross consumer loans receivable	**14.8%**	13.0%	1.8%	–
easyfinancial operating margin	**30.8%**	32.7%	(1.9%)	–

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Store Locations Summary

	Locations as at Dec. 31, 2014	Locations opened / aquired during period	Locations closed / sold during period	Conversions	Locations as at Dec. 31, 2015
***easyhome* Leasing**					
Corporately owned stores	163	5	(10)	(3)	**155**
Consolidated franchise locations	6	–	(3)	–	**3**
Total consolidated stores	169	5	(13)	(3)	**158**
Total franchise stores	23	–	–	3	**26**
Total *easyhome* Leasing stores	192	5	(13)	–	**184**
easyfinancial					
Kiosks (in store)	64	2	(3)	(12)	**51**
Stand-alone locations	89	50	(1)	12	**150**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	154	52	(4)	–	**202**

Summary of Financial Results by Operating Segment

($ in 000's except earnings per share)	Year Ended December 31, 2015			
	easyhome Leasing	*easyfinancial*	Corporate	Total
Revenue	**152,605**	**151,668**	**–**	**304,273**
Total operating expenses before depreciation and amortization	**77,724**	**99,607**	**22,794**	**200,125**
Depreciation and amortization	**50,214**	**5,289**	**593**	**56,096**
Operating income (loss)	**24,667**	**46,772**	**(23,387)**	**48,052**
Finance costs				**15,334**
Income before income taxes				**32,718**
Income taxes				**8,990**
Net income				**23,728**
Diluted earnings per share				**1.69**

($ in 000's except earnings per share)	Year Ended December 31, 2014			
	easyhome Leasing	*easyfinancial*	Corporate	Total
Revenue	158,322	100,828	–	259,150
Total operating expenses before depreciation and amortization and restructuring and other items	81,305	64,524	23,312	169,141
Restructuring and other items	–	–	(1,225)	(1,225)
Depreciation and amortization	52,711	3,298	632	56,641
Operating income (loss)	24,306	33,006	(22,719)	34,593
Finance costs				8,800
Income before income taxes				25,793
Income taxes				6,045
Net income				19,748
Diluted earnings per share				1.42

Revenue

Revenue for the year ended December 31, 2015 was $304.3 million compared to $259.2 million in 2014, an increase of $45.1 million or 17.4%. The increase was driven by the growth of *easyfinancial*.

easyhome Leasing: Revenue for the year ended December 31, 2015 was $152.6 million, a decrease of $5.7 million from 2014. The year-over-year change in revenue can be attributed to:

- Revenue growth across the Canadian store network (excluding the impact of store transactions) was $2.0 million in 2015 when compared with the prior year. The growth was driven by improved pricing to offset the higher cost of acquiring inventory in U.S. dollars. Similarly, same store sales growth excluding the impact of *easyfinancial* was 4.7% in the year.
- The Company completed several transactions over the past two years to acquire merchandise lease portfolios as well as closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $2.5 million in 2015 when compared to the prior year.
- Revenue in the year was also impacted by the sale of the Company's royalty rights from its U.S. franchise network that were sold in the fourth quarter of 2014 and the deconsolidation of franchise locations that were previously consolidated for financial reporting purposes. These factors reduced revenue by $1.3 million and $3.9 million respectively in the year compared to 2014.

easyfinancial: Revenue for the year ended December 31, 2015 was $151.7 million, an increase of $50.8 million or 50.4% from 2014. The increase was due to the growth of the gross consumer loans receivable portfolio, which increased from $192.2 million as at December 31, 2014 to $289.4 million as at December 31, 2015, an increase of $97.2 million or 50.6%.

During 2015, the company realized a reduction in the yield it achieved on its portfolio. The average loan size increased due to strong demand for the Company's larger dollar value loan products. Higher value loans have lower pricing on certain ancillary products to account for the lower overall risk. As a result, the commission earned by the Company on the sale of the ancillary products was lower. The overall portfolio yield in 2015 declined by 3.7% when compared to 2014.

The gross consumer loans receivable portfolio grew by $97.2 million during the year ended December 31, 2015 as compared with growth of $81.5 million for 2014. Loan originations were also strong in the year at $330.7 million, up 41.4% compared with 2014.

Total Operating Expenses before Depreciation and Amortization (and Restructuring and Other Items)

Total operating expenses before depreciation and amortization and restructuring and other items were $200.1 million for the year ended December 31, 2015, an increase of $31.0 million or 18.3% from the comparable period in 2014. The increase was related to the higher operating expenses of the growing *easyfinancial* business and was somewhat offset by lower operating expenses within the leasing business. Operating expenses before depreciation and amortization and restructuring and other items represented 65.8% of revenue in 2015 as compared with 65.3% for 2014.

easyhome Leasing: Total operating expenses before depreciation and amortization for the year ended December 31, 2015 were $77.7 million, a decrease of $3.6 million or 4.4% from 2014. The decline was related to the reduced store count, improved labour efficiencies, the impact of the wind-down of the U.S. operations and a $1.4 million reduction in advertising costs. Consolidated leasing store count declined from 169 as at December 31, 2014 to 158 as at December 31, 2015.

easyfinancial: Total operating expenses before depreciation and amortization were $99.6 million for the year ended December 31, 2015, an increase of $35.1 million or 54.4% from 2014. Operating expenses excluding bad debt expense increased by $17.4 million or 43.3% in the year driven by: i) the increased cost of 48 additional branches when compared to December 31, 2014, including the additional operating expenses relating to the locations acquired in the first quarter of 2015, ii) $3.0 million in additional advertising and marketing costs to support the strong growth in the consumer loans receivable portfolio, iii) continued conversion of in-store kiosks towards higher capacity stand-alone branches, iv) higher costs associated with *easyfinancial*'s Shared Service Centre to support the increase in loan originations, and v) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 154 as at December 31, 2014 to 202 as at December 31, 2015.

Bad debt expense increased to $41.9 million for the year ended December 31, 2015 from $24.3 million in 2014, up $17.6 million or 72.8%. Net charge offs as a percentage of the average gross consumer loans receivable on an annualized basis were 14.8% in 2015, up from 13.0% in 2014. The net charge-off rates for both 2015 and 2014 benefitted from the gain realized on the sale of previously charged-off accounts. Excluding this gain, net charge offs as a percentage of the average gross consumer loans receivable were 15.0% and 13.6% for 2015 and 2014, respectively.

The overall charge-off rate has increased as a larger proportion of loans have originated on-line. The Company's experience has shown that on-line-originated consumers have a higher charge-off rate than retail originated consumers. This higher charge-off rate was offset by an overall lower cost of acquisition for loans originated on-line due to more efficient advertising and reduced transaction support costs (labour, real estate, etc.), resulting in achieved margins from each of these two origination channels that were similar while the Company benefited from an overall increase in volume. The Company continues to expect that the net charge-off rate will be in the range of 14% to 16% for 2016.

Corporate: Total operating expenses before depreciation and amortization and restructuring and other items were $22.8 million in the year ended December 31, 2015 compared to $23.3 million in 2014, a decrease of $0.5 million. The decline was related to lower incentive compensation costs in the year ended December 31, 2015. First, accruals for short term incentive compensation were reduced by 38% (while earnings before tax increased by 27%) due to exceeding internal financial targets in 2014 whereas the financial results in 2015 were more in line with internal targets in 2015. Second, stock-based compensation expense was no longer impacted by changes in the Company's share price as it was in 2014 due to the move from cash settled units to stock settled units. Corporate expenses before depreciation and amortization and restructuring and other items represented 7.5% of revenue in 2015 compared to 9.0% of revenue in 2014.

Restructuring and other items: During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2015 was $56.1 million, a decrease of $0.5 million from 2014. Increased depreciation of property and equipment and intangible assets within *easyfinancial* was more than offset by the reduced depreciation within *easyhome* leasing. Overall depreciation and amortization represented 18.4% of revenue in 2015, an improvement from 21.9% in 2014.

Leasing depreciation and amortization expense declined by $2.5 million in the year compared with 2014 due to reductions in the lease portfolio (as described in the analysis of *easyhome* Leasing's revenue), improved pricing and margins, lower charge offs and a reduced impairment charge. Leasing depreciation and amortization expressed as a percentage of leasing revenue for the year was 32.9%, an improvement from the 33.3% reported for 2014.

The $2.0 million increase in depreciation and amortization within *easyfinancial* was attributable to its growing branch network and the amortization of new systems.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year ended December 31, 2015 was $48.1 million. Operating income in the prior year was $34.6 million or $33.4 million excluding the impact of restructuring and other items. On this normalized basis, operating income for the year ended December 31, 2015 increased by $14.7 million or 44.0%. Overall operating margin for the year ended December 31, 2015 was 15.8%, up from the 12.9% reported in 2014 and excluding the impact of restructuring and other items in the prior period. Overall operating margin benefitted from higher operating margins at the *easyhome* leasing business, strong margins at *easyfinancial* and an increasing percentage of the Company's operating income being generated by the higher margin *easyfinancial* business.

easyhome Leasing: Operating income was $24.7 million for the year ended December 31, 2015, up $0.4 million from 2014. The benefit of reduced advertising spend and improved store level performance was partially offset by the store transactions (sales, closures and acquisitions) completed during 2014 and 2015 and the removal of the U.S. royalty income in the fourth quarter of 2014. With the various store transactions completed during the year, the Company now has a smaller, but more profitable, store network. Operating margin for the year ended December 31, 2015 was 16.2%, up from the 15.4% reported in 2014.

easyfinancial: Operating income was $46.8 million for the year ended December 31, 2015 up from the $33.0 million reported in 2014, an increase of $13.8 million or 41.7%. Operating margin for the year was 30.8% compared with 32.7% reported in 2014. Operating margin was negatively impacted by the drag on earnings associated with the 45 locations acquired and opened in the first quarter of 2015 and by the reduction in the portfolio yield.

Finance Costs

Finance costs for the year were $15.3 million, up $6.5 million from 2014. The increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2015 was 27.5%, up from the 23.4% reported in 2014. During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S., which involved the sale of the Company's rights to future royalty payments from its U.S. franchisees. This resulted in a gain on sale in the Company's U.S. subsidiary which had adequate tax loss carryforwards to eliminate any tax payable on the transaction, thus resulting in a low effective income tax rate in the year. Excluding the impact of the Company's U.S. operations, the Company's effective tax rate for its Canadian operations for 2014 was 26.5%.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2015 was $23.7 million or $1.69 per share on a diluted basis. Excluding the impact of restructuring and other items which benefitted the year ended December 31, 2014, net income and diluted earnings per share in the prior year were $18.6 million and $1.34 respectively. On this normalized basis net income and diluted earnings per share increased by $5.1 million (27.6%) and $0.35 (26.1%) respectively.

Selected Annual Information

Operating Results

($ in 000's except per share amounts)	2015	2014	2013	2012	2011
Revenue	**304,273**	259,150	218,814	199,673	188,325
Net income	**23,728**	19,748	14,182	11,057	9,612
Dividends declared on common shares	**5,372**	4,530	4,178	4,043	4,029
Cash dividends declared per common share	**0.40**	0.34	0.34	0.34	0.34
Earnings Per Share					
Basic	**1.75**	1.47	1.16	0.93	0.81
Diluted	**1.69**	1.42	1.15	0.92	0.81

Assets and Liabilities

($ in 000's)	As At Dec. 31, 2015	As At Dec. 31, 2014	As At Dec. 31, 2013	As At Dec. 31, 2012	As At Dec. 31, 2011
Total Assets	**418,502**	319,472	232,900	189,927	159,123
Liabilities					
Bank debt	**–**	1,756	23,496	21,281	33,123
Term loan	**210,299**	119,841	37,878	18,330	–
Other	**32,144**	43,907	35,893	45,303	28,458
Total Liabilities	**242,443**	165,504	97,267	84,914	61,581

Analysis of Results for the Three Months Ended December 31, 2015

Fourth Quarter Highlights

- *goeasy* continued to grow revenue during the fourth quarter of 2015. Revenue for the quarter reached a record high of $82.9 million, up from the $70.0 million reported in the fourth quarter of 2014 and an increase of $12.8 million or 18.3%. The growth was driven primarily by the expansion of *easyfinancial* and its consumer loans receivable portfolio. Same-store revenue growth for the quarter, which includes revenue growth from *easyfinancial*, was 16.5%. Excluding the impact of *easyfinancial*, same-store revenue growth was 5.0%.

- The gross consumer loans receivable portfolio as at December 31, 2015 was $289.4 million compared with $192.2 million as at December 31, 2014, an increase of $97.2 million or 50.6%. The loan book grew by a record $35.8 million in the quarter compared with growth of $26.5 million in the fourth quarter of 2014. Loan originations were also strong in the quarter at $110.9 million, up 49.5% compared with the fourth quarter of 2014. Similarly, *easyfinancial* revenue increased by 46.1% in the quarter compared to the same period of 2014, driven by a larger consumer loans receivable portfolio.

- *easyfinancial* generated a strong operating margin of 32.9%, continuing to improve sequentially after the acquisition of 45 branches from a payday loan operator in the first quarter of 2015. *easyfinancial*'s operating income was $14.8 million for the fourth quarter of 2015 compared with $10.7 million for the comparable period in 2014, an increase of $4.1 million or 37.5% driven by the growth of the gross consumer loans receivable portfolio.

- The operating income of *easyhome* leasing increased 15.8% or $1.0 million for the fourth quarter of 2015, reaching $7.0 million. The improvement was driven by lower advertising spending and improved store level profitability driven by a smaller but more efficient store network. The operating margin for *easyhome* leasing reached 18.5% for the fourth quarter of 2015, up from the 15.4% reported in the fourth quarter of 2014.

- Operating income for fourth quarter of 2015 reached $15.0 million. This represented an increase of $4.7 million or 45.3% when compared to the normalized operating income (excluding restructuring and other charges) for the fourth quarter of 2014. Overall, operating margin for the quarter was 18.1%, up from the 14.7% normalized operating margin reported in the fourth quarter of 2014. Overall operating margin benefitted from higher operating margins at the *easyhome* leasing business, strong margins at *easyfinancial* and an increasing percentage of the Company's operating income being generated by the higher margin *easyfinancial* business.

- Net income for the fourth quarter of 2015 was $7.5 million or $0.54 per share on a diluted basis. Excluding the impact of restructuring and other items that benefitted the fourth quarter of 2014, net income and diluted earnings per share for the comparable period in 2014 were $6.0 million and $0.43, respectively. When compared to the normalized results for the fourth quarter of 2014, net income and earnings per share increased by $1.5 million (26.3%) and $0.11 (25.6%), respectively.

Summary Financial Results and Key Performance Indicators

(in $000's except earnings per share and percentages)	Three Months Ended Dec. 31, 2015	Dec. 31, 2014	Variance $ / %	Variance % Change
Summary Financial Results				
Revenue	**82,875**	70,042	12,833	18.3%
Operating expenses before depreciation and amortization	**53,813**	44,024	9,789	22.2%
EBITDA[1]	**17,161**	13,518	3,643	26.9%
EBITDA margin[1]	**20.7%**	19.3%	1.4%	–
Depreciation and amortization expense	**14,071**	14,476	(405)	(2.8%)
Operating income	**14,991**	11,542	3,449	29.9%
Operating margin[1]	**18.1%**	16.5%	1.6%	–
Finance costs	**4,605**	2,907	1,698	58.4%
Effective income tax rate	**27.5%**	17.6%	9.9%	–
Net income	**7,532**	7,112	420	5.9%
Diluted earnings per share	**0.54**	0.51	0.03	5.9%
Adjusted (Normalized) Financial Results[1]				
Adjusted EBITDA margin	**20.7%**	17.6%	3.1%	–
Adjusted operating earnings	**14,991**	10,317	4,674	45.3%
Adjusted operating margin	**18.1%**	14.7%	3.4%	–
Adjusted earnings	**7,532**	5,964	1,568	26.3%
Adjusted earnings per share	**0.54**	0.43	0.11	25.6%
Key Performance Indicators[1]				
Same store revenue growth	**16.5%**	20.8%	(4.3%)	–
Same store revenue growth excluding *easyfinancial*	**5.0%**	2.6%	2.4%	–
***easyhome* Leasing**				
Potential monthly lease revenue	**10,651**	10,955	(304)	(2.8%)
Change in potential monthly lease revenue due to ongoing operations	**314**	593	(279)	(47.0%)
easyhome Leasing revenue	**38,049**	39,370	(1,321)	(3.4%)
easyhome Leasing operating margin	**18.5%**	15.4%	3.1%	–
easyfinancial				
Gross consumer loans receivable	**289,426**	192,225	97,201	50.6%
Growth in consumer loans receivable	**35,819**	26,505	9,314	35.1%
Gross loan originations	**110,895**	74,198	36,697	49.5%
easyfinancial revenue	**44,826**	30,672	14,154	46.1%
Bad debt expense as a percentage of *easyfinancial* revenue	**30.1%**	22.0%	8.1%	–
Net charge offs as a percentage of average gross consumer loans receivable	**15.5%**	11.3%	4.2%	–
easyfinancial operating margin	**32.9%**	35.0%	(2.1%)	–

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Store Locations Summary

	Locations as at Sept. 30, 2015	Locations opened during quarter	Locations closed / sold during quarter	Conversions	Locations as at Dec. 31, 2015
***easyhome* Leasing**					
Corporately owned stores	157	–	(1)	(1)	**155**
Consolidated franchise locations	4	–	(1)	–	**3**
Total consolidated stores	161	–	(2)	(1)	**158**
Total franchise stores	25	–	–	1	**26**
Total *easyhome* Leasing stores	186	–	(2)	–	**184**
easyfinancial					
Kiosks (in store)	52	–	–	(1)	**51**
Stand-alone locations[1]	148	1	–	1	**150**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	201	1	–	–	**202**

Summary Financial Results by Operating Segment

($ in 000's except earnings per share)	Three Months Ended December 31, 2015			
	easyhome Leasing	*easyfinancial*	Corporate	Total
Revenue	**38,049**	**44,826**	**–**	**82,875**
Total operating expenses before depreciation and amortization	**18,520**	**28,616**	**6,677**	**53,813**
Depreciation and amortization	**12,489**	**1,449**	**133**	**14,071**
Operating income (loss)	**7,040**	**14,761**	**(6,810)**	**14,991**
Finance costs				**4,605**
Income before income taxes				**10,386**
Income taxes				**2,854**
Net income				**7,532**
Diluted earnings per share				**0.54**

($ in 000's except earnings per share)	Three Months Ended December 31, 2014			
	easyhome Leasing	*easyfinancial*	Corporate	Total
Revenue	39,370	30,672	–	70,042
Total operating expenses before depreciation and amortization and restructuring and other items	19,944	18,972	6,333	45,249
Restructuring and other items	–	–	(1,225)	(1,225)
Depreciation and amortization	13,344	968	164	14,476
Operating income (loss)	6,082	10,732	(5,272)	11,542
Finance costs				2,907
Income before income taxes				8,635
Income taxes				1,523
Net income				7,112
Diluted earnings per share				0.51

Revenue

Revenue for the three-month period ended December 31, 2015 was $82.9 million compared to $70.0 million in the same period in 2014, an increase of $12.8 million or 18.3%. Same-store sales growth for the quarter was 16.5%. Revenue growth was driven primarily by the growth of *easyfinancial*.

easyhome Leasing: Revenue for the three-month period ended December 31, 2015 was $38.0 million, a decrease of $1.3 million when compared with the fourth quarter of 2014. Factors impacting revenue in the period included the following:

- Revenue growth across the Canadian store network (excluding the impact of store transactions) was $0.4 million in the fourth quarter of 2015 compared with the fourth quarter of 2014, driven primarily by improved pricing to offset the higher cost of acquiring inventory in U.S. dollars. Similarly, same store sales growth within *easyhome* Leasing was 5.0% in the quarter.
- The Company completed several transactions over the past 15 months to acquire merchandise lease portfolios (including the acquisition of the lease portfolio of 14 rent-to-own stores from a large U.S.-based rent-to-own company completed in third quarter of 2015) and closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $0.1 million in the quarter when compared to the fourth quarter of 2014.
- Revenue in the quarter was also reduced by the sale of the Company's royalty rights from its U.S. franchise network that were sold in the fourth quarter of 2014 and the deconsolidation of franchise locations that were previously consolidated for financial reporting purposes. These factors reduced revenue by $0.3 million and $1.3 million, respectively, in the quarter compared with the fourth quarter of 2014.

easyfinancial: Revenue for the three-month period ended December 31, 2015 was $44.8 million, an increase of $14.2 million or 46.1% from the comparable period in 2014. The increase was due to the growth of the gross consumer loans receivable portfolio, which increased from $192.2 million as at December 31, 2014 to $289.4 million as at December 31, 2015, an increase of $97.2 million or 50.6%. While the gross consumer loans receivable portfolio grew 50.6% over the past 12 months, *easyfinancial*'s revenue grew at a lower rate of 46.1% compared with the fourth quarter of 2014 due to a reduction in the achieved yield as previously described. The annualized yield declined by 2.4% in the fourth quarter of 2015 compared to the fourth quarter of 2014.

The gross consumer loans receivable portfolio experienced record growth of $35.8 million in the quarter compared with growth of $26.5 million for the fourth quarter of 2014. Loan originations in the quarter were $110.9 million, up 49.5% compared to the fourth quarter of 2014.

Total Operating Expenses before Depreciation and Amortization (and Restructuring and Other Items)

Total operating expenses before depreciation and amortization and restructuring and other items were $53.8 million for the three-month period ended December 31, 2015, an increase of $8.6 million or 18.9% from the comparable period in 2014. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business and somewhat offset by lower costs within the *easyhome* leasing business. Total operating expenses before depreciation and amortization and restructuring and other items represented 64.9% of revenue for the fourth quarter of 2015, consistent with the 64.6% reported in the fourth quarter of 2014.

easyhome Leasing: Total operating expenses before depreciation and amortization for the three-month period ended December 31, 2015 were $18.5 million, a decrease of $1.4 million from the $19.9 million reported in the fourth quarter of 2014. The costs savings were driven by the reduced store count, improved labour efficiencies, the impact of the wind down of the U.S. operations and a $0.9 million reduction in advertising spend. Consolidated leasing store count declined by 11 from 169 as at December 31, 2014 to 158 as at December 31, 2015.

easyfinancial: Total operating expenses before depreciation and amortization were $28.6 million for the fourth quarter of 2015, an increase of $9.6 million or 50.8% from the fourth quarter of 2014. Operating expenses, excluding bad debt, increased by $2.9 million or 24.0% in the quarter driven by: i) the increased cost of 48 additional branches when compared to December 31, 2014, including the additional operating expenses relating to the locations acquired in the first quarter of 2015, ii) an additional $0.9 million in advertising and marketing investment to support the strong growth in the consumer loans receivable portfolio, iii) the continued conversion of in-store kiosks towards higher capacity stand-alone branches, iv) higher costs associated with *easyfinancial*'s Shared Service Centre to support the increase in loan originations and collection activities and v) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 154 as at December 31, 2014 to 202 as at December 31, 2015.

Bad debt expense increased to $13.5 million for the fourth quarter of 2015 from $6.8 million during the comparable period in 2014. Bad debt expense in the fourth quarter of 2014 benefitted from the sale of certain charged-off accounts to a third-party collection firm. This sale reduced bad debt expense, which is net of recoveries, in the comparable period by $0.9 million. Excluding the impact of this sale, bad debt expense in the quarter increased by $5.8 million or 75.3%.

Net charge offs as a percentage of the average gross consumer loans receivable on an annualized basis were 15.5% in the quarter compared with 13.2% in the fourth quarter of 2014, excluding the impact of the aforementioned charged-off account sale. The overall charge-off rate has increased as a larger proportion of loans have originated on-line. The Company's experience has shown that on-line-originated consumers have a higher charge-off rate than retail originated consumers. This higher charge-off rate was offset by an overall lower cost of acquisition for loans originated on-line due to more efficient advertising and reduced transaction support costs (labour, real estate, etc.) for such loan originations resulting in achieved margins from each of these two origination channels that were similar while the Company benefited from an overall increase in volume. The Company continues to expect that the net charge-off rate will be in the range of 14% to 16% for 2016.

Corporate: Total operating expenses before depreciation and amortization and restructuring and other items were $6.7 million for the fourth quarter of 2015 compared to $6.3 million in the fourth quarter of 2014, an increase of $0.4 million. The increase was related to higher salary and administrative costs in the fourth quarter of 2015 and was somewhat offset by lower incentive compensation costs in the year ended December 31, 2015 as previously described. Corporate expenses before depreciation and amortization and restructuring and other items represented 8.1% of revenue in the fourth quarter of 2015 compared to 9.0% of revenue in the fourth quarter of 2014.

Restructuring and other items: During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges that consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended December 31, 2015 was $14.1 million, a decrease of $0.4 million from the comparable period in 2014. Overall, depreciation and amortization represented 17.0% of revenue for the three months ended December 31, 2015, a decrease from 20.7% in the comparable period of 2014.

easyhome Leasing depreciation and amortization expense declined by $0.9 million in the fourth quarter of 2015 compared to the fourth quarter of 2014 due to reductions in the lease portfolio (as described in the analysis of *easyhome* Leasing's revenue), improved pricing and margins, lower charge offs and an impairment recovery in the quarter compared with an impairment charge in the fourth quarter of 2014. Leasing depreciation and amortization expressed as a percentage of leasing revenue for the quarter was 32.8%, a decrease from the 33.9% reported in the fourth quarter of 2014.

The $0.5 million increase in depreciation and amortization within *easyfinancial* was attributable to its growing branch network and the amortization of new systems.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended December 31, 2015 was $15.0 million. Normalized operating income in the comparable prior of 2014, excluding restructuring and other items, was $10.3 million. Normalizing the 2014 results, operating income in the current quarter increased by $4.7 million or 45.3%. Higher operating incomes within the leasing business and *easyfinancial* were partially offset by higher corporate costs. Overall, operating margin for the quarter was 18.1%, up from the 14.7% reported in the fourth quarter of 2014 excluding the impact of restructuring and other items in the prior period. Overall operating margin benefitted from higher operating margins at the *easyhome* leasing business, strong margins at *easyfinancial* and an increasing percentage of the Company's operating income being generated by the higher margin *easyfinancial* business.

***easyhome* Leasing:** Operating income was $7.0 million for the fourth quarter of 2015, an increase of $1.0 million when compared with the fourth quarter of 2014. While overall revenue declined in the quarter when compared with the fourth quarter of 2014 due to the smaller store network and the prior sale of the U.S royalty income, operating income was positively impacted by lower advertising spend and improved store level profitability driven by a smaller but more efficient store network. Operating margin for the fourth quarter of 2015 was 18.5%, an increase from 15.4% reported in the fourth quarter of 2014.

easyfinancial: Operating income was $14.8 million for the fourth quarter of 2015 compared with $10.7 million for the comparable period in 2014, an increase of $4.1 million or 37.5%. The increase in operating income was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue. Operating margin was 32.9% in the quarter compared with 35.0% reported in the fourth quarter of 2014. However, the operating margin in the fourth quarter of 2014 benefited from the charge off sale and excluding the impact of this sale was 32.2%.

Finance Costs

Finance costs for the three-month period ended December 31, 2015 were $4.6 million, up $1.7 million from the same period in 2014. This increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2015 was 27.5% compared to 17.6% in the fourth quarter of 2014. The Company recorded certain gains on the sale of its U.S. royalty rights in the fourth quarter of 2014 which had adequate tax loss carryforwards to eliminate any tax payable on the transaction thus resulting in a lower effective tax rate in the prior period.

Net Income and EPS

Net income for the fourth quarter of 2015 was $7.5 million or $0.54 per share on a diluted basis. Excluding the impact of restructuring and other items that benefitted the fourth quarter of 2014 net income and diluted earnings per share were $6.0 million and $0.43 respectively, for the comparable period in 2014. Normalizing the 2014 results, net income and diluted earnings per share increased by $1.5 million (26.3%) and $0.11 (25.6%) respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	Dec. 2015	Sept. 2015	Jun. 2015	Mar. 2015	Dec. 2014	Sept. 2014	Jun. 2014	Mar. 2014	Dec. 2013
Revenue	**82.9**	78.0	72.9	70.5	70.0	65.5	63.2	60.3	57.8
Net income for the period	**7.5**	6.3	5.0	4.9	7.1	3.5	4.5	4.6	4.3
Net income as a percentage of revenue	**9.1%**	8.0%	6.9%	7.0%	10.2%	5.3%	7.2%	7.7%	7.5%
Earnings per Share[1]									
Basic	**0.56**	0.46	0.37	0.36	0.53	0.26	0.34	0.35	0.34
Diluted	**0.54**	0.45	0.36	0.35	0.51	0.25	0.33	0.34	0.33

[1]Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.

Portfolio Analysis

The Company generates its revenue from a portfolio of lease agreements and consumer loans receivable that are originated through the initial transaction with its customers. To a large extent, the business results for a period are determined by the performance of these portfolios, and the make-up of the portfolios at the end of a period are an important indicator of future business results.

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

easyhome Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio through potential monthly lease revenue. Potential monthly lease revenue reflects the revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments due in that period. Growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of the leased items.

The change in the potential monthly lease revenue during the periods was as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Opening potential monthly lease revenue	**10,555**	10,655	**10,955**	11,430
Change due to store openings or acquisitions during the period	**–**	73	**548**	104
Change due to store closures or sales during the period	**(218)**	(366)	**(754)**	(722)
Change due to ongoing operations	**314**	593	**(98)**	143
Net change	**96**	300	**(304)**	(475)
Ending potential monthly lease revenue	**10,651**	10,955	**10,651**	10,955

easyhome Leasing Portfolio by Product Category

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated between the following product categories:

($ in 000's)	Dec. 31, 2015	Dec. 31, 2014
Furniture	**4,369**	4,191
Appliances	**1,174**	1,196
Electronics	**3,547**	3,706
Computers	**1,561**	1,862
Potential monthly lease revenue	**10,651**	10,955

easyhome Leasing Portfolio by Geography

At the end of the periods, the Company's Leasing portfolio as measured by potential monthly lease revenue was allocated between the following geographic regions:

	December 31, 2015		December 31, 2014	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**936**	**8.8%**	944	8.6%
Nova Scotia	**842**	**7.9%**	864	7.9%
Prince Edward Island	**199**	**1.9%**	202	1.8%
New Brunswick	**729**	**6.8%**	734	6.7%
Quebec	**575**	**5.4%**	571	5.2%
Ontario	**3,900**	**36.5%**	3,956	36.1%
Manitoba	**263**	**2.5%**	265	2.4%
Saskatchewan	**613**	**5.8%**	728	6.7%
Alberta	**1,470**	**13.8%**	1,430	13.1%
British Columbia	**986**	**9.3%**	953	8.7%
USA	**138**	**1.3%**	308	2.8%
Potential monthly lease revenue	**10,651**	**100.0%**	10,955	100.0%

easyhome Leasing Charge-Offs

When *easyhome* Leasing enters into a leasing transaction with a customer, a sale is not recorded as the Company retains ownership of the related asset under the lease. Instead, the Company recognizes its leasing revenue over the term of the lease as payments are received from the customer. Periodically, the lease agreement is terminated by the customer or by the Company prior to the anticipated end date of the lease and the assets are returned by the customer to the Company. In some instances, the Company is unable to regain possession of the assets which are then charged off. Net charge offs (charge offs less subsequent recoveries of previously charged-off assets) are included in the depreciation of lease assets expense for financial reporting purposes.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Net charge offs	**1,254**	1,352	**4,292**	5,029
Leasing revenue	**38,049**	39,370	**152,605**	158,322
Net charge offs as a percentage of *easyhome* Leasing revenue	**3.3%**	3.4%	**2.8%**	3.2%

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings.

When the Company extends additional credit to an existing customer, a full credit underwriting is performed using up-to-date information. Additionally, the loan repayment history of that customer throughout their relationship with the Company is considered in the credit decision. As a result, the quality of the credit decision is improved and is expected to result in better performance.

Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings.

The gross loans originations and net principal written during the period were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Loan originations to new customers	**45,804**	33,011	**144,807**	104,194
Loan originations to existing customers	**65,091**	41,187	**185,882**	129,611
Less: Proceeds applied to repay existing loans	**(31,565)**	(21,091)	**(88,830)**	(63,243)
Net advance to existing customers	**33,526**	20,096	**97,052**	66,368
Net principal written	**79,330**	53,107	**241,859**	170,562

Gross Consumer Loans Receivable

The measure that the Company uses to measure its *easyfinancial* portfolio is gross consumer loans receivable. Gross consumer loans receivable reflects the period-end balance of the portfolio before provisioning for potential future charge offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. The changes in the gross consumer loans receivable portfolio during the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Opening gross consumer loans receivable	**253,607**	165,720	**192,225**	110,704
Gross loan originations	**110,895**	74,198	**330,689**	233,805
Gross principal payments and other adjustments	**(63,289)**	(41,047)	**(194,527)**	(130,682)
Gross charge offs before recoveries	**(11,787)**	(6,646)	**(38,961)**	(21,602)
Net growth in gross consumer loans receivable during the period	**35,819**	26,505	**97,201**	81,521
Ending gross consumer loans receivable	**289,426**	192,225	**289,426**	192,225

Net Charge Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge offs of delinquent customers. The Company charges off delinquent customers when they are 90 days contractually in arrears. Subsequent collections of previously charged-off accounts are netted with gross charge offs during a period to arrive at net charge offs.

Average gross consumer loans receivable has been calculated based on the average of the month-end loan balances for the indicated period. This metric is a measure of the collection performance of the *easyfinancial* consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Net charge offs	**10,707**	5,167	**35,000**	19,500
Average gross consumer loans receivable	**275,714**	182,548	**236,392**	149,615
Net charge offs as a percentage of average gross consumer loans receivable (annualized)	**15.5%**	11.3%	**14.8%**	13.0%

easyfinancial Bad Debt Expenses

The Company's bad debt expense for a period includes the net charge offs for that particular period plus any increases or decreases to its allowance for loan losses. The details of the Company's bad debt expense for the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Net charge offs	**10,707**	5,167	**35,000**	19,500
Net change in allowance for loan losses	**2,766**	1,590	**6,933**	4,764
Bad debt expense	**13,473**	6,757	**41,933**	24,264
easyfinancial revenue	**44,826**	30,672	**151,668**	100,828
Bad debt expense as a percentage of *easyfinancial* revenue	**30.1%**	22.0%	**27.6%**	24.1%

easyfinancial Allowance for Loan Losses

The allowance for loan losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that is not subject to management's discretion or estimates that considers i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge offs that are expect to occur over the subsequent five month period for loans that existed as of the balance sheet date.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Allowance for loan losses, beginning of period	**15,700**	9,941	**11,532**	6,768
Net charge offs written off against the allowance	**(10,707)**	(5,166)	**(35,000)**	(19,500)
Change in allowance due to lending and collection activities	**13,472**	6,757	**41,933**	24,264
Allowance for loan losses, ending of period	**18,465**	11,532	**18,465**	11,532
Allowance for loan losses as a percentage of the ending gross consumer loans receivable	**6.38%**	6.00%	**6.38%**	6.00%

Aging of the Consumer Loans Receivable Portfolio

An aging analysis of the consumer loans receivable portfolio at the end of the periods was as follows:

	December 31, 2015		December 31, 2014	
($ in 000's except percentages)	$	% of total	$	% of total
Current	**269,711**	93.2%	**178,590**	92.9%
Days past due				
1 - 30 days	**12,282**	4.2%	**9,004**	4.7%
31 - 44 days	**2,256**	0.8%	**1,505**	0.8%
45 - 60 days	**1,919**	0.7%	**1,273**	0.7%
61 - 90 days	**3,258**	1.1%	**1,853**	0.9%
	19,715	6.8%	**13,635**	7.1%
Gross consumer loans receivable	**289,426**	100.0%	**192,225**	100.0%

A large portion of the Company's consumer loans receivable portfolio operates on a bi-weekly rather than monthly repayment cycle. As such, the aging analysis between different fiscal periods may not be comparable depending upon the day of the week on which the fiscal period ends. An alternate aging analysis prepared as of the last Saturday of the fiscal periods often presents a more relevant comparison.

An aging analysis of the consumer loans receivable portfolio as of the last Saturday of the periods was as follows:

	Saturday, Dec. 26, 2015	Saturday, Dec. 27, 2014
	% of total	% of total
Current	**92.6%**	92.4%
Days past due		
1 - 30 days	**4.8%**	5.2%
31 - 44 days	**0.7%**	0.8%
45 - 60 days	**0.8%**	0.7%
61 - 90 days	**1.1%**	0.9%
	7.4%	7.6%
Gross consumer loans receivable	**100%**	100%

easyfinancial Consumer Loans Receivable Portfolio by Geography

At the end of the periods, the Company's *easyfinancial* consumer loans receivable portfolio was allocated between the following geographic regions:

	December 31, 2015		December 31, 2014	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**15,753**	**5.4%**	11,773	6.1%
Nova Scotia	**23,501**	**8.1%**	18,715	9.7%
Prince Edward Island	**3,849**	**1.3%**	2,757	1.4%
New Brunswick	**16,227**	**5.6%**	12,115	6.3%
Quebec	**–**	**–**	–	–
Ontario	**126,832**	**44.0%**	84,393	43.9%
Manitoba	**11,412**	**3.9%**	6,826	3.7%
Saskatchewan	**15,560**	**5.4%**	9,567	5.0%
Alberta	**41,097**	**14.2%**	24,872	12.9%
British Columbia	**32,491**	**11.2%**	19,600	10.2%
Territories	**2,704**	**0.9%**	1,607	0.8%
Gross consumer loans receivable	**289,426**	**100.0%**	192,225	100.0%

Key Performance Indicators and Non-IFRS Measures

Fourth Quarter Highlights

In addition to the reported financial results under IFRS and the metrics described in the Portfolio Analysis section of this MD&A, the Company also measures the success of its strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that are used throughout this discussion are defined as follows:

Same-Store Revenue Growth

Same-store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same-store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same-store revenue growth is influenced by both the Company's product offerings as well as the number of stores which have been open for a 12-36 month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		Year Ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Same-store revenue growth	**16.5%**	20.8%	**16.3%**	19.6%
Same-store revenue growth excluding *easyfinancial*	**5.0%**	2.6%	**4.7%**	2.6%

Adjusted Operating Earnings, Adjusted Operating Margin, Adjusted Earnings, Adjusted Earnings Per Share

At various times, operating income, operating margin, net income and earnings per share may be affected by unusual items that have occurred in the period and impact the comparability of these measures with other periods. The Company defines operating margin as operating income divided by revenue. Items are considered unusual if they are outside of normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. The Company defines i) adjusted operating earnings as operating income excluding such unusual and non-recurring items, ii) adjusted earnings as net income excluding such items and iii) adjusted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted operating earnings, adjusted earnings and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to adjust operating income, net income and earnings per share for the three months and years ended December 31, 2015 and 2014 include those indicated in the chart below:

	Three Months Ended		Year Ended	
($ in 000's except earnings per share and percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Operating income as stated	**14,991**	11,542	**48,052**	34,593
Divided by revenue	**82,875**	70,042	**304,273**	259,150
Operating margin	**18.1%**	16.5%	**15.8%**	13.3%
Operating income as stated	**14,991**	11,542	**48,052**	34,593
Restructuring and other items included in operating expenses[1]	–	(1,225)	–	(1,225)
Adjusted operating earnings	**14,991**	10,317	**48,052**	33,368
Divided by revenue	**82,875**	70,042	**304,273**	259,150
Adjusted operating margin	**18.1%**	14.7%	**15.8%**	12.9%
Net income as stated	**7,532**	7,112	**23,728**	19,748
Restructuring and other items included in operating expenses[1]	–	(1,225)	–	(1,225)
Tax impact of above items	–	77	–	77
After tax impact	–	(1,148)	–	(1,148)
Adjusted earnings	**7,532**	5,964	**23,728**	18,600
Weighted average number of shares outstanding	**14,069**	14,002	**14,037**	13,944
Diluted earnings per share as stated	**0.54**	0.51	**1.69**	1.42
Per share impact of restructuring and other items	–	0.08	–	0.08
Adjusted earnings per share	**0.54**	0.43	**1.69**	1.34

[1] During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind-down involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1,225 was recorded as restructuring and other charges within operating income. No further related charges are expected in future periods.

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

	Three Months Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Operating expenses before depreciation and amortization as stated	**53,813**	44,024	44,024
Restructuring charges and other items included in operating expenses	**–**	–	1,225
Adjusted operating expenses before depreciation and amortization	**53,813**	44,024	45,249
Divided by revenue	**82,875**	70,042	70,042
Operating expenses before depreciation and amortization as % of revenue	**64.9%**	62.9%	64.6%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Operating expenses before depreciation and amortization as stated	**200,125**	167,916	167,916
Restructuring charges and other items included in operating expenses	**–**	–	1,225
Adjusted operating expenses before depreciation and amortization	**200,125**	167,916	169,141
Divided by revenue	**304,273**	259,150	259,150
Operating expenses before depreciation and amortization as % of revenue	**65.8%**	64.8%	65.3%

Operating Margin

The Company defines operating margin as operating income divided by revenue for the Company as a whole and for its operating segments: *easyhome* Leasing and *easyfinancial*. The Company believes operating margin is an important measure of the profitability of its operations, which in turn assists it in assessing the Company's ability to generate cash to pay interest on its debt and to pay dividends.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
***easyhome* Leasing**				
Operating income	**7,040**	6,082	**24,667**	24,306
Divided by revenue	**38,049**	39,370	**152,605**	158,322
***easyhome* Leasing operating margin**	**18.5%**	15.4%	**16.2%**	15.4%
easyfinancial				
Operating income	**14,761**	10,732	**46,772**	33,006
Divided by revenue	**44,826**	30,672	**151,668**	100,828
***easyfinancial* operating margin**	**32.9%**	35.0%	**30.8%**	32.7%
Total				
Operating income	**14,991**	11,542	**48,052**	34,593
Divided by revenue	**82,875**	70,042	**304,273**	259,150
Total operating margin	**18.1%**	16.5%	**15.8%**	13.3%
Total (adjusted)				
Operating income as stated	**14,991**	11,542	**48,052**	34,593
Restructuring and other items included in operating expenses	**–**	(1,225)	**–**	(1,225)
Adjusted operating earnings	**14,991**	10,317	**48,052**	33,368
Divided by revenue	**82,875**	70,042	**304,273**	259,150
Total (adjusted) operating margin	**18.1%**	14.7%	**15.8%**	12.9%

Earnings before Interest, Taxes, Depreciation and Amortization ["EBITDA"] and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of lease assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenue.

	Three Months Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Net income as stated	**7,532**	**7,112**	7,112
Finance costs	**4,605**	**2,907**	2,907
Income Tax Expense	**2,854**	**1,523**	1,523
Depreciation and amortization, excluding dep. of lease assets	**2,170**	**1,976**	1,976
EBITDA	**17,161**	**13,518**	13,518
Restructuring and other items included in operating expenses	**–**	**–**	(1,225)
Adjusted EBITDA	**17,161**	**13,518**	12,293
Divided by revenue	**82,875**	**70,042**	70,042
EBITDA margin	**20.7%**	**19.3%**	17.6%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Net income as stated	**23,728**	**19,748**	19,748
Finance costs	**15,334**	**8,800**	8,800
Income Tax Expense	**8,990**	**6,045**	6,045
Depreciation and amortization, excluding dep. of lease assets	**8,689**	**7,216**	7,216
EBITDA	**56,741**	**41,809**	41,809
Restructuring and other items included in operating expenses	**–**	**–**	(1,225)
Adjusted EBITDA	**56,741**	**41,809**	40,584
Divided by revenue	**304,273**	**259,150**	259,150
EBITDA margin	**18.6%**	**16.1%**	15.7%

Return on Equity

The Company defines return on equity as annualized net income in the period divided by average shareholders' equity for the period. The Company believes return on equity is an important measure of how shareholders' invested capital is utilized in the business.

	Three Months Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Net income as stated	**7,532**	**7,112**	7,112
Restructuring and other items included in operating expenses	–	–	(1,225)
Tax impact of above items	–	–	77
After tax impact	–	–	(1,148)
Adjusted earnings	**7,532**	**7,112**	5,964
Multiplied by number of periods in year	**X 4/1**	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**172,446**	**150,561**	150,561
Return on equity	**17.5%**	**18.9%**	15.8%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2014 (adjusted)
Net income as stated	**23,728**	**19,748**	19,748
Restructuring and other items included in operating expenses	–	–	(1,225)
Tax impact of above items	–	–	77
After tax impact	–	–	(1,148)
Adjusted net income	**23,728**	**19,748**	18,600
Divided by average shareholders' equity for the period	**164,480**	**144,110**	144,110
Return on equity	**14.4%**	**13.7%**	12.9%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2015 and December 31, 2014.

($ in 000's except for ratios)	Dec. 31, 2015	Dec. 31, 2014
Consumer loans receivable (net of allowance)	**270,961**	180,693
Lease assets	**60,753**	64,526
Cash	**11,389**	1,165
Property and equipment	**18,689**	16,915
Intangible assets	**14,041**	11,006
Amounts receivable	**13,000**	16,508
Other assets	**29,669**	28,659
Total assets	**418,502**	319,472
External debt (includes term loan)	**210,299**	121,597
Other liabilities	**32,144**	43,907
Total liabilities	**242,443**	165,504
Shareholders' equity	**176,059**	153,968
Total capitalization (total debt plus total shareholders' equity)	**386,358**	275,565
External debt to shareholders' equity	**1.19**	0.79
External debt to total capitalization	**0.54**	0.44
External debt to EBITDA[1]	**3.71**	2.91

[1] EBITDA excludes the impact of restructuring and other unusual items.

Total assets were $418.5 million as at December 31, 2015, an increase of $99.0 million or 31.0% over December 31, 2014. The growth in total assets was driven primarily by: i) the increased size of the consumer loans receivable portfolio (net of allowance) which increased by $90.3 million over the past 12 months, ii) the Company's investment in property and equipment and intangible assets which increased by $4.8 million on a net basis, and iii) a $10.2 million increase in cash on hand related to the timing of advances on the Company's credit facilities.

The $99.0 million growth in total assets was financed by an $88.7 million increase in external debt and a $22.1 million increase in total shareholder's equity. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of *easyfinancial*.

On July 31, 2015, the Company increased its total credit facilities by $100 million, from $200 million to $300 million, while reducing the current interest rate on the term loan from 8.22% to 7.99%. The amended facilities were comprised of a $280 million term loan and a $20 million revolving operating facility. The increased capital will support the growth of *easyfinancial* into 2017. The amended facilities featured financial covenants that were more flexible and drawings that closely corresponded with the estimated cash flow requirements of the business. In addition, the expiry date was extended by 12 months to October 4, 2019.

As at December 31, 2015, $217.5 million had been drawn under the term loan. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps, 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 ratio. This credit facility expires on October 4, 2019 and was secured by a first charge over substantially all assets of the Company. As at December 31, 2015, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended Dec. 31, 2015	Three Months Ended Dec. 31, 2014	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Cash provided by operating activities before issuance of consumer loans receivable	**37,633**	17,385	**114,081**	94,077
Net issuance of consumer loans receivable	**(46,527)**	(31,671)	**(132,201)**	(101,021)
Cash (used in) provided by operating activities	**(8,894)**	(14,286)	**(18,120)**	(6,944)
Cash used in investing activities	**(13,451)**	(11,357)	**(54,916)**	(50,290)
Financing activities	**11,473**	20,752	**83,260**	56,070
Net (decrease) increase in cash for the period	**(10,872)**	(4,891)	**10,224**	(1,164)

Cash flows used in operating activities for the three-month period ended December 31, 2015 were $8.9 million. Included in this amount was a net investment of $46.5 million to increase the *easyfinancial* consumer loans receivable portfolio. If this net investment in the *easyfinancial* consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $37.6 million in the fourth quarter of 2015, up $20.2 million compared to the same period of 2014 driven primarily by i) higher net income; ii) an increase in non-cash expenses such as bad debts; and iii) improvements in working capital.

Cash flows provided by operating activities in the fourth quarter of 2015 enabled the Company to: i) meet the growth demands of *easyfinancial* as described above, ii) invest $13.0 million in new lease assets, iii) invest $1.9 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

During the quarter, the Company generated $11.5 million in cash flow from financing activities as the Company increased its borrowings under the credit facility to finance the growth of *easyfinancial*.

Cash flows used in operating activities for the year ended December 31, 2015 were $18.1 million. Included in this amount was a net investment of $132.2 million to increase the *easyfinancial* consumer loans receivable portfolio. If this net investment in the *easyfinancial* consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $114.1 million in the year, up $20.0 million or 21.3% compared to 2014.

Cash flows provided by operating activities for the year ended December 31, 2015 enabled the Company to: i) meet the growth demands of *easyfinancial* as described above, ii) invest $44.7 million in new lease assets, iii) invest $10.9 million in additional property and equipment and intangible assets, iv) invest $7.9 million in asset acquisitions and v) maintain its dividend payments.

During the year ended December 31, 2015, the Company generated $83.3 million in cash flow from financing activities related primarily to increased borrowings under the Company's credit facility.

The Company believes that the cash flows provided by operations will be sufficient in the near-term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. Also, the additional availability under the Company's amended credit facilities will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio into 2017. However, for *easyfinancial* to achieve its full long-term growth potential, additional sources of financing over and above the currently available credit facility and term loan are required. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Outstanding Shares and Dividends

As at February 17, 2016 there were 13,253,597 shares, 167,113 DSUs, 479,834 options, 678,366 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On June 23, 2015, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of *goeasy*'s Notice of Intention to Make a Normal Course Issuer Bid (the "NCIB"). Pursuant to the NCIB, *goeasy* proposes to purchase, from time to time, if it is considered advisable, up to an aggregate of 670,000 Common Shares, being approximately 4.98% of *goeasy*'s issued and outstanding Common Shares as of June 12, 2015. As at June 12, 2015, *goeasy* had 13,453,606 Common Shares issued and outstanding and the average daily trading volume for the 6 months prior to May 31, 2015 was 38,566.

Under the NCIB, daily purchases will be limited to 9,641 Common Shares, other than block purchase exemptions. The purchases may commence on June 25, 2015 and will terminate on June 24, 2016 or on such earlier date as *goeasy* may complete its purchases pursuant to the Notice of Intention. The purchases made by *goeasy* will be effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that *goeasy* will pay for any Common Shares will be the market price of such shares at the time of acquisition. *goeasy* will make no purchases of Common Shares other than by open-market purchases.

As of December 31, 2015, the Company had repurchased and cancelled 111,041 of its common shares on the open market at an average price of $17.73 per share pursuant to the NCIB for a total cost of $2.0 million.

Dividends

On February 18, 2015, the Company increased the dividend rate by 17.6% from $0.085 per share to $0.10 per share. For the quarter ended December 31, 2015, the Company paid a $0.10 per share quarterly dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends may be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the fourth quarter of the years indicated:

	2015	2014	2013	2012	2011	2010	2009
Dividend per share	**$ 0.100**	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.085
Percentage increase	**17.6%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next five years and thereafter are as follows:

($ in 000's)	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	25,097	41,611	1,292
Other operating lease obligations	1,113	1,961	–
Other	12,306	2,903	–
Total contractual obligations	**38,516**	**46,475**	**1,292**

Contingencies

The Company is 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.

Risk Factors

Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Commercial Risks

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has improved its hiring competencies and its training programs.

In particular, the Company is dependent on the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could materially adversely affect its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to operate its expanding branch and store network successfully. There is competition for such personnel and there can be no assurances that the

Company will be successful in attracting and retaining such personnel as it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Competition

easyhome Leasing: Competition from U.S.-based merchandise leasing companies and others in the Canadian market will increase the competition for customers and employees. Although the Company believes that such competition will stimulate rent-to-own industry growth, this increased competition could have a material adverse effect on the Company's operational results should the Company not be able to adequately respond to it. Other factors that may adversely affect the performance of the Leasing business are further competition from merchandise rental businesses, the increased sale of used furniture and electronics on-line and, to a lesser extent, rental stores that do not offer a purchase option. The Company also competes with discount stores and other retail outlets that offer an installment sales program or offer a financing transaction to facilitate the purchase of consumer merchandise. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

easyfinancial: The Company's financial services business occupies a market niche between traditional financial institutions and short-term payday lenders. As such, it competes with companies from each of these sectors. Competition is based primarily on access, flexibility and cost (interest rate). Since the Company's products are more affordable than payday loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not being adequately served by the incumbent participants in either of these market sectors. Although there may be other, larger companies that offer products similar to those offered by the Company's financial services business, the Company believes that the potential marketplace is sufficiently large enough that such competition will not adversely affect the Company's operational results in the near term. Additionally, the large volume of data relating to its customers and related loan performance which the Company has compiled and uses to create its loan underwriting models forms an effective barrier to entry as a competitor would not have access to such data.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. The Company's chosen customer segment is the cash-and credit-constrained individual. These customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

Litigation

From time to time the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Operational Risks

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Strategic Risk

The Company believes it has the correct strategy to address the current market opportunities. The Company's growth strategy is focused on *easyfinancial*. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for *easyfinancial*, to grow its consumer loans receivable portfolio, to access customers through new delivery channels and to execute with efficiency and effectiveness.

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape. The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Credit Risk

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

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

For *easyhome* Leasing, the credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed-upon payments or in their not returning the leased asset. The Company has a standard collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for uncollectible amounts, when determined to be appropriate.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's senior management. Credit quality of the customer is assessed based on a number of proprietary credit models and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for loan losses (i.e. expected losses that will be incurred in relation to the Company's consumer loan's portfolio). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions. It is determined by the Company using a standard calculation that considers :i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service customer accounts. Although the Company has extensive information technology security plans and disaster recovery plans, if sustained, such a failure could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in the Company's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action.

Internal Controls over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent that such risk go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Financial Risks

Inadequate Access to Financing

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company believes that the cash flow expected to be provided by operations during 2016, coupled with the increased loan facilities obtained in the third quarter of 2015 will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements, satisfy financial obligations and pay dividends. Additionally, the Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of available financing.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, it will require additional funds that can be obtained through various sources, including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company sources some of its merchandise out of the U.S. and as such, the Company's Canadian operations have U.S. denominated cash and payable balances. While the Company sold off most of its U.S. franchise rights in 2014, it continues to have some operations in the U.S. As a result, the Company has both foreign exchange transaction and translation risk.

Although *easyhome* has U.S. denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Company's financial performance. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

Liquidity Risk

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company's revolving operating facility and term debt facility must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of operations of the Company could materially suffer.

The Company has been successful in renewing and expanding the revolving credit and term debt facilities in the past. If the Company were unable to renew these facilities on acceptable terms when they became due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company has significant debt that is subject to certain financial and non-financial covenants. A violation of any or all of the debt covenants may result in the lender requiring the Company to repay the outstanding debt, which would have a material adverse effect on the Company's financial position, liquidity and results of operation.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including the recent credit crisis and related recession, economic shock such as the recent decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Regulatory Risks

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

easyhome currently operates in an unregulated environment with regards to capital requirements. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical accounting estimates are fully described in the Company's December 31, 2015 Notes to the Financial Statements.

Adoption of New Accounting Standards and Standards Issued But Not Yet Effective

No new accounting standards were adopted by the Company during the reporting period.

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.

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.

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 has not yet assessed the impact of this standard.

Internal Controls

Disclosure Controls and Procedures ["DC&P"]

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Officer ["CEO"] and Chief Financial Officer ["CFO"], so that timely decisions can be made regarding disclosure.

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". Based on this evaluation, the CEO and CFO have concluded that the design of the system of disclosure controls and procedures were effective as at December 31, 2015.

Internal Controls over Financial Reporting ["ICFR"]

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with IFRS. Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ["COSO"].

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

Changes to ICFR During 2015

There were no material changes in the Company's ICFR that occurred or were finalized during the year ended December 31, 2015.

Evaluation of ICFR at December 31, 2015

As at December 31, 2015, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2015.

Management's responsibility for financial reporting

The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

goeasy Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. This Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

David Ingram
President and Chief Executive Officer

Steve Goertz
Executive Vice President & Chief Financial Officer

Independent auditor's 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, 2015 and 2014, 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, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 17, 2016

Consolidated statements of financial position

(expressed in thousands of Canadian dollars)	As At December 31, 2015	As At December 31, 2014
ASSETS		
Cash	**11,389**	1,165
Amounts receivable (note 5)	**13,000**	16,508
Prepaid expenses	**2,446**	1,971
Consumer loans receivable (note 6)	**270,961**	180,693
Lease assets (note 7)	**60,753**	64,526
Property and equipment (note 8)	**18,689**	16,915
Deferred tax assets (note 16)	**5,913**	6,725
Intangible assets (note 9)	**14,041**	11,006
Goodwill (note 9)	**21,310**	19,963
TOTAL ASSETS	**418,502**	319,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving operating facility (note 11)	**–**	1,756
Accounts payable and accrued liabilities	**23,617**	32,837
Income taxes payable	**700**	3,042
Dividends payable (note 13)	**1,341**	1,133
Deferred lease inducements	**1,922**	2,603
Unearned revenue	**3,982**	3,978
Provisions (note 12)	**582**	314
Term loan (note 11)	**210,299**	119,841
TOTAL LIABILITIES	**242,443**	165,504
Shareholders' equity		
Share capital (note 13)	**81,725**	80,364
Contributed surplus (note 14)	**9,852**	6,458
Accumulated other comprehensive income	**969**	694
Retained earnings	**83,513**	66,452
TOTAL SHAREHOLDERS' EQUITY	**176,059**	153,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**418,502**	319,472

See accompanying notes to the consolidated financial statements

On behalf of the Board:

David Ingram, Director

Donald K. Johnson, Director

Consolidated statements of income

(expressed in thousands of Canadian dollars except earnings per share)	Year Ended December 31, 2015	Year Ended December 31, 2014
REVENUE		
Lease revenue	**146,692**	151,068
Interest income	**100,814**	64,237
Other	**56,767**	43,845
	304,273	259,150
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**85,658**	78,012
Stock based compensation (note 14)	**4,753**	6,264
Advertising and promotion	**10,689**	9,089
Bad debts	**41,933**	24,264
Occupancy	**31,545**	28,147
Other	**25,547**	23,365
Restructuring and other items (note 15)	**–**	(1,225)
	200,125	167,916
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**47,407**	49,425
Depreciation of property and equipment	**5,545**	4,789
Amortization of intangible assets	**3,138**	2,133
Impairment, net (note 8)	**6**	294
	56,096	56,641
Total operating expenses	**256,221**	224,557
Operating income	**48,052**	34,593
Finance costs (note 11)	**15,334**	8,800
Income before income taxes	**32,718**	25,793
Income tax expense (recovery) (note 16)		
Current	**8,157**	8,774
Deferred	**833**	(2,729)
	8,990	6,045
Net income	**23,728**	19,748
Basic earnings per share (note 17)	**1.75**	1.47
Diluted earnings per share (note 17)	**1.69**	1.42

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive income

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2015	Year Ended December 31, 2014
Net income	**23,728**	19,748
Other comprehensive income (loss)		
Change in foreign currency translation reserve	**1,144**	627
Transfer of realized translation gains	**(869)**	(240)
Comprehensive income	**24,003**	20,135

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in shareholder equity

(expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
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)**	**(1,295)**	**–**	**(1,971)**
Comprehensive income	**–**	**–**	**–**	**23,728**	**275**	**24,003**
Dividends (note 14)	**–**	**–**	**–**	**(5,372)**	**–**	**(5,372)**
Balance, December 31, 2015	**81,725**	**9,852**	**91,577**	**83,513**	**969**	**176,059**
Balance, December 31, 2013	79,923	4,169	84,092	51,234	307	135,633
Common shares issued	441	(67)	374	–	–	374
Stock-based compensation (note 14)	–	2,356	2,356	–	–	2,356
Comprehensive income	–	–	–	19,748	387	20,135
Dividends (note 13)	–	–	–	(4,530)	–	(4,530)
Balance, December 31, 2014	80,364	6,458	86,822	66,452	694	153,968

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flow

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2015	December 31, 2014
OPERATING ACTIVITIES		
Net income	**23,728**	19,748
Add (deduct) items not affecting cash		
Depreciation of lease assets	**47,407**	49,425
Depreciation of property and equipment	**5,545**	4,789
Impairment, net (note 8)	**6**	294
Amortization of intangible assets	**3,138**	2,133
Stock-based compensation (note 14)	**3,736**	2,356
Bad debt expense	**41,933**	24,264
Deferred tax expense (recovery) (note 16)	**833**	(2,729)
Gain on sale of property and equipment	**(3,307)**	(4,643)
	123,019	95,637
Net change in other operating assets and liabilities (note 18)	**(8,938)**	(1,560)
Net issuance of consumer loans receivable	**(132,201)**	(101,021)
Cash (used in) provided by operating activities	**(18,120)**	(6,944)
INVESTING ACTIVITIES		
Purchase of lease assets	**(44,709)**	(49,066)
Purchase of property and equipment	**(6,587)**	(6,893)
Purchase of intangible assets	**(4,293)**	(5,446)
Acquisitions (note 10)	**(7,854)**	–
Proceeds on sale of assets	**8,527**	11,115
Cash used in investing activities	**(54,916)**	(50,290)
FINANCING ACTIVITIES		
Repayments of bank revolving credit facility	**(1,756)**	(21,740)
Advances of term loan	**90,458**	81,963
Payment of common share dividends (note 13)	**(5,164)**	(4,527)
Issuance of common shares (note 13)	**1,695**	374
Purchase of shares for cancellation (note 13)	**(1,973)**	–
Cash provided by financing activities	**83,260**	56,070
Net increase (decrease) in cash during the period	**10,224**	(1,164)
Cash, beginning of period	**1,165**	2,329
Cash, end of period	**11,389**	1,165

See accompanying notes to the consolidated financial statements

Notes to consolidated financial statements

December 31, 2015 and 2014
(Expressed in thousands of Canadian dollars except where otherwise indicated)

1. Corporate information

goeasy Ltd. ["Parent Company"], formerly known as *easyhome* Ltd., 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 – GSY) 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* Leasing and *easyfinancial*. As at December 31, 2015, the Company operated 184 *easyhome* Leasing stores (including 26 franchises and 3 consolidated franchises) and 202 *easyfinancial* locations (December 31, 2014 – 192 *easyhome* Leasing stores including 23 franchises and 6 consolidated franchises, and 154 *easyfinancial* locations).

2. Basis of preparation

The consolidated financial statements were authorized for issue by the Board of Directors on February 17, 2016.

Statement of Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at December 31, 2015.

3. Significant accounting policies

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. *goeasy* Ltd. controls an entity: i) when it has the power to direct the activities of the entity which 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 December 31, 2015, the Parent Company's principal subsidiaries were:

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

The Company's SPEs consisted of certain franchises for which the Company exerted effective control by the provision of financing rather than through ownership of a majority of voting rights. An entity is controlled when the Company has power over an entity, exposure, or rights to, variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company's SPEs are fully consolidated from the date at which the Company obtains control, until the date that such control ceases. Control ceases when the SPE has the ability to operate as a stand-alone entity without financial and operational support from the Company, which is generally considered to be the date at which the SPE repays the amounts loaned to it by the Company.

The financial statements of the subsidiaries and SPEs were prepared for the same reporting period as the consolidated financial statements of the Parent Company using consistent accounting policies as described in these consolidated financial statements.

All intra-group transactions and balances were eliminated on consolidation.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars ["CAD"], which is the Parent Company's functional currency. The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

Foreign Currency Translation

The Parent Company's presentation and functional currency is the Canadian dollar. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company's U.S. subsidiary, *easyhome* U.S. Ltd. and certain of its SPEs, is the U.S. dollar. The functional currency of all other entities in the Company is the Canadian dollar.

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

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal or divestiture of a foreign operation, the component of accumulated other comprehensive income relating to that particular foreign operation is recognized in net income.

The Parent Company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Parent Company's net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized in income in the separate financial statements of the foreign operation. In the consolidated financial statements such exchange differences are recognized initially in other comprehensive income and reclassified from accumulated other comprehensive income to net income on disposal of the net investment in foreign operations.

Revenue Recognition

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

i) Lease Revenue

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

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

ii) Interest Revenue

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

iii) Other Revenue

Other revenue consists primarily of the sale of customer protection products, revenue generated from franchising including royalties, franchise fees and other fees, all of which are recognized when earned.

Vendor Rebates

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

Cash

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

Financial Assets

Financial assets consist of amounts receivable and consumer loans receivable, which are stated net of an allowance for loan losses. Financial assets are initially measured at fair value.

Amounts receivable are subsequently measured at amortized cost and are carried at the amount of cash expected to be received.

The Company's consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the consumer loans receivable to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future loan losses. There are no significant incremental costs incurred in writing consumer loans.

The Company does not have any financial assets that are subsequently measured at fair value.

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

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred 'loss event'], the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debts expense.

The allowance for loan losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that considers i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge offs that are expect to occur over the subsequent five month period for loans that existed as of the balance sheet date. Customer loan balances which are delinquent greater than 90 days are written off against the allowance for loan losses.

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

Lease Assets

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

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

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

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

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

- Assets on lease, excluding game stations, computers and related equipment, are depreciated in proportion to the lease payments received to the total expected lease amounts provided over the lease agreement term [the "units of activity method"]. Lease assets that are subject to the units of activity method of depreciation that are not on lease for less than 90 consecutive days are not depreciated during such period. After that they are depreciated on a straight-line basis over 36 months. When an asset goes on lease, depreciation will revert to the units of activity method.
- Game stations are depreciated on a straight-line basis over 18 months. Computers and related equipment are depreciated on a straight-line basis over 24 months. The depreciation for game stations, computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store and continues uninterrupted thereafter on a straight-line basis over the periods indicated.
- Depreciation for all lease assets includes the remaining book values at the time of disposition of the lease assets that have been sold and amounts which have been charged off as stolen, lost or no longer suitable for lease.

The Company's lease assets are subject to theft, loss or other damage from its customers. The Company records a provision against the carrying value of lease assets for estimated losses.

Property and Equipment

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

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

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

Depreciation on property and equipment is charged to net income.

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

Asset category	Estimated useful lives
Furniture and fixtures	7 years
Computer and office equipment	5 and 7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	the lesser of 5 years or lease term

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

Intangible Assets

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

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

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

Customer lists and software are amortized over their estimated useful lives of five years.

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

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

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

Development Costs

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

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

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

Business Combinations and Goodwill

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

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

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

Impairment of Non-financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset or a cash-generating unit ["CGU"] may be impaired. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined that this is at the individual store level.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount. Impairment losses are recognized in net income.

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

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

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

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

Financial Liabilities

Financial liabilities are initially recognized at fair value and in the case of loans and borrowings, they are recognized at the fair value of proceeds received, net of directly attributable transaction costs. The Company's financial liabilities include a revolving operating facility, term loans and accounts payable and accrued liabilities.

After initial recognition, the Company's interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest bearing debt. Interest expense is included in finance costs.

Non-interest bearing financial liabilities, such as accounts payable and accrued liabilities, are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Company as a Lessee

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Subsequent lease payments are apportioned between finance charges and a reduction of the lease liability. Finance charges are recognized in net income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. The Company has not entered into any finance leases.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized and depreciated over the term of the lease.

ii) Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The leasing income is recognized when earned over the lease term.

The Company is in the business of leasing assets. As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

Taxes

i) Current Income Tax

Current income tax assets are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Tax

Deferred income tax is provided for using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred income tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Stock-based Payment Transactions

The Company has stock-based compensation plans as described in note 14.

i) Equity-Settled Transactions

The Company has stock options, Restricted Share Units ["RSU"] and Deferred Share Units ["DSU"] which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using the market value on the grant date or the Black-Scholes option valuation model, as appropriate. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net income, with a corresponding increase in contributed surplus over the service and vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized in stock based compensation expense.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and or service conditions are satisfied.

ii) Cash-Settled Transactions

The Company has Performance Share Units ["PSU"] which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ["cash-settled transactions"]. The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is remeasured to fair value, at each reporting date up to and including the settlement date, based on the value of the Company's publicly-traded common shares and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. Changes in fair value are recognized in stock based compensation expense.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and or service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflected the extent to which the vesting period had expired and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized during the period and is recognized in stock based compensation expense.

No expense is recognized for awards that do not ultimately vest.

Earnings Per Share

Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options and warrants is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

Significant Accounting Judgments, Estimates and Assumptions

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

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

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

i) Consumer Loan Losses

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns.

ii) Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program.

iii) Depreciation of Lease Assets

Certain assets on lease, (excluding game stations, computers and related equipment) are depreciated in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term, which are estimated by management for each product category. Lease payments received in period compared with total expected lease payments to be received over the expected term of the lease is believed to be an effective proxy for the usage of the asset on lease. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight line basis over their estimated useful lives.

iv) Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight, and are depreciated on a straight-line basis over their estimated useful lives, which are estimated by management for each class of asset.

v) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment involve the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

vi) Impairment of Goodwill and Indefinite Life Intangibles

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

vii) Fair Value of Stock-Based Compensation

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

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

viii) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. The estimation of the costs to settle such obligations are subject to management's judgment.

ix) Taxation Amounts

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

x) Unearned Revenue

Unearned revenue includes lease fees that have not yet been earned and processing fees that are received at the inception of a consumer lease. The processing fees are recognized into income over the expected life of the lease agreement, as estimated by management.

xi) Consolidated SPE Franchises

The Company consolidates certain SPE franchises to which it provided financing but did not have ownership of a majority of voting shares, based on whether the Company effectively exerts control over the entity as determined by management. An entity is controlled when the Company has power over an entity, exposure, or rights, to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The financing provided to SPE franchises is secured by the assets of the franchise, bears interest at market rates and on standard terms and conditions.

4. 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 has not yet assessed the impact of this standard.

5. Amounts receivable

	December 31, 2015	December 31, 2014
Vendor rebate receivable	**703**	921
Due from franchisees	**5,102**	5,233
Interest receivable from consumer loans	**3,520**	2,916
Other	**3,675**	7,438
	13,000	16,508
Current	**12,490**	15,789
Non-current	**510**	719
	13,000	16,508

Other amounts receivable consisted of amounts due from customers, indirect taxes, insurance and other items.

6. Consumer loans receivable

Consumer loans receivable represented amounts advanced to customers of *easyfinancial*. Loan terms generally ranged from 9 to 48 months

	December 31, 2015	December 31, 2014
Gross consumer loans receivable	**289,426**	192,225
Allowance for loan losses	**(18,465)**	(11,532)
	270,961	180,693
Current	**118,850**	87,473
Non-current	**152,111**	93,220
	270,961	180,693

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

	December 31, 2015		December 31, 2014	
	$	% of total loans	$	% of total loans
1 – 30 days	**12,282**	**4.2%**	9,004	4.7%
31 – 44 days	**2,256**	**0.8%**	1,505	0.8%
45 – 60 days	**1,919**	**0.7%**	1,273	0.7%
61 – 90 days	**3,258**	**1.1%**	1,853	0.9%
	19,715	**6.8%**	13,635	7.1%

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

	Year Ended	
	December 31, 2015	December 31, 2014
Balance, beginning of the period	**11,532**	6,768
Net amounts written off against allowance	**(35,000)**	(19,500)
Increase due to lending and collection activities	**41,933**	24,264
Balance, end of the period	**18,465**	11,532

7. Lease assets

	Total
Cost	
As at December 31, 2013	100,097
Additions	49,066
Disposals	(57,487)
Foreign exchange differences	258
As at December 31, 2014	91,934
Additions	48,111
Disposals	(57,184)
Foreign exchange differences	390
As at December 31, 2015	**83,251**
Accumulated Depreciation	
As at December 31, 2013	(31,644)
Depreciation for the year	(49,425)
Disposals	53,756
Foreign exchange differences	(95)
As at December 31, 2014	(27,408)
Depreciation for the year	(47,407)
Disposals	52,460
Foreign exchange differences	(143)
As at December 31, 2015	**(22,498)**
Net Book Value	
As at December 31, 2014	64,526
As at December 31, 2015	**60,753**

During the year ended December 31, 2015, the net book value of the lease assets sold by the Company was $4,146 (2014 – $3,731).

8. Property and equipment

	Furniture and Fixtures	Computer and Office Equipment	Automotive	Signage	Leasehold Improvements	Total
Cost						
As at December 31, 2013	12,406	7,800	276	5,077	17,655	43,214
Additions	1,528	1,314	–	634	3,417	6,893
Disposals	(465)	(552)	(46)	(248)	(1,098)	(2,409)
Foreign exchange differences	43	20	–	13	82	158
As at December 31, 2014	13,512	8,582	230	5,476	20,056	47,856
Additions	1,151	1,063	15	557	5,187	7,973
Disposals	(1,001)	(911)	(38)	(527)	(1,660)	(4,137)
Foreign exchange differences	148	80	–	21	135	384
As at December 31, 2015	**13,810**	**8,814**	**207**	**5,527**	**23,718**	**52,076**
Accumulated Depreciation and Provision for Impairment						
As at December 31, 2013	(7,274)	(4,375)	(234)	(3,656)	(11,882)	(27,421)
Depreciation	(1,200)	(1,003)	(31)	(375)	(2,180)	(4,789)
Provision for impairment	(219)	(59)	–	(50)	(199)	(527)
Recovery of impairment	91	54	–	38	50	233
Impairment related to restructuring and other items	(79)	(42)	–	(18)	(88)	(227)
Disposals	343	355	35	198	910	1,841
Foreign exchange differences	(11)	(5)	–	(4)	(31)	(51)
As at December 31, 2014	(8,349)	(5,075)	(230)	(3,867)	(13,420)	(30,941)
Depreciation	(1,256)	(981)	(12)	(423)	(2,873)	(5,545)
Provision for impairment	(112)	(47)	–	(26)	(58)	(243)
Recovery of impairment	130	53	–	23	31	237
Disposals	778	616	38	404	1,395	3,231
Foreign exchange differences	(29)	(14)	–	(8)	(75)	(126)
As at December 31, 2015	**(8,838)**	**(5,448)**	**(204)**	**(3,897)**	**(15,000)**	**(33,387)**
Net Book Value						
As at December 31, 2014	5,163	3,507	–	1,609	6,636	16,915
As at December 31, 2015	**4,972**	**3,366**	**3**	**1,630**	**8,718**	**18,689**

As at December 31, 2015, the amount of property and equipment classified as under construction or development and not being amortized was $0.3 million (2014 – $0.2 million).

During the year ended December 31, 2015, the net book value of the property and equipment sold by the Company was $521 (2014 – $568).

Various impairment indicators were used to determine the need to test a CGU for impairment. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 1% long-term growth rate consistent with industry practice. The pre-tax discount rate used on the forecasted cash flows was 17%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

For the year ended December 31, 2015, the Company recorded an impairment charge of $243 (2014 – $527) offset by impairment recovery of $237 (2014 – $233). The net impairment expense for 2015 was $6 (2014 – $294). All impairment charges and recoveries relate solely to the *easyhome* Leasing segment.

9. Intangible assets and goodwill

	Intangible Assets			
	Trademarks	Customer Lists	Software	Total
Cost				
As at December 31, 2013	1,827	327	9,711	11,865
Additions	81	355	5,010	5,446
Disposals	–	–	(17)	(17)
Foreign exchange differences	165	–	–	165
As at December 31, 2014	2,073	682	14,704	17,459
Additions	1	463	5,761	6,225
Disposals	–	(51)	(19)	(70)
As at December 31, 2015	**2,074**	**1,094**	**20,446**	**23,614**
Accumulated amortization and provision for impairment				
As at December 31, 2013	–	(60)	(2,281)	(2,341)
Amortization for the year	–	(79)	(2,054)	(2,133)
Impairment related to restructuring and other items	(1,992)	–	–	(1,992)
Disposals	–	–	13	13
As at December 31, 2014	(1,992)	(139)	(4,322)	(6,453)
Amortization for the year	–	(227)	(2,911)	(3,138)
Disposals	–	–	18	18
As at December 31, 2015	**(1,992)**	**(366)**	**(7,215)**	**(9,573)**
Net book value				
As at December 31, 2014	81	543	10,382	11,006
As at December 31, 2015	**82**	**728**	**13,231**	**14,041**

Trademarks are considered indefinite life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

Included in software additions for the year ended December 31, 2015 were $5.6 million (2014 – $4.8 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2015 (2014 – $20.0 million). $1.3 million in goodwill was added in relation to acquisitions completed during 2015. There were no disposals or impairments applied to goodwill during the years ended December 31, 2015 and 2014.

Goodwill and indefinite life intangible assets were allocated to the group of CGUs to which they relate. The carrying value of goodwill was fully allocated to the Canadian leasing CGUs. Impairment testing is performed annually and was performed as at December 31, 2015 and December 31, 2014. The impairment test consisted of comparing the carrying value of assets within the CGU to the recoverable amount of that CGU as measured by discounting the expected future cash flows using a value in use approach. The discounted cash flow model was based on historical operating results, detailed sales and cost forecasts over a three-year period, a 1% long-term growth rate consistent with industry averages and a pre-tax discount rate used on the forecasted cash flows of 17%, all of which were consistent with the strategic plans presented to the Company's Board of Directors.

Based on the analysis performed by management, no impairment charge was required on goodwill.

10. Acquisitions

On July 13, 2015, the Company acquired 14 Canadian merchandise leasing stores from a U.S. based rent-to-own company for cash consideration of $4.2 million. The Company continued to operate these stores or merged the related business into its store network. As part of the transaction, the Company also sold two of its remaining U.S. franchised locations whose results were consolidated for financial statement purposes for cash consideration of $0.8 million, resulting in a combined net purchase price of $3.4 million and a reported loss on disposal of $0.3 million. The acquisition of the 14 merchandise leasing stores in Canada met the definition of a business combination as defined in IFRS 3.

On February 10, 2015, the Company acquired the lease rights and obligations as well as certain related assets for 45 retail locations across Canada for total cash consideration of $2,777, which included certain transaction costs. This transaction was accounted for as an asset acquisition. During the first quarter of 2015, these acquired locations were opened as *easyfinancial* branches.

In addition, the Company acquired the assets and operations of two leasing stores during the first quarter of 2015. The acquisition of the two leasing stores met the definition of a business combination as defined by IFRS 3. The total consideration of $894 was paid in cash.

The fair value of the identifiable assets and liabilities recognized as acquisitions were as follows:

	Acquisitions completed in the first quarter of 2015	Acquisition on July 13, 2015	Year ended December 31, 2015
Assets			
Amounts receivable	–	28	28
Property and equipment	2,827	78	2,905
Lease assets, net	433	2,969	3,402
Intangible assets	–	413	413
Liabilities			
Unearned revenue	–	240	240
Total identifiable assets at fair value	3,260	3,248	6,508
Goodwill arising on acquisition	411	935	1,346
Cash consideration	**3,671**	**4,183**	**7,854**

Goodwill arising on the acquisitions of $1,346 related to the Company's future ability to generate incremental revenues from the acquired customers and expected future growth. The goodwill arising on acquisitions was allocated entirely to the Canadian leasing segment.

11. Revolving operating facility and term loan

On July 31, 2015, the Company amended its existing credit facilities and increased its total credit available by $100 million from $200 million to $300 million. The Company's amended credit facilities consisted of a $280 million term loan and a $20 million revolving operating facility. $217.5 million of the term loan was drawn at December 31, 2015 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 amended 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:

	December 31, 2015	December 31, 2014
Revolving operating facility	**–**	1,756
Amounts borrowed under term loan	**217,500**	125,000
Unamortized deferred financing costs	**(7,201)**	(5,159)
Term loan	**210,299**	119,841

As at December 31, 2015, 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	December 31, 2015
Total debt to EBITDA ratio	< 4.40	**3.80**
Total debt to tangible net worth ratio	< 1.70	**1.52**
Adjusted EBITDA for preceding 12 months (consolidated)	> 48,600	**57,260**

The financial covenant requirements described above vary each quarter as per the lending agreement and were based on the Company's financial forecast over these periods. As at December 31, 2015, the Company was in compliance with all of its financial covenants under its lending agreements.

Finance Costs

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

	Year Ended	
	December 31, 2015	December 31, 2014
Interest expense	**13,837**	7,621
Amortization of deferred financing costs	**1,497**	1,179
Finance costs	**15,334**	8,800

12. Provisions

	Provisions Due to Onerous Leases
As at December 31, 2013	21
Incurred during the year	314
Utilized during the year	(21)
As at December 31, 2014	314
Incurred during the year	495
Utilized during the year	(227)
As at December 31, 2015	**582**

	December 31, 2015	December 31, 2014
Current	**420**	96
Non-current	**162**	218
	582	314

13. Share capital

Authorized Capital

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

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

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the period	**13,330**	**80,364**	13,289	79,923
Exercise of stock options	**189**	**1,975**	39	403
Shares purchased for cancellation	**(111)**	**(676)**	–	–
Dividend reinvestment plan	**3**	**62**	2	38
Balance, end of the period	**13,411**	**81,725**	13,330	80,364

Dividends on Common Shares

For the year ended December 31, 2015, the Company paid dividends of $5.2 million (2014 – $4.5 million) or $0.385 per share (2014 – $0.34 per share). On February 18, 2015, the Company increased the dividend rate from $0.085 per share to $0.10 per share on a quarterly basis. The Company declared a dividend of $0.10 per share on November 3, 2015 to shareholders of record on December 24, 2015, payable on January 8, 2016. The dividend paid on January 8, 2016 was $1.3 million.

Shares Purchased for Cancellation

During the year ended December 31, 2015, the Company repurchased and cancelled 111,041 (2014 – nil) of its common shares on the open market at an average price of $17.75 per share pursuant to a normal course issuer bid for a total cost of $2.0 million. The normal course issuer bid in effect at December 31, 2015 allows for a total purchase of up to 670,000 common shares and expires on June 24, 2016.

14. 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. Options are generally granted at exercise prices equal to the fair market value at the grant date, vest at the end of a three-year period based on earnings per share targets and have exercise lives of five years. The aggregate number of common shares reserved for issuance and which may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 2.0 million common shares.

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Options # (in 000's)	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
Outstanding balance, beginning of year	**601**	**11.81**	538	9.81
Options granted	**80**	**18.81**	190	17.52
Options exercised	**(188)**	**8.67**	(39)	8.54
Options forfeited or expired	**(13)**	**11.50**	(88)	13.39
Outstanding balance, end of year	**480**	**14.22**	601	11.81
Exercisable balance, end of year	**10**	**9.42**	203	8.73

Outstanding options to directors, officers and employees as at December 31, 2015 were as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	Options # (in 000's)	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
8.00 – 10.99	213	2.12	9.60	10	9.42
15.00 – 19.99	257	3.47	17.65	–	–
20.00 – 24.99	10	3.67	24.45	–	–
8.00 – 24.99	480	2.88	14.22	10	9.42

The Company used the fair value method of accounting for stock options granted to employees and directors. During the year ended December 31, 2015, the Company granted 79,806 options (2014 – 190,332 options), and recorded an expense of $532 (2014 – expense of $402), in stock-based compensation expense in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Options granted during 2015 were determined using the Black-Scholes option pricing model with the following assumptions, resulting in a weighted average fair value of $5.16 per option. Volatility assumptions were best estimates of the market implied volatility matching the exercise price and expected life of the options.

	2015	2014
Risk-free interest rate (% per annum)	**0.57**	1.34
Expected hold period to exercise (years)	**5.00**	5.00
Volatility in the price of the Company's shares (%)	**38.16**	37.14
Dividend yield (%)	**2.13**	2.00

Restricted Share Unit ["RSU"] Plan

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

On May 4, 2015 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 150,000 shares, from 765,000 to 915,000.

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	RSU's # (in 000's)	Weighted Average Fair Value at Grant Date $	RSU's # (in 000's)	Weighted Average Fair Value at Grant Date $
Outstanding balance, beginning of year	**559**	**14.00**	434	9.97
RSUs granted	**194**	**21.69**	171	22.69
RSU dividend reinvestments	**11**	**18.38**	6	19.97
RSUs forfeited	**(89)**	**17.46**	(52)	9.66
Outstanding balance, end of year	**675**	**15.82**	559	14.00

For the year ended December 31, 2015, $2,685 (2014 – $1,764) was recorded as an expense in stock-based compensation expense in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Performance Share Unit ["PSU"] Plan

During the year ended December 31, 2015, the Company granted 199,330 PSUs (2014 – 171,134 PSUs) to senior executives of the Company under its PSU Plan. On May 5, 2015, the PSUs granted in 2015 were cancelled and an equivalent number of RSUs were granted to senior executives of the Company (see RSU Plan described above).

PSUs are granted at fair market value at the grant date and vest at the end of a three-year period based on long-term targets. For the year ended December 31, 2015, $1,018 (2014 – $3,908) was recorded as an expense in stock-based compensation expense in the consolidated statements of income. Additionally, for the year ended December 31, 2015, an additional 2,832 PSUs (2014 – 11,270 PSUs) were granted as a result of dividends payable.

The PSU liability as at December 31, 2015 was nil (2014 – $6,872).

Deferred Share Unit ["DSU"] Plan

During the year ended December 31, 2015, the Company granted 24,805 DSUs (2014 – 7,250 DSUs) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the year ended December 31, 2015, $519 (2014 – $190) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2015, an additional 2,792 DSUs (2014 – 2,232 DSUs) were granted as a result of dividends payable.

Stock Based Compensation Expense

	Year Ended	
	December 31, 2015	December 31, 2014
Equity-settled stock-based compensation	**3,736**	2,356
Cash-settled stock-based compensation	**1,017**	3,908
Stock-based compensation	**4,753**	6,264

Contributed Surplus

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

	Year Ended	
	December 31, 2015	December 31, 2014
Contributed surplus, beginning of year	**6,458**	4,169
Equity settled stock-based compensation expense		
Stock options	**532**	402
Restricted share units	**2,684**	1,764
Deferred share units	**519**	190
	10,193	6,525
Reduction due to exercise of stock options	**(341)**	(67)
Contributed surplus, end of year	**9,852**	6,458

15. Restructuring and other items

	Year Ended	
	December 31, 2015	December 31, 2014
Proceeds on sale of U.S. royalty rights	–	**4,742**
Impairment of trademark	–	**(1,992)**
Impairment of fixed assets	–	**(227)**
Other restructuring charges	–	**(1,298)**
	–	**1,225**

During the fourth quarter of 2014, the Company decided to wind down its operations in the U.S. and focus on the Canadian marketplace. This wind down involved the sale of the Company's rights to future royalty payments from its franchisees, the recognition of impairment provisions against certain intangible assets and property and equipment located in the U.S. and the recording of other restructuring charges which consisted of provisions for onerous leases, severance and other charges. For the year ended December 31, 2014, a net credit of $1.2 million was recorded as restructuring and other charges within operating income.

16. Income taxes

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

	Year Ended	
	December 31, 2015	December 31, 2014
Combined basic federal and provincial income tax rates	**27.3%**	27.2%
Expected income tax expense	**8,942**	7,005
Non-deductible expenses	**333**	263
U.S. and SPE results not tax effected	**(370)**	(764)
Other	**85**	(459)
	8,990	6,045

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

	Year Ended	
	December 31, 2015	December 31, 2014
Current income tax		
Current income tax charge	**8,187**	7,990
Adjustments related to intercompany management fees and other	**(30)**	784
Deferred income tax		
Relating to origination and reversal of temporary differences	**833**	(2,729)
	8,990	6,045

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

	December 31, 2015	December 31, 2014
Tax cost of lease assets and property and equipment in excess of net book value	**(1,177)**	544
Amounts receivable and provisions	**5,575**	3,342
Deferred salary arrangements	**1,382**	2,546
Unearned revenue	**500**	239
Financing fees	**(100)**	213
Other	**(267)**	(159)
	5,913	6,725

During 2015, all changes to the deferred tax assets were recorded as an expense in deferred tax expense in the consolidated statements of income.

At December 31, 2015, there was no recognized deferred tax liabilities (2014 – nil) for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

17. 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.

	Year Ended	
	December 31, 2015	December 31, 2014
Net income	**23,728**	19,748
Weighted average number of ordinary shares outstanding (in 000's)	**13,561**	13,449
Basic earnings per ordinary share	**1.75**	1.47

For the year ended December 31, 2015, 148,065 DSUs (2014 – 130,285 DSUs) 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.

	Year Ended	
	December 31, 2015	December 31, 2014
Net income	**23,728**	19,748
Weighted average number of ordinary shares outstanding (in 000's)	**13,561**	13,449
Dilutive effect of stock-based compensation (in 000's)	**476**	495
Weighted average number of diluted shares outstanding	**14,037**	13,944
Dilutive earnings per ordinary share	**1.69**	1.42

For the year ended December 31, 2015, 261,138 stock options to acquire common shares (2014 – 182,332 options), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

18. Net change in other operations assets and liabilities

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

	Year Ended	
	December 31, 2015	December 31, 2014
Amounts receivable	**3,508**	(9,302)
Prepaid expenses	**(475)**	(272)
Accounts payable and accrued liabilities	**(9,220)**	8,539
Income taxes payable	**(2,342)**	(887)
Deferred lease inducements	**(681)**	(146)
Unearned revenue	**4**	215
Provisions	**268**	293
	(8,938)	(1,560)

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

	Year Ended	
	December 31, 2015	December 31, 2014
Income taxes paid	**12,021**	9,694
Income taxes refunded	**1,522**	61
Interest paid	**13,873**	7,637
Interest received	**100,246**	62,568

19. Commitments and guarantees

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. The minimum annual lease payments plus estimated operating costs required for the next five years and thereafter are as follows:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	25,097	41,611	1,292
Other operating lease obligations	1,113	1,961	–
Other	12,306	2,903	–
Total contractual obligations	38,516	46,475	1,292

During the year ended December 31, 2015, $27.3 million (2014 – $24.0 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

20. 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.

21. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of bank debt (revolving operating facility), term debt and shareholders' equity, which includes share capital, contributed surplus, accumulated other comprehensive income and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, increasing or decreasing bank debt and term debt or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

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

The Company monitors capital on the basis of the financial covenants of its credit facility as described in Note 11.

For the years ended December 31, 2015 and 2014, the Company was in compliance with all of its externally imposed financial covenants.

22. Financial risk management

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

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

The credit risk related to lease assets with customer's results from the possibility of customer default with respect to agreed upon payments or in not returning the lease assets. The Company has a standard collection process in place in the event of payment default, which includes the recovery of the lease asset if satisfactory payment terms cannot be worked out with the customer, as the Company maintains ownership of the lease assets until payment options are exercised. Lease asset losses for the year ended December 31, 2015 represented 2.8% (2014 – 3.2%) of total revenue for the *easyhome* Leasing segment.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's senior management. Credit quality of the customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. As at December 31, 2015, the Company's gross loan portfolio was $289.4 million (2014 – $192.2 million).

The credit risk related to other amounts receivable are managed in accordance with policies and procedures resulting from the possibility of default on rebate payments, amounts due from licensee and franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts when determined to be appropriate.

Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its committed credit facility. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

The Company believes that the cash flow provided by operations and funds available from the credit facility will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In addition, the incremental financing obtained through the credit facility will allow the Company to continue growing its consumer loans receivable portfolio into 2017. In order for the Company to achieve the full growth opportunities available, however, additional sources of financing over and above the currently available credit facility will be required. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Substantially all liabilities are due within 12 months with the exception of the revolving operating facility and term loan, which are due as disclosed in Note 11.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as the revolving operating facility bears interest at the lead lenders prime rate plus 175 to 275 bps, depending on the Company's total debt to EBITDA ratio and the term loan bears interest at 699 bps over the Canadian Bankers' Acceptance rate with a 799 bps floor. As at December 31, 2015, the interest rate on the revolving operating facility was 5.45% per annum (2014 – 5.0% per annum) and the interest rate on the term loan was 7.99% per annum (2014 – 8.5% per annum).

The Company does not hedge interest rates. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company.

As at December 31, 2015, all of the Company's borrowings were subject to movements in floating interest rates. A 1% increase in the prime interest rate and bankers' acceptance rate would have decreased net income for the year by approximately $1,739, while a 1% decrease in the prime interest rate and bankers' acceptance rate would have increased net income for the year by approximately $12 due to the interest rate floor on the Company's term loan.

Currency Risk

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

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

The Company additionally had foreign currency transaction exposure through its SPEs and franchise locations in the United States with the Parent Company as these entities had a U.S. functional currency.

The earnings of the Company's U.S. subsidiaries and SPEs were translated into Canadian dollars each period. A 5% movement in the Canadian and U.S. dollar exchange rate would have increased or decreased net income for the year by approximately $31.

23. Financial instruments

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	December 31, 2015	December 31, 2014
Cash	Fair value	**11,389**	1,165
Amounts receivable	Amortized cost	**13,000**	16,508
Consumer loans receivable	Amortized cost	**270,961**	180,693
Accounts payable and accrued liabilities	Amortized cost	**23,617**	32,837
Revolving operating facility	Amortized cost	**–**	1,756
Term loan	Amortized cost	**210,299**	119,841

Fair Value Measurement

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at December 31, 2015:

	Total	Level 1	Level 2	Level 3
Amounts receivable	**13,000**	–	–	**13,000**
Consumer loans receivable	**270,961**	–	–	**270,961**
Accounts payable and accrued liabilities	**23,617**	–	–	**23,617**
Term loan	**210,299**	–	–	**210,299**

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

24. Related party transactions

Key management personnel includes all corporate officers with the position of president, executive vice president or senior vice president. The following summarizes the expense related to key management personnel during the reporting periods.

	Year Ended	
	December 31, 2015	December 31, 2014
Short-term employee benefits including salaries	**3,623**	3,631
Share-based payment transactions	**3,121**	4,281
	6,744	7,912

25. Segmented reporting

For management purposes, the Company had two reportable segments: *easyhome* Leasing 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 years ended December 31, 2015 and 2014:

Year Ended December 31, 2015	*easyhome* Leasing	*easyfinancial*	Corporate	Total
Revenue	**152,605**	**151,668**	–	**304,273**
Total operating expenses before depreciation and amortization	**77,724**	**99,607**	**22,794**	**200,125**
Depreciation and amortization	**50,214**	**5,289**	**593**	**56,096**
Segment operating income (loss)	**24,667**	**46,772**	**(23,387)**	**48,052**
Finance costs	–	–	**15,334**	**15,334**
Income (loss) before income taxes	**24,667**	**46,772**	**(38,721)**	**32,718**

Year Ended December 31, 2014	*easyhome* Leasing	*easyfinancial*	Corporate	Total
Revenue	158,322	100,828	–	259,150
Total operating expenses before depreciation and amortization and restructuring and other items	81,305	64,524	23,312	169,141
Restructuring and other items	–	–	(1,225)	(1,225)
Depreciation and amortization	52,711	3,298	632	56,641
Segment operating income (loss)	24,306	33,006	(22,719)	34,593
Finance costs	–	–	8,800	8,800
Income (loss) before income taxes	**24,306**	**33,006**	**(31,519)**	**25,793**

The Company operated across Canada and in certain U.S. states. During the year ended December 31, 2015, 99% or $300.6 million of revenue was generated in Canada and 1% or $3.7 million of revenue was generated in the U.S. (2014 – 97% or $251.3 million of revenue was generated in Canada and 3% or $7.9 million of revenue was generated in the U.S.). Additionally, as at December 31, 2015, $414.9 million of the Company's assets were located in Canada and $3.6 million were located in the U.S. (2014 – $309.0 million in Canada and $10.5 million in the U.S.).

As at December 31, 2015, the Company's goodwill of $21.3 million (2014 – $20.0 million) related entirely to its *easyhome* Leasing segment.

The Company's *easyhome* Leasing 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 years ended December 31, 2015 and 2014 were as follows:

	Year Ended	
	December 31, 2015 (%)	December 31, 2014 (%)
Furniture	**40**	38
Electronics	**34**	34
Computers	**14**	16
Appliances	**12**	12
	100	100

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