MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Chesswood Group Limited and all of 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. These statements include some amounts that are based on best estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information used elsewhere in the Annual Report is consistent with that in the consolidated financial statements. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Chesswood Group Limited's policy is to maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, accurate and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

As more fully detailed in the accompanying MD&A, based on an assessment of the Corporation's ICFR using the Committee of Sponsoring Organizations Internal Control Integrated Framework, it was concluded that the Corporation's ICFR had certain weaknesses. Given the relatively small size of the Corporation's head office finance department personnel, the ICFR assessment concluded that (i) there were limited resources to adequately segregate duties and to permit or necessitate the comprehensive documentation of all policies and procedures that form the basis of an effective design of ICFR, (ii) the Corporation (at its head office) had not maintained effective controls over certain key end-user computer applications and appropriate security controls to manage access to key information, profiles and password protocols, and that improvement to exception reports were required and (iii) as a result of the lack of segregation of duties as referred to above, the anti-fraud controls are limited. It was also determined that the Corporation's whistle-blower policy had not been provided to part-time sales and mechanical staff at the Corporation's automotive dealership.

In order to mitigate the risk of material misstatement in the Corporation's consolidated financial statements, the Corporation (i) has additional review and monitoring controls at head office on a monthly basis and (ii) performs additional analysis and other post-closing procedures. No material exceptions were noted based on the year end procedures and no evidence of fraudulent activity was found.

The Audit Committee is appointed by the Board and is comprised of a majority of outside Directors. The committee meets periodically with Management and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the Corporation's annual consolidated financial statements, the external auditors' report and other information in the Annual Report. The committee reports its findings to the Board for consideration by the Board when it approves the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by BDO Canada LLP, the independent external auditors, in accordance with generally accepted auditing standards on behalf of the Shareholders. The Independent Auditor's Report outlines the nature of their examination and their opinion on the consolidated financial statements. BDO Canada LLP has full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the financial reporting.

Barry Shafran
President & CEO
March 24, 2015

Independent Auditor’s Report

To the Shareholders of
Chesswood Group Limited

We have audited the accompanying consolidated financial statements of Chesswood Group Limited, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, 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.

Auditor’s 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 auditor's 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 auditor considers 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 Chesswood Group Limited as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 24, 2015
Toronto, Ontario

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of dollars)

	Note	**December 31, 2014**	December 31, 2013
ASSETS			
Cash	5	**$ 10,220**	$ 22,659
Accounts receivable	6	**998**	1,199
Inventories	7	**9,207**	7,836
Prepaid expenses and other assets	*8*	**5,528**	1,800
Finance receivables	*9*	**197,557**	159,301
Deferred tax assets	*24(c)*	**815**	832
Property and equipment	*14*	**3,046**	1,215
Intangible assets	*15*	**8,125**	7,026
Goodwill	*16*	**19,943**	14,653
TOTAL ASSETS		**$ 255,439**	$ 216,521
LIABILITIES			
Accounts payable and other liabilities	*17*	**$ 8,489**	$ 7,096
Vehicle financing	*18*	**8,247**	6,368
Interest rate swaps	*19*	**—**	1,201
Borrowings	*20*	**105,848**	77,305
Customer security deposits	*21*	**12,426**	11,830
Convertible debentures	*22*	**20,598**	20,680
Deferred tax liabilities	*24(d)*	**19,987**	23,883
		175,595	148,363
SHAREHOLDERS' EQUITY			
Common shares	*25*	**49,039**	45,169
Non-controlling interest		**11,124**	10,114
Reserve - share-based compensation	*26*	**3,504**	3,909
Accumulated other comprehensive income		**6,092**	953
Retained earnings		**10,085**	8,013
		79,844	68,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 255,439**	$ 216,521

Approved by the Board of Directors

Fred Steiner, Chairman

Clare R Copeland

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(in thousands of dollars, except per share amounts)

	Note	2014	2013
Finance revenue			
Interest revenue on finance leases and loans		**$ 48,653**	$ 37,128
Ancillary finance and other fee income		**5,744**	5,580
		54,397	42,708
Finance expenses			
Interest expense		**4,938**	4,016
Provision for credit losses		**11,144**	6,495
		16,082	10,511
Finance margin		**38,315**	32,197
Revenue - automotive operations		**53,703**	52,031
Cost of sales - automotive operations			
Change in inventories		**(1,371)**	46
Automobiles, parts, and other costs		**47,947**	44,940
Interest expense		**164**	162
		46,740	45,148
Automotive gross margin		**6,963**	6,883
Gross margin before expenses		**45,278**	39,080
Expenses			
Personnel expenses		**13,002**	11,035
Other expenses		**9,440**	7,802
Amortization - property and equipment	*14*	**258**	193
Amortization - intangible assets	*15*	**63**	169
		22,763	19,199
Income before undernoted items		**22,515**	19,881
Financing costs written off		**(607)**	—
Financing costs - convertible debentures	*22*	**(1,266)**	(2,035)
Gain (loss) on interest rate swaps	*19*	**(439)**	1,413
Unrealized gain on foreign exchange		**223**	478
Income before taxes		**20,426**	19,737
Provision for taxes	*24*	**(8,887)**	(8,832)
Net income		**$ 11,539**	$ 10,905
Attributable to:			
Common shareholders		**$ 10,105**	$ 9,497
Non-controlling interest		**$ 1,434**	$ 1,408
Basic earnings per share	*28*	**$ 0.98**	$ 0.96
Diluted earnings per share	*28*	**$ 0.93**	$ 0.89

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(in thousands of dollars)

		2014		2013
Net income	**$**	**11,539**	$	10,905
Other comprehensive income:				
Unrealized gain on translation of foreign operations		**5,868**		3,257
Comprehensive income for the year	**$**	**17,407**	$	14,162
Attributable to:				
Common shareholders	**$**	**15,244**	$	12,333
Non-controlling interest	**$**	**2,163**	$	1,829

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(in thousands of dollars)

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	2014 Total
		(# '000s)						
Shareholders' equity - December 31, 2013		**9,970**	**$ 45,169**	**$ 10,114**	**$ 3,909**	**$ 953**	**$ 8,013**	**$ 68,158**
Net income		**—**	**—**	**1,434**	**—**	**—**	**10,105**	**11,539**
Dividends declared	27	**—**	**—**	**(1,153)**	**—**	**—**	**(8,033)**	**(9,186)**
Share-based compensation		**—**	**—**	**—**	**1,243**	**—**	**—**	**1,243**
Exercise of restricted share units	*26(b)*	**59**	**575**	**—**	**(575)**	**—**	**—**	**—**
Exercise of options	*26(a)*	**391**	**3,295**	**—**	**(1,073)**	**—**	**—**	**2,222**
Unrealized gain on translation of foreign operations		**—**	**—**	**729**	**—**	**5,139**	**—**	**5,868**
Shareholders' equity - December 31, 2014		**10,420**	**$ 49,039**	**$ 11,124**	**$ 3,504**	**$ 6,092**	**$ 10,085**	**$ 79,844**

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income (loss)	Retained earnings	2013 Total
		(# '000s)						
Shareholders' equity - December 31, 2012		9,843	$ 44,215	$ 9,357	$ 3,160	$ (1,883)	$ 5,706	$ 60,555
Net income		—	—	1,408	—	—	9,497	10,905
Dividends declared	27	—	—	(1,072)	—	—	(7,190)	(8,262)
Share-based compensation		—	—	—	1,345	—	—	1,345
Exercise of restricted share units	*26(b)*	46	340	—	(340)	—	—	—
Exercise of options	*26(a)*	81	614	—	(256)	—	—	358
Unrealized gain on translation of foreign operations		—	—	421	—	2,836	—	3,257
Shareholders' equity - December 31, 2013		9,970	$ 45,169	$ 10,114	$ 3,909	$ 953	$ 8,013	$ 68,158

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(in thousands of dollars)

	Note	2014	2013
OPERATING ACTIVITIES			(note 37)
Net income		$ **11,539**	$ 10,905
Costs associated with investing activities included in net income		**167**	1,443
Non-cash items included in net income			
Amortization		**321**	362
Provision for credit losses		**14,720**	9,241
Share-based compensation expense		**1,243**	1,345
Provision for taxes		**8,887**	8,832
Other non-cash items	29	**2,411**	(1,033)
		27,582	18,747
Cash from operating activities before change in net operating assets		**39,288**	31,095
Change in net operating assets	29	**(917)**	60
Cash from operating activities before income tax and interest payments		**38,371**	31,155
Interest paid on convertible debentures	22	**(1,348)**	—
Income tax refund received		**155**	462
Income taxes paid		**(15,936)**	(15,544)
Cash from operating activities		**21,242**	16,073
INVESTING ACTIVITIES			
Acquisition	16	**(10,567)**	(88)
Finance receivables - net increase	29	**(25,051)**	(34,874)
Customer security deposits		**(971)**	74
Purchase of property and equipment	14	**(2,068)**	(510)
Cash used in investing activities		**(38,657)**	(35,398)
FINANCING ACTIVITIES			
Borrowings - net	29	**15,113**	25,638
Payment of financing costs	20	**(1,919)**	(212)
Settlement of interest rate swaps	19	**(1,686)**	—
Proceeds from convertible debentures - net of costs	22	**—**	18,645
Proceeds from exercise of options	26	**2,222**	358
Cash dividends paid	27	**(9,157)**	(8,140)
Cash from financing activities		**4,573**	36,289
Unrealized foreign exchange gain on cash		**403**	104
Net increase (decrease) in cash		**(12,439)**	17,068
Cash, beginning of year		**22,659**	5,591
Cash, end of year		$ **10,220**	$ 22,659

Please see notes to the consolidated financial statements.

TABLE OF NOTES

1. NATURE OF BUSINESS AND BASIS OF PREPARATION

Chesswood Group Limited (the "Company") is incorporated under the laws of the Province of Ontario. The Company's head office is located at 4077 Chesswood Drive, Toronto, Ontario, M3J 2R8, and its shares trade on the Toronto Stock Exchange under the symbol CHW.

The Company holds all of the limited partnership units of Chesswood Holding LP ("Holding LP"). Holding LP holds a 100% interest in Chesswood Holdings Ltd. and substantially all of the limited partnership units of Sherway LP ("Sherway"). Chesswood Holdings Ltd. owns 100% of the shares of the operating company, Northstar Leasing Corporation ("Northstar"), Lease-Win Limited, Case Funding Inc. ("Case Funding"), as well as 100% of the shares of Chesswood U.S. Acquisition Co Ltd. ("U.S. Acquisitionco"), a corporation which owns 100% of the shares of the operating company Pawnee Leasing Corporation ("Pawnee"), incorporated in Colorado, United States and Windset Capital Corporation ("Windset"), incorporated in Delaware, United States.

As partial consideration for the acquisition of Pawnee in May 2006, 1,274,601 Class B shares and 203,936 Class C shares of a subsidiary (U.S. Acquisitionco) were issued ("Exchangeable Securities"). The Exchangeable Securities are non-voting shares of U.S. Acquisitionco and are fully exchangeable for Common Shares of the Company, on a one-for-one basis, for no additional consideration, through a series of steps and entitle the holders to receive the same dividends as the Common Shares. Attached to the Exchangeable Securities are Special Voting Units of the Company which provide the holders of the Exchangeable Securities voting equivalency to Company Shareholders. The Exchangeable Securities are reflected as non-controlling interest. Under IFRS 10, *Consolidated Financial Statements*, the Exchangeable Securities must be shown as non-controlling interest because they are equity in a subsidiary not attributable, directly or indirectly, to the parent even though they have no voting powers in the subsidiary. There are no restrictions to the Company's ability to access or use assets and settle liabilities of U.S. Acquisitionco as a result of the non-controlling interest. The non-controlling interest share of the Company's consolidated net assets and net income is appropriately shown on the consolidated financial statements.

Through its interest in Pawnee, the Company is involved in the business of micro and small-ticket equipment financing to small businesses in the start-up and "B" credit market in the lower 48 states of the United States. Through its interest in Windset, the Company is involved in the business of providing working capital loans to small businesses in many of the lower 48 states of the United States. Through its interest in Case Funding, the Company is involved in the legal finance business in the United States. Through its interest in Sherway LP, the Company is involved in selling, servicing and leasing Acura automobiles in the Province of Ontario. Through its interest in Northstar, the Company is involved in non-prime commercial equipment financing to small businesses in Canada.

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term IFRS also includes all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") mandatory for the fiscal years 2014 and 2013.

The consolidated financial statements have been prepared on the going concern and historical cost bases, except for derivative financial instruments, liabilities held for trading and hybrid financial liabilities designated as at fair value through net income or loss, which have been measured at fair value. In order to improve clarity, certain items have been combined on the statements of financial position with detail provided separately in the notes.

The reporting currency is the Canadian dollar. The financial statements are presented in thousands of Canadian dollars except per share amounts and as otherwise noted. The functional currency of the Company, Holding LP, Chesswood Holdings Ltd., Sherway, Northstar, and Lease-Win is the Canadian dollar. The functional currency of U.S. Acquisitionco, Pawnee, Windset and Case Funding is the United States dollar.

The Company's consolidated financial statements were authorized for issue on March 24, 2015 by the Board of Directors.

2. CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries as noted above. Subsidiaries are consolidated using the purchase method from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated as long as control is held. The financial statements of all subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies in accordance with IFRS 10, *Consolidated Financial Statements.* All intra-group balances and items of income and expense resulting from intra-group transactions are eliminated in full. Transaction costs in connection with business combinations are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

Exercise of judgment and use of accounting estimates and assumptions

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to apply a significant degree of judgment in applying the Company's financial accounting policies and to make certain assumptions and estimates that have a material effect on the reported amounts of assets, liabilities, revenue and expenses.

The assumptions and estimates are based on premises that reflect the facts that are known at any given time. Future economic factors are inherently difficult to predict and are beyond management's control. If the actual development differs from the assumptions and estimates, the premises used and, if necessary, the carrying amounts for the assets and liabilities in question are adjusted accordingly. The exercise of judgment is based on management's experience and also on past history. As a result, actual amounts could differ from these estimates.

There were no significant changes in estimates made in the interim periods that have been adjusted in the final quarter.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is presented as follows:

Net investment in leases

The leases entered into by the Company are considered to be finance leases in nature, based on an evaluation of all the terms and conditions and the determination that the Company has transferred substantially all the risks and rewards of legal ownership of the asset to the lessee.

Legal finance receivables

Our legal financing business has three principal products - attorney loans, plaintiff advances and medical liens. Attorney loans are collateralized loans to contingency fee-based law firms based on a combination of an assessment of the likelihood of a successful outcome for a pool of cases put forward by the law firm, and the creditworthiness of the borrowers. Plaintiff advances are structured as a purchase of an interest in the proceeds of a legal claim and are made (or declined) based on the probability of success and potential claim size, not the plaintiff's credit. Advances are on a non-recourse basis where Case Funding forfeits its entire advance and any related fees if the plaintiff is not successful in the claim. Such advances are not characterized as loans because there is no promise to repay in the event the plaintiff does not succeed in his/her claim. Medical lien financing refers, generally, to the purchase of existing medical debt obligations of patients involved in existing litigation that is the result of an injury or multiple injuries. Case Funding will purchase, at a discount to the face value, the accounts receivable of medical facilities that relates to patients that undergo procedures necessary to remedy injuries from an incident that is the subject of litigation.

Attorney loans and medical lien financing are deemed to be a financial asset as they are a contractual right to receive cash from another entity and are considered to be loans and receivables for accounting purposes, based on an evaluation of all the terms and conditions of the contracts. The contracts are deemed to have fixed or determinable payments, in that the payments are due when the underlying cases are settled, the date of which cannot be known and is therefore estimated. Loans and receivables are accounted for at amortized cost using the effective interest method; however the effective interest rate is calculated using estimated cash flows based on an estimated settlement date.

Plaintiff advances are deemed to be a financial asset as they are a contractual right to receive cash from another entity and are considered to be available-for-sale financial assets for accounting purposes, based on an evaluation of all the terms and conditions of the contracts. The terms of the plaintiff advances are on a non-recourse basis, and payment depends on the success and potential size of claims. Thus, the terms may limit the expected cash flows and, other than for credit deterioration, they were deemed not to be loans and receivables. Available-for-sale financial assets are valued at fair value, the accretion in value is recognized based on the effective interest method and recognized in finance income, and any changes in fair value are recorded in other comprehensive income until realized.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is presented as follows:

Impairment of non-financial assets

The Company's impairment test of non-financial assets is based on the value-in-use which is estimated using a discounted cash flow model. The cash flows are derived from budgets for the next five years, excluding restructuring activities and future investments. Other than the cash flow estimates, the value-in-use is most sensitive to the discount rate used and the growth rate applied beyond the five year estimate.

Impairment of financial asset receivables

Quantifying the impairment of financial asset receivables is based on: for receivables that are in default, estimates of the carrying value that will ultimately not be collected and, for finance receivables that are in default, the application of current delinquency rates at each reporting date.

Fair values

The fair value of interest rate derivatives, certain assets acquired and consideration paid in business acquisitions and available for sale financial assets are estimated using valuation techniques based on assumptions of, for example, estimated future cash flows, future interest rate movements, the probability of success of legal claims and the timing of collections. The estimated fair values are sensitive to changes in these assumptions.

Taxes

Determining the value of deferred tax assets recognized requires an estimate of the value of tax benefits that will eventually be realized by the Company.

U.S. federal tax legislation enacted in 2004 addresses perceived U.S. tax concerns over “corporate inversion” transactions. A “corporate inversion” generally occurs when a non-U.S. entity acquires “substantially all” of the equity interests in, or the assets of, a U.S. corporation or partnership, if, after the acquisition, former equity holders of the U.S. corporation or partnership own a specified level (referred to as the “percentage identity”) of equity in the non-U.S. entity, excluding equity interests acquired in the acquiring entity in public offerings associated with the acquisition. Adverse U.S. tax consequences are only triggered if:

(a) Pawnee sells or licenses any of its assets as part of its acquisition by the Company, or licenses any assets to a related non-U.S. entity during the subsequent 10 years; or

(b) If it does sell or license any such assets, it does not offset its U.S. tax arising from such sales or licenses with loss carry-forwards, foreign tax credits or certain tax amounts with similar attributes.

Management has concluded that either or both of these conditions will not be triggered.

Cash

Cash is comprised of cash and highly liquid investments with original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of new and used vehicles is determined using the specific item method and includes all direct expenditures required to bring each vehicle to its present location and condition, which includes preparing the vehicles for sale. The cost of automobile parts is the purchase cost on a first-in, first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs necessary to make a sale.

Net investment in leases

The net investment in leases arises from the Company’s automotive and equipment leasing operations and is described below under Revenue recognition.

Net investment in leases - pledged

The Company finances a portion of its finance lease receivables at Northstar by pledging such receivables as security for amounts borrowed from lenders under a bulk lease facility. Northstar retains ownership and servicing responsibilities of the pledged lease receivables, however, the lenders have the right to enforce their security interest in the pledged lease receivables if Northstar defaults under this facility. Therefore, the pledged lease receivables are presented separately on the Company’s consolidated statement of financial position and the loan proceeds received from the lenders are presented as a liability.

Allowance for doubtful accounts

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”) and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated. Potential losses expected as a result of future events, no matter how likely based on past historical evidence, are not allowed to be recognized.

The carrying amount of the financial asset is reduced through the use of an allowance for doubtful accounts and the amount of loss is recognized as a provision for credit losses. Individually significant loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Loans and receivables that are not considered to be individually impaired are reviewed for impairment on a group basis, determined by reference to the shared delinquency characteristics.

Lease and loan receivables at Pawnee and Windset are composed of a large number of homogenous leases and loans, with relatively small balances. Thus, the evaluation of the allowance for credit losses is performed collectively for the lease and loan receivable portfolio at Pawnee and Windset. Allowance for doubtful accounts on finance receivables at Pawnee and Windset is comprised of the net investment in leases and loan value that is over 30 days delinquent, plus any leases/loans identified as impaired less than 30 days delinquent.

At Northstar, management reviews each outstanding receivable by lessee on an individual basis for collectability and for reserve requirements, if any.

Property and equipment

Property and equipment are measured at acquisition or purchase cost less scheduled depreciation based on the useful economic lives of the assets. No components (those parts of individual property and equipment assets having different economic lives than the remainder of the asset) have been identified. Scheduled depreciation is based on the following annual rates, which are reassessed annually:

Leasehold improvements	straight-line over the remaining lease term
Service equipment and vehicles	20% or 30% declining balance
Furniture and equipment	20% to 30% declining balance
Computer hardware	20% to 30% declining balance

Goodwill and intangible assets

Goodwill is initially measured at cost which represents the excess of the fair value of consideration paid for a business acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Purchased intangible assets are recognized as assets in accordance with IAS 38, *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Management has determined that trade names and the framework agreement have indefinite lives. The broker relationships are considered to have a finite life and are amortized on a scheduled straight-line basis over their estimated useful life of seven years.

The amortization period and method of amortization for intangible assets with finite lives are reassessed annually. Changes in the useful life or in the pattern of economic benefits derived are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually at the cash generating unit level and are reviewed annually to determine whether the indefinite life continues to be applicable. Any change from indefinite life to finite life would be accounted for prospectively.

Impairment of non-financial assets

Impairment testing is applied on an individual asset basis unless an asset does not generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGU") for purposes of assessing impairment. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair value less cost to sell and its value in use. Value in use is the present value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is allocated to reduce the carrying amount of the assets of the CGU, first to reduce the carrying amount of the CGU's goodwill and then to the other assets of the CGU allocated pro-rata on the basis of the carrying amount of each asset.

Impairment losses of continuing operations are recognized in the statement of income.

A previously recognized impairment loss for non-financial assets, excluding goodwill, is reversed if there has been a change in the assumptions used to determine recoverable amount since the previous impairment loss was recognized. The carrying amount after the reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment losses relating to goodwill cannot be reversed.

CGUs to which goodwill and intangible assets with indefinite lives have been allocated are tested for impairment annually as at December 31, and all CGUs are tested for impairment more frequently when there is an indication that the CGU may be impaired.

Revenue recognition

The Company's leasing operations use standard lease contracts which are non-cancelable finance leases and provide for monthly lease payments for periods of one to five years. Leases are accounted for as finance leases because substantially all of the risks and rewards incidental to legal ownership of the property are transferred to the lessee. The total present value of minimum lease payments to be received over the lease term is recognized at the commencement of the lease. The difference between this total value, net of incremental execution costs, such as broker commission, and the cost of the leased asset is deferred income and is recognized as a reduction of the lease receivable, with the net result shown as net investment in leases. The deferred income is then recognized over the life of the lease using the effective interest method, which provides a constant rate of return on the net investment throughout the lease term.

The Company's revenue from the sale of automobiles is recognized when the following conditions are met: the risks and rewards of ownership of the vehicle are transferred to the customer, the sales price is agreed or determinable and the receipt of payment is probable. Revenues are stated net of discounts, if any. All other parts and service revenue is recorded when goods are delivered or services are completed and the receipt of payment can be assumed.

Income on attorney loans and medical liens is recognized using the effective interest method, as described below under financial instruments - loans and receivables.

Plaintiff advances are carried at fair value. The accretion in value is recognized based on the effective interest method and recognized in finance income, and any changes in fair value are recorded in other comprehensive income until realized.

Share-based payment transactions

From time to time, the Company compensates certain members of management in the form of share-based compensation. The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, over the period during which the performance and or service conditions are fulfilled and ending on the vesting date at which point the employees become fully entitled to the award. The cumulative expense also takes into account the number of equity instruments that the Company expects will ultimately vest.

The fair-value of option grants are calculated using the Black-Scholes option pricing model and recognized as compensation expense over the vesting period of those grants and a corresponding adjustment is made to Reserves in Shareholders' Equity. Any consideration received on exercise of options together with amounts previously credited to Reserves for these options is credited to Common Shares.

The fair-value of Restricted Share Units ("RSUs") granted is calculated based on the market price of the Common Shares on the day of the grant. RSUs granted are considered to be in respect of future services and are recognized as compensation expense over the vesting period with a corresponding adjustment credited to Reserves in Shareholders' Equity. On exercise of the restricted units the amounts previously credited to Reserves is credited to Common Shares. Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense determined as if the terms had not been modified. Additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee at the date of the modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized is recognized immediately.

The dilutive effect of outstanding options is reflected as additional equity in the computation of diluted earnings per share.

Taxes

Taxes are accounted for using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary for deferred tax benefits for which realization is not considered probable.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share

Earnings per share is computed in accordance with IAS 33, *Earnings per Share*, as a measure of the income s for ordinary equity holders. Basic earnings per share is calculated by dividing net income by the average number of outstanding shares. Diluted earnings per share is calculated to reflect the dilutive effect, if any, of any other commitment or instruments.

Foreign currency transactions

The financial statements of consolidated entities which are prepared in a foreign currency are translated using the functional currency concept of IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The functional currency of a subsidiary is determined on the basis of the primary economic environment in which it operates and typically corresponds to the local currency. Income and expenses of subsidiaries with a different functional currency than the Company's presentation currency are translated in the Company's consolidated financial statements at the average exchange rate for the reporting period, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation are recognized in other comprehensive income.

Foreign currency payables and receivables in the statement of financial position are recorded at the transaction date at cost. Exchange gains and losses arising from conversion of monetary assets and liabilities at exchange rates at the end of the reporting period are recognized as income or expense.

The U.S. dollar exchange rates, which have a material impact on the Company's financial statements, are as follows:

Closing Rate as at		Average Rate for the years ended	
December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
1.1601	1.0636	**1.1045**	1.0299

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire or when the asset and substantially all related risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the loans or receivables are derecognized or impaired. See Allowance for doubtful accounts.

Broker commissions related to the origination of financing leases are deferred and recorded as an adjustment to the yield of the net investment in financing leases.

The Company's cash, accounts receivable, net investment in leases, equipment financing agreements, working capital loan receivables, attorney loans and medical liens are classified as loans and receivables.

Financial assets at fair value through net income or loss

Financial assets at fair value through net income or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through net income or loss upon initial recognition. All derivative financial instruments are included in this category, except for those that are designated and effective hedge instruments. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred.

Assets in this category are subsequently measured at fair value with gains or losses recognized in net income or loss. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists.

The Company had no financial instruments in this category at December 31, 2014 and 2013.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Financial instruments are classified as held to maturity investments if the Company has the intention and ability to hold them to maturity.

Subsequent to initial recognition, held to maturity investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined, for example, by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying value of the investment, including impairment losses, are recognized in net income or loss.

The Company had no financial instruments in this category at December 31, 2014 and 2013.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated as available for sale or do not qualify for inclusion in any other category.

Available for sale financial assets for which fair value cannot be estimated reliably are measured at cost and any impairment losses are recognized in net income or loss. All other available for sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in net income or loss. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to net income or loss and presented as a reclassification adjustment within other comprehensive income.

The Company's plaintiff advances are designated as available for sale financial assets for accounting purposes.

Financial liabilities

The categories of financial liabilities and their subsequent measurement are as follows:

Financial liabilities at fair value through net income or loss

Financial liabilities at fair value through net income or loss include financial liabilities that are either classified as held for trading or in defined circumstances, are designated at fair value through net income or loss upon initial recognition. When certain conditions are satisfied, *IAS 39, Financial Instruments: Measurement and Recognition*, requires embedded derivatives to be separately recognized and measured at fair value; changes in fair value in periods subsequent to initial recognition are recognized in net income. In order to avoid the measurement inconsistencies that would result from separate accounting for multiple embedded derivatives, IAS 39 allows an entity to designate the entire hybrid contract as at fair value through net income. All contingent consideration payable is also included in this category. Derivative financial instruments that are designated as effective hedge instruments are excluded from this category.

The Company's interest rate swap contracts are classified as held for trading for accounting purposes. The convertible debentures issued during the year are designated as at fair value through net income. The Company has not designated any financial instruments as hedges for accounting purposes.

Liabilities in this category are measured at fair value with gains or losses recognized in net income. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through net income or loss are recognized in net income as incurred.

Loans and borrowings

Interest bearing loans and borrowings not otherwise categorized as financial liabilities at fair value through net income or loss are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in net income or loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company's financial liabilities include vehicle financing, borrowings, accounts payable and other liabilities and customer security deposits.

Statement of cash flows

The statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing, and financing activities, and the Company's cash at the beginning and end of the year. Cash flows in foreign currencies have been translated at the average rate for the period. Exchange rate differences affecting cash items are presented separately in the statement of cash flows.

During the first quarter of 2014, the Company moved changes in finance receivables and customer security deposits to investing activities on the Statement of Cash Flows and the change in borrowings was moved to financing activities to be comparable to other specialty finance companies, to reflect the longer-term nature of the receivables and borrowings and to better reflect the Company's decision to self-finance its finance receivables from excess funds and not necessarily cash from current operating activities.

Cash flow from operating activities comprises net income adjusted for non-cash items, changes in working capital and operational net assets. Receipts and payments with respect to tax are included in cash from operating activities. The Company considers vehicle financing as a short-term operational liability and the change is shown in cash flows from operating activities.

Cash flow from investing activities comprises payments relating to business acquisitions, investment in finance receivables, customer security deposits and property and equipment.

Cash flow from financing activities comprises payment of dividends, net proceeds from borrowings, proceeds from convertible debentures and stock issues, and the purchase and sale of treasury stock.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Management is currently assessing the impact that adoption of the following new accounting pronouncements will have on the company's financial statements.

IFRS 9 Financial Instruments

The IASB issued the final complete standard during 2014. The company plans to adopt the standard for the year ended December 31, 2018.

(a) IFRS 9 uses a single principles-based approach to determine the classification and measurement of financial assets (either fair value or amortized cost) based on the entity's business model and the nature of the contractual cash flows derived from the asset.
(b) The new standard introduces an expected loss impairment model for all financial instruments except those measured at fair value through profit and loss. Application of the model will depend on what stage a financial asset is at. A 12-month expected credit loss is recognized through a loss allowance on initial recognition of financial asset. If credit risk subsequently increases significantly above a low level, a loss is recognized for the lifetime expected loss. Finally, if a financial asset is considered credit impaired, then interest revenue is based on the net carrying amount of the asset instead of its gross carrying amount.
(c) The standard requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive income, rather than within profit or loss.
(d) IFRS 9 includes revised guidance related to de-recognition of financial instruments.

IFRS 15 Revenue from Contracts with Customers

The standard establishes principles for recognizing revenues based on a five-step model which is to be applied to all contracts with customers. Revenue arising from lease contracts accounted for under IAS 17 is outside of the scope of the new standard. The company plans to adopt the new standard for the year ended December 31, 2017.

IFRS 8 Operating Segments

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and will be adopted for the year ended December 31, 2015.

5. CASH

Operating line of credit

At December 31, 2014 and 2013, Sherway had an authorized line of credit of $1.0 million which was not utilized at either date. The line of credit is secured by assignments of the accounts receivable and a general security agreement over the assets of the dealership.

See Note 18 - *Vehicle financing*, and Note 20 - *Borrowings,* for additional credit facilities.

6. ACCOUNTS RECEIVABLE

The accounts receivable balance principally relates to the Sherway dealership and includes amounts due from the manufacturer for financing contracts in transit, which are typically collected within seven to ten days.

The aging of the accounts receivable is as follows:

	December 31, 2014	December 31, 2013
	($ thousands)	
Current	**$ 896**	$ 1,146
31-60 days	**41**	18
61-90 days	**11**	9
More than 90 days	**50**	26
	$ 998	$ 1,199

Accounts receivable that are impaired at December 31, 2014 and 2013 are nominal.

7. INVENTORIES

		December 31, 2014		December 31, 2013
		($ thousands)		
New and demonstrator vehicles	**$**	**7,797**	$	5,986
Used vehicles		**1,269**		1,726
Parts and other		**141**		124
	$	**9,207**	$	7,836

The majority of the new and demonstrator vehicles are pledged as security for the vehicle financing floor plan facility (Note 18 - *Vehicle financing*). If the new and demonstrator vehicles are not specifically pledged under the vehicle financing floor plan facility they are pledged under a general security agreement over the dealership's other assets for the lines of credit. The lines of credit were not utilized at December 31, 2014 and 2013.

During the year-ended December 31, 2014, cost of sales relating to vehicles and part sales totaled $46.6 million (2013 - $45.0 million). During the year-ended December 31, 2014, demonstrator vehicles were written down by $42,000 (2013 - $84,100) based on the utilization of the vehicles. This cost is included in other expenses. Used vehicles were not written down during the current or prior years. There was no reversal of any write-downs of inventory during the current or prior year. The provisions for valuation and usage included in inventory total $55,081 (2013 - $144,200).

8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise:

		December 31, 2014		December 31, 2013
		($ thousands)		
Property tax receivable	**$**	**541**	$	325
Tax receivable		**2,928**		1,070
Sales tax receivable		**78**		86
Other prepaid expenses and current assets		**1,936**		277
Deposits - premises		**45**		42
	$	**5,528**	$	1,800

Prepaid expenses and other assets typically have maturities of less than one year, except for the deposits on the premises.

9. FINANCE RECEIVABLES

Finance receivables comprise:

	Note		December 31, 2014		December 31, 2013
			($ thousands)		
Net investment in leases	10	**$**	**135,690**	$	127,145
Net investment in leases - pledged	10		**4,590**		—
Equipment financing agreements and working capital loans	11		**44,623**		21,195
Legal finance receivables	12		**12,654**		10,961
		$	**197,557**	$	159,301

10. NET INVESTMENT IN LEASES

(a) Net investment in leases includes the following:

	December 31, 2014	December 31, 2013
	($ thousands)	
Total minimum lease payments	**$ 173,975**	$ 160,363
Residual values of leased equipment	**19,407**	19,159
	193,382	179,522
Unearned income, net of initial direct costs of lease acquisition	**(52,182)**	(48,804)
Net investment in leases before allowance for doubtful accounts	**141,200**	130,718
Allowance for doubtful accounts *(b)*	**(5,510)**	(3,573)
Net investment in leases	**$ 135,690**	127,145
Net investment in leases - pledged *(e)*	**4,590**	—
	140,280	127,145
Current portion	**53,405**	47,143
Net investment in leases - long-term portion	**$ 86,875**	$ 80,002

(b) The activity in the allowance for doubtful accounts is as follows:

	For the years ended **December 31,** **2014**	2013
	($ thousands)	
Balance, beginning of year	**$ 3,573**	$ 2,891
Provision for credit losses	**8,108**	6,196
Impact of change in foreign exchange rates	**389**	216
Allowance of acquired company	**324**	—
Charge-offs	**(10,304)**	(8,462)
Recoveries	**3,420**	2,732
Balance, end of year	**$ 5,510**	$ 3,573

(c) Scheduled collections of minimum lease payments receivable at December 31, 2014 are presented in the following table. The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including: prepayment rates, charge-offs and modifications. Accordingly, the following scheduled collections of minimum lease payments as at December 31, 2014 are not to be regarded as a forecast of future cash collections.

	Minimum lease payments
	($ thousands)
2015	$ 78,288
2016	53,026
2017	29,168
2018	11,404
2019 and thereafter	2,089
Total minimum lease payments	$ 173,975

(d) New leases entered into during the year-ended December 31, 2014 resulted in an increase in the minimum lease payments of $97.4 million (2013 - $102.8 million); the associated residual values of leased equipment for these new leases totaled $5.3 million (2013 - $6.2 million); and the unearned income net of initial direct costs totaled $37.3 million (2013 - $34.5 million).

(e) Net investment in leases - pledged is comprised of $4.51 million of minimum lease payments, $706,000 in residual receivables, offset by $625,000 in unearned income.

11. EQUIPMENT FINANCING AGREEMENTS AND WORKING CAPITAL LOANS

	December 31, 2014	December 31, 2013
	($ thousands)	
Equipment financing agreements	**$ 28,088**	$ 18,947
Working capital loans	**17,583**	2,422
Allowance for doubtful accounts *(a)*	**(1,048)**	(174)
Equipment Financing Agreements and Working Capital Loans	**$ 44,623**	$ 21,195
Current portion	**25,428**	7,755
EFAs and WCLs – long-term portion	**$ 19,195**	$ 13,440

(a) The activity in the allowance for doubtful accounts is as follows:

	For the years ended **December 31,**	
	2014	2013
	($ thousands)	
Balance, beginning of year	**$ 174**	$ 42
Provision for credit losses	**2,530**	293
Impact of change in foreign exchange rates	**57**	—
Charge-offs	**(1,869)**	(176)
Recoveries	**156**	15
Balance, end of year	**$ 1,048**	$ 174

12. FINANCE RECEIVABLES PAST DUE

Pawnee's lease receivables and EFAs and Windset's WCLs are each composed of a large number of homogenous receivables with relatively small individual balances. The evaluation of the allowance for doubtful accounts is performed collectively for each portfolio.

At Northstar, management reviews each outstanding receivable by lessee on an individual basis for collectability and for reserve requirements, if any.

The following aging represents the total carrying amount of the leases, EFAs and WCLs and not just the payments that are past due. The balances presented exclude the $12.4 million (December 31, 2013 - $11.8 million) of security deposits received from lessees/borrowers and the collateral held (including potential proceeds from repossessed vehicles and equipment, and potential recoveries from personal guarantees) that would offset any charge-offs. An estimate of the fair value for the collateral and personal guarantees cannot reasonably be determined.

($ thousands)					As of December 31, 2014
	Current	**1-30 days**	**31 - 60 days**	**61 - 90 days**	**Over 90 days**
Equipment lease receivables	**$ 136,659**	**$ 4,491**	**$ 2,197**	**$ 730**	**$ 1,713**
EFA's & WCLs	**44,234**	**672**	**671**	**—**	**94**
	180,893	**5,163**	**2,868**	**730**	**1,807**
Impaired	**235**	**676**	**1,304**	**423**	**1,736**
Past due but not impaired	**$ —**	**$ 4,487**	**$ 1,564**	**$ 307**	**$ 71**

($ thousands)					As of December 31, 2013
	Current	1-30 days	31 - 60 days	61 - 90 days	Over 90 days
Equipment lease receivables	$ 123,676	$ 4,086	$ 1,369	$ 505	$ 1,082
EFA's & WCLs	20,927	329	23	4	86
	144,603	4,415	1,392	509	1,168
Impaired	183	208	263	146	1,168
Past due but not impaired	$ —	$ 4,207	$ 1,129	$ 363	$ —

The net investment in leases and EFA's at Pawnee that have been modified (in 2014 or prior) and are current at December 31, 2014 is $2.9 million (December 31, 2013 - $2.5 million). On average the lease\loan terms have been modified to extend the leases by approximately 3 months. Leases\loans modified at Pawnee during the year-ended December 31, 2014 had a total net investment in lease balance at the time of modification of $5.1 million (2013 - $4.3 million). These amounts reflect the finance receivable balances prior to payments collected since modification, or leases\loans that terminated early after modifications or leases\loans charged-off after modification.

Collateral

Pawnee and Northstar are entitled to repossess financed equipment if the borrower defaults on their lease or loan contract. When a lease or loan is charged-off, the related equipment no longer has a carrying value on the financial statements. Any amounts recovered from the sale of equipment after a charge-off, are credited to the allowance for doubtful accounts when received; in the year-ended December 31, 2014, the proceeds from the disposal of repossessed equipment that was charged-off totaled $1.2 million (2013 - $842,000). Repossessed equipment is held at various warehouses by a company contracted to repossess and sell the equipment.

13. LEGAL FINANCE RECEIVABLES

Legal finance receivables consist of:

	December 31, 2014	December 31, 2013
	($ thousands)	
Attorney loans and medical liens	**$ 4,878**	$ 4,642
Plaintiff advances	**7,776**	6,319
Legal finance receivables	**12,654**	10,961
Current portion *(i)*	**5,646**	5,322
Legal finance receivables – long-term portion	**$ 7,008**	$ 5,639

At Case Funding, management reviews each attorney loan receivable on an individual basis for collectability and for reserve requirements, if any. At December 31, 2014, it was determined an allowance of $116,000 was required (2013 - nil).

i) The contracts are deemed to have fixed or determinable payments, with the payments due when the underlying cases are settled. The date of settlement cannot be known and is therefore estimated. Plaintiff advances are made on a non-recourse basis, and repayment depends on the success and potential size of respective claims. The current portion of legal finance receivables is subject to estimation.

See Note 36(a) - *Subsequent events* in regards to the sale of certain attorney loans on February 3, 2015.

14. PROPERTY AND EQUIPMENT

Cost:	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
			($ thousands)		
December 31, 2012	$ 799	$ 210	$ 551	$ 643	$ 2,203
Additions	151	—	17	342	510
Disposals	—	—	(18)	(107)	(125)
Translation	—	—	(4)	1	(3)
December 31, 2013	$ 950	$ 210	$ 546	$ 879	$ 2,585
Additions	1,613	—	30	399	2,042
Acquisition *(Note 16)*	—	—	87	59	146
Disposals	—	—	(1)	(15)	(16)
Translation	—	—	3	41	44
December 31, 2014	**$ 2,563**	**$ 210**	**$ 665**	**$ 1,363**	**$ 4,801**

Accumulated amortization:	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
			($ thousands)		
December 31, 2012	$ 592	$ 142	$ 271	$ 305	$ 1,310
Amortization	36	13	54	90	193
Disposals	—	—	(17)	(114)	(131)
Translation	—	—	(1)	(1)	(2)
December 31, 2013	$ 628	$ 155	$ 307	$ 280	$ 1,370
Amortization	47	10	65	136	258
Disposals	—	—	—	(10)	(10)
Acquisition *(Note 16)*	—	—	75	52	127
Translation	—	—	(3)	13	10
	$ 675	**$ 165**	**$ 444**	**$ 471**	**$ 1,755**

Carrying amount:	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
			($ thousands)		
December 31, 2012	$ 207	$ 68	$ 280	$ 338	$ 893
December 31, 2013	$ 322	$ 55	$ 239	$ 599	$ 1,215
December 31, 2014	**$ 1,888**	**$ 45**	**$ 221**	**$ 892**	**$ 3,046**

15. INTANGIBLE ASSETS

	Indefinite useful life		Finite useful life	
	Trade names	Framework agreement	Broker relationships	Total
Cost:		*($ thousands)*		
December 31, 2012	$ 5,740	$ 889	$ 3,483	$ 10,112
Acquisitions	—	—	—	—
Translation	397	—	239	636
December 31, 2013	$ 6,137	$ 889	$ 3,722	$ 10,748
Acquisitions (*Note 16(b)*)	127	—	478	605
Translation	557	—	338	895
December 31, 2014	**$ 6,821**	**$ 889**	**$ 4,538**	**$ 12,248**

	Trade names	Framework agreement	Broker relationships	Total
Accumulated amortization:		*($ thousands)*		
December 31, 2012	$ —	$ —	$ 3,317	$ 3,317
Amortization	—	—	169	169
Translation	—	—	236	236
December 31, 2013	$ —	$ —	$ 3,722	$ 3,722
Amortization	—	—	63	63
Translation	—	—	338	338
December 31, 2014	**$ —**	**$ —**	**$ 4,123**	**$ 4,123**

	Trade names	Framework agreement	Broker relationships	Total
Carrying amount:		*($ thousands)*		
December 31, 2012	$ 5,740	$ 889	$ 166	$ 6,795
December 31, 2013	$ 6,137	$ 889	$ —	$ 7,026
December 31, 2014	**$ 6,821**	**$ 889**	**$ 415**	**$ 8,125**

Trade names were acquired in the acquisitions of Pawnee, Case Funding and Northstar and can be renewed annually, at nominal cost and for an indefinite period. There is no legal limit to the life of these trade names. The framework agreement, which was acquired in the acquisition of Sherway, can be renewed every five years at no cost and with no limit on the number of renewal periods. The businesses to which these intangible assets relate have established names in the market and, given the stability in the demand for their products and services, management expects to be able to derive economic benefit from these intangible assets for an indefinite period of time and has therefore determined them to be of indefinite life.

The following table shows the carrying amount of indefinite-life identifiable intangible assets by CGU as at:

	December 31, 2014	December 31, 2013
	($ thousands)	
Pawnee	**$ 6,265**	$ 5,743
Case Funding	**429**	394
Northstar	**127**	—
Sherway	**889**	889
Total indefinite-life intangible assets	**$ 7,710**	$ 7,026

16. GOODWILL

The goodwill allocated to each CGU and movements in goodwill consist of the following:

	Pawnee	Case Funding	Sherway	Northstar	Total
Cost:			*($ thousands)*		
December 31, 2012	$ 36,085	$ 650	$ 3,923	$ —	$ 40,658
Translation	2,492	44	—	—	2,536
December 31, 2013	$ 38,577	$ 694	$ 3,923	$ —	$ 43,194
Translation	3,500	63	—	—	3,563
Acquisition *(b)*	—	—	—	4,189	4,189
December 31, 2014	**$ 42,077**	**$ 757**	**$ 3,923**	**$ 4,189**	**$ 50,946**

	Pawnee	Case Funding	Sherway	Northstar	Total
Accumulated impairment:			*($ thousands)*		
December 31, 2012	$ 25,385	$ —	$ 1,403	$ —	$ 26,788
Impairment	—	—	—	—	—
Translation	1,753	—	—	—	1,753
December 31, 2013	$ 27,138	$ —	$ 1,403		$ 28,541
Impairment	—	—	—	—	—
Translation	2,462	—	—	—	2,462
December 31, 2014	**$ 29,600**	**$ —**	**$ 1,403**	**$ —**	**$ 31,003**

	Pawnee	Case Funding	Sherway	Northstar	Total
Carrying amount:			*($ thousands)*		
December 31, 2012	$ 10,700	$ 650	$ 2,520	$ —	$ 13,870
December 31, 2013	$ 11,439	$ 694	$ 2,520	$ —	$ 14,653
December 31, 2014	**$ 12,477**	**$ 757**	**$ 2,520**	**$ 4,189**	**$ 19,943**

The Company completed its annual goodwill impairment test as at December 31, 2014 and 2013 and determined that no impairment had occurred. Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount. The recoverable amounts of the Company's CGUs were determined based on their value-in-use ("VIU"). The calculation of VIU incorporated five years of cash flow estimates and was based on the following key variables:

i) The five years of cash flow estimates were based on achieving key operating metrics and drivers based on management estimates, past history and the current economic outlook, and were approved by Chesswood management. The VIU for Pawnee is most sensitive to assumptions of lease origination volumes and net charge-offs. The VIU for Sherway is most sensitive to assumptions of vehicle sales and gross margins.
ii) Terminal value incorporated into the VIU calculations was estimated by applying the growth rates in the following chart to cash flow estimates for the fifth year. The growth rates reflect the historical average core inflation rate which does not exceed the long term average growth rate for the industry.

	Pawnee	Case Funding	Sherway	Northstar
Terminal value growth rates:				
December 31, 2013	3.0%	3.0%	2.0%	2.0%
December 31, 2014	3.0%	3.0%	2.0%	2.0%

iii) The following pre-tax discount rates were applied in determining the recoverable amount of the CGUs. The discount rates were based on the weighted average cost of capital, adjusted for a liquidity and a risk premium.

	Pawnee	Case Funding	Sherway	Northstar
Pre-tax discount rates:				
December 31, 2013	30.82%	23.83%	26.32%	n/a
December 31, 2014	30.82%	23.83%	23.84%	22.83%

The Company believes that any reasonably possible change in the key assumptions on which its CGU's recoverable amounts are based would not cause the CGU's carrying amounts to exceed their recoverable amounts. If the future were to adversely differ from management's best estimate of key assumptions and associated cash flows were to be materially adversely affected, the Company could potentially experience future material impairment charges in respect of its goodwill and intangible assets with indefinite lives.

See Note 36(a) - *Subsequent events* in regards to the sale of Case Funding business operations and certain attorney loans on February 3, 2015.

(b) Business Acquisition

On January 31, 2014, the Company completed the acquisition of all of the outstanding shares of Northstar Leasing Corporation ("Northstar") for $10.4 million in cash. Northstar is a long-standing non-prime commercial equipment finance company, located in Barrie, Ontario. The acquisition enables the Company to expand the geographical coverage of its North American small ticket platform, leveraging the experience and expertise of Pawnee's presence in the U.S. to complement that of Northstar. These synergistic benefits to the Group are not recognizable intangible assets and are included in the goodwill amount for financial reporting purposes.

Included in the consolidated statement of income are revenue of $1.7 million and net loss of $48,000 related to Northstar for the period February 1 to December 31, 2014. Transaction costs relating to this acquisition of $167,000 were expensed during the year and are included in other expenses. An additional $88,000 of transaction costs were expensed during the year ended December 31, 2013.

None of the goodwill is expected to be deductible for tax purposes.

Northstar has the following other commitments:

($ thousands)	2015	2016	Total
Other financial commitments	$ 44	$ 30	$ 74

The allocation of the purchase price was completed during the final quarter of 2014. The material adjustments arising include: the recognition of broker network and trade name intangible assets, with a reduction in the carrying amount of goodwill, and the adjustment of the net investment in leases-pledged and net investment in leases to their fair values, net of the acquisition date allowance for impairment. The resulting purchase price allocation to the fair value of assets acquired and liabilities assumed is as follows.

		January 31, 2014
		($ thousands)
Cash	$	12
Net investment in leases-pledged *(Note 10(a))*		5,808
Net investment in leases *(Note 10(a))*		7,079
Prepaid expenses and other assets		95
Property and equipment		20
Deferred tax assets		70
Broker relationships		478
Trade name		127
Goodwill		4,189
Total assets	$	17,878
Accounts payable and other liabilities	$	283
Bulk lease financing facility		6,120
Lease financing		434
Customer security deposits		541
Deferred tax liabilities		100
Total liabilities	$	7,478
Net assets acquired	$	10,400
Consideration - cash	$	10,400

The gross contractual amounts receivable under leases and leases pledged at January 31, 2014 was $15.7 million (including residual values of leased equipment). The fair value of the receivables was $13.3 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected was $365,000 for leases that had signs of impairment on date of acquisition.

17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprise:		**December 31, 2014**		December 31, 2013
		($ thousands)		
Dividends payable	**$**	**773**	$	744
Accounts payable		**1,253**		388
Sales tax payable		**759**		850
Unfunded leases and EFAs		**1,244**		1,359
Taxes payable		**468**		39
Payroll related payables and accruals		**1,280**		1,012
Accrued expenses and other liabilities		**2,475**		2,136
Withholding taxes payable		**—**		466
Deferred lease incentive		**237**		102
	$	**8,489**	$	7,096

All amounts are due within one year, except for the deferred lease incentives which are being amortized over the remaining lease terms which expire in 2024.

18. VEHICLE FINANCING

Sherway has an $8.5 million floor plan facility available, bearing interest at the bank's prime rate plus 0.625% (2013 - 0.625%) or the Canadian Dollar Offering Rate ("CDOR") plus 1.25% (2013 - 1.25%), secured by the related vehicles and a general security agreement over the dealership's other assets. Advances under the floor plan are due on the earlier of the date of sale of the related vehicle and 12 months after the receipt of the loan. The repayment terms of 12 months may be extended for an additional 90 days, subject to an immediate repayment of 10% of the principal amount. Under the facility, repayment may be extended for a second 90-day term subject to a further 20% repayment. Based on monthly average debt levels, the effective interest rate paid during the year was 2.40% (2013 - 2.77%).

19. INTEREST RATE SWAPS

Prior to December 2014, Pawnee was required to purchase fixed interest rate hedges for at least 50% of the outstanding balance under its credit facility as at the prior month end. Pawnee entered into interest rate swap agreements under its banking facility that provided for payment of an annual fixed rate, in exchange for a LIBOR based floating rate amount. The interest rate swaps were intended to offset a portion of the variable interest rate risk on the credit facility.

Pawnee's interest rate swaps were not considered trading instruments as Pawnee held them until maturity. The interest rate swaps did not qualify as a hedge for accounting purposes, and were therefore recorded as separate derivative financial instruments. Payments made and received pursuant to the terms of the interest rate swaps were recorded as an adjustment to interest expense. Adjustments to the fair value of the interest rate swaps were recorded as fair value adjustments on the statement of income. The fair value of interest rate swaps were based upon the estimated net present value of cash flows.

On December 8, 2014, when the new corporate credit facility replaced Pawnee's credit facility (Note 20 - *Borrowings*), Pawnee settled the interest rate swaps required under its former credit facility for U.S.$1.5 million.

20. BORROWINGS

Borrowings are comprised of:

		December 31, 2014	December 31, 2013
		($ thousands)	
Chesswood credit facility	*(a)*	**$ 102,089**	$ —
Deferred financing costs		**(1,598)**	—
		100,491	—
Pawnee credit facility		**—**	77,887
Deferred financing costs – Pawnee		**—**	(582)
Borrowings – Pawnee and Windset	*(b)*	**—**	77,305
Bulk lease financing facility - Northstar	*(c)*	**4,740**	—
Leasehold improvement loan - Acura Sherway	*(d)*	**617**	—
		$ 105,848	$ 77,305

(a) On December 8, 2014, Chesswood entered into a new three year revolving senior secured credit facility. Chesswood's credit facility allows borrowings of up to U.S.$150.0 million subject to, among other things, certain percentages of eligible gross lease receivables, of which U.S.$88.0 million was utilized at December 31, 2014. The facility can be extended, subject to certain conditions, to U.S.$200.0 million. This credit facility is secured by substantially all of Chesswood's assets, contains negative covenants including maintaining leverage and interest coverage ratios, and matures on December 8, 2017. At December 31, 2014, Chesswood was in compliance with all covenants. Based on average debt levels, the effective interest rate paid during the period was 3.54%.

(b) The new corporate facility, described in (a) above, replaced Pawnee's revolving credit facility. Pawnee's credit facility allowed for borrowings of up to U.S.$105.0 million (December 31, 2013 - U.S.$85.0 million) subject to, among other things, certain percentages of eligible gross lease receivables, of which U.S.$94.0 million was utilized at December 8, 2014 (December 31, 2013

- U.S.$73.2 million). The facility could have been extended, subject to certain conditions, to U.S.$115.0 million (December 31, 2013 - U.S.$115.0 million). This credit facility was secured by substantially all of Pawnee's assets, contained negative covenants including maintaining leverage and interest coverage ratios, and matured on July 24, 2016. Pawnee was required to purchase fixed interest rate hedges for at least 50% of the outstanding balance under its credit facility as at the prior month end. Based on monthly average debt levels, the effective interest rate paid during the period was 4.06% (2013 - 4.91%). In the first quarter of 2014, Pawnee's syndicate of lenders approved amendments to Pawnee's credit facility so as to provide Windset with access to another U.S.$5.0 million in capital to a maximum of U.S.$10.0 million of capital from Pawnee's credit facility. In July 2014, Pawnee's syndicate of lenders approved further amendments to Pawnee's credit facility giving effect to the exercise by Pawnee of U.S.$20.0 million of the accordion feature of its credit facility and allowing for the lending of up to U.S.$25.0 million by Chesswood, the parent company of Pawnee and Windset, which can be used to provide capital to Pawnee and Windset for their financing portfolios. The costs of these amendments and previously capitalized costs relating to establishing and renewing Pawnee's credit facility, that was being amortized over the life of the facility, were written off when the new corporate facility described in (a) was entered into.

(c) Northstar has a $10.0 million committed bulk lease facility agreement. The facility is secured by the associated pledged net investment in leases. The bulk lease facility agreement has limited recourse to Northstar's other assets in the event that lessees fail to make payments when due. At December 31, 2014, Northstar was utilizing $4.7 million of the facility. Based on average debt levels, the effective interest rate paid during the period was 3.83% (2013 - n/a). As security for future failure of debtors to pay when due, the company has provided a letter of guarantee in the amount of $1.1 million through Chesswood credit facility.

(d) At December 31, 2014 and 2013, Sherway had an authorized non-revolving demand loan facility available in the amount of $2.5 million. The demand loan is to finance leasehold improvements at the dealership. The demand loan is secured by secondary assignment of the accounts receivable and a general security agreement over the assets of the Partnership. The loan bears interest of prime plus 0.5% and is to be repaid in part by contribution from Honda's Acura Advanced Facility Program Enhancement program with the balance repaid from the dealership's funds over the next 5 years.

21. CUSTOMER SECURITY DEPOSITS

Customer security deposits are held for the full term of the lease and then returned or applied to the purchase option of the equipment at the lessee's request, unless the lessee has previously defaulted in which case the deposit is applied against the lease receivable at that time. Past experience suggests that a very high percentage of the customer deposits are applied to the purchase option of the leased equipment at the end of the lease term, or as an offset against outstanding lease receivables.

	December 31, 2014	December 31, 2013
	($ thousands)	
Security deposits that will be utilized within one year	**$ 3,789**	$ 3,483
Security deposits that will be utilized in future years	**8,637**	8,347
	$ 12,426	$ 11,830

22. CONVERTIBLE DEBENTURES

The debentures (symbol TSX: CHW.DB) mature on December 31, 2018, and bear interest at a rate of 6.5% per annum, payable semi-annually. The outstanding principal under the debentures may, at the option of the holders, be converted into common shares of the Company at a conversion price of $21.25 per share at any time. After the Company exercises its redemption right and prior to the date specified for redemption, each holder has the ability to convert their convertible debentures to common shares. Upon a holder's election to convert debentures, the Company may elect to pay the holder cash in lieu of delivering shares. The Company also has the right to satisfy its payment obligations under the debentures (subsequent to obtaining any required regulatory approvals) by issuing common shares (based on a deemed issue price of 95% of the current market value).

The Company has the following options to redeem the convertible debentures prior to maturity:

- After December 31, 2016 and prior to December 31, 2017, the Company has the option to redeem the debentures, provided the current market price for the purposes of the debentures is at least 125% of the conversion price of $21.25.

- Subsequent to December 31, 2017 and prior to December 31, 2018, the Company has the option to redeem the debentures, provided the redemption price is at a price equal to the principal amount including accrued and unpaid interest.

The convertible debentures balance at the end of the year is comprised of:

		December 31, 2014		December 31, 2013
		($ thousands)		
Principal amount recognized on issuance	**$**	**20,000**	$	20,000
Fair value adjustment		**598**		680
Balance, end of year	**$**	**20,598**	$	20,680

	For the years ended **December 31,**			
		2014		2013
		($ thousands)		
Fair value adjustment for the year	**$**	**82**	$	(680)
Interest paid during year		**(1,348)**		—
Issuance costs		—		(1,355)
Financing costs - convertible debentures	**$**	**(1,266)**	**$**	**(2,035)**

23. MINIMUM PAYMENTS

The following are the contractual principal payments and maturities of financial liabilities and other commitments:

($ thousands)		2015	2016	2017	2018	2019 and beyond	**Total**
Accounts payable and other liabilities		$ 8,255	$ (3)	$ (1)	$ 16	$ 222	**$ 8,489**
Vehicle financing		8,247	—	—	—	—	**8,247**
Borrowings	*(i)*	2,754	818	102,118	158	—	**105,848**
Customer security deposits	*(ii)*	4,069	3,786	3,114	1,704	672	**13,345**
Convertible debentures		—	—	—	20,000	—	**20,000**
		$ 23,325	$ 4,601	$105,231	$ 21,878	$ 894	**$155,929**
Other financial commitments	*(iii)*	1,030	731	536	435	2,343	**5,075**
Total commitments		$ 24,355	$ 5,332	$105,767	$ 22,313	$ 3,237	**$161,004**

i. *Chesswood's credit facility is a line-of-credit and, as such, the balance can fluctuate. The credit facility matures in 2017. Includes amounts payable under Northstar's bulk lease facility as well.*

ii. *The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including: prepayment rates, charge-offs and modifications. Accordingly, the scheduled contractual payments of customer security deposits shown in the table above are not to be regarded as a forecast of future cash payments.*

iii. *The Company and its subsidiaries are committed to future minimum rental payments under existing leases for premises, excluding occupancy costs and property tax, expiring in 2015 and 2024.*

For contingent liabilities and other commitments, refer to Note 30.

See Note 36(a) - *Subsequent events* in regards to the sale of Case Funding business operations and certain attorney loans on February 3, 2015. Case Funding's other financial commitments will pass to the new owners.

24. TAXES

(a) Tax expense consists of the following:

	For the years ended	
	December 31, 2014	December 31, 2013
	($ thousands)	
Current tax expense	**$ 14,647**	$ 12,391
Deferred tax recovery	**(5,760)**	(3,559)
Total tax expense	**$ 8,887**	$ 8,832

(b) The table below shows the reconciliation between tax expense reported in the Statement of Income and the tax expense that would have resulted from applying the combined Canadian Federal and Ontario tax rate of 26.5% (2013 - 26.5%) to income before income taxes.

	For the years ended	
	December 31, 2014	December 31, 2013
	($ thousands)	
Income before taxes	**$ 20,426**	$ 19,737
Canadian tax rate	**26.5%**	26.5%
Theoretical tax expense	**5,413**	5,230
Tax cost of non-deductible items	**363**	231
Deferred tax assets not recognized	**347**	343
Withholding tax on intercompany dividend	**600**	543
Higher effective tax rates in foreign jurisdictions	**2,533**	2,544
Other	**(369)**	(59)
Total tax expense	**$ 8,887**	$ 8,832

(c) The tax effects of the temporary differences giving rise to the Company's deferred tax assets are as follows:

	December 31, 2014	December 31, 2013
	($ thousands)	
Deferred tax assets:		
Intangible assets	**$ 524**	$ 653
Financing costs	**347**	501
Allowance for doubtful accounts	**17**	—
Finance receivables	**77**	—
Tax losses carried forward	**2,019**	939
	2,984	2,093
Deferred tax liabilities:		
Leased assets	**136**	—
Unrealized fair value accretion on plaintiff advances	**1,251**	683
	1,387	683
Deferred tax assets, net	**$ 1,597**	$ 1,410
Deferred tax assets not recognized	**(782)**	(578)
	$ 815	$ 832

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

At December 31, 2014, Sherway had $1.4 million (2013 - $1.4 million) in deductible temporary differences related to intangible assets for which deferred tax assets have not been recognized. At December 31, 2014, Case Funding had U.S.$3.5 million (2013 - U.S.$2.1 million) in tax losses carried forward and taxable timing differences of U.S.$2.6 million (2013 - $1.6 million). The tax benefit of U.S.$936,700 (2013 - U.S.$500,200) in excess of taxable timing differences has not been recognized. See Note 36 - *Subsequent events* in regards to utilization of tax losses subsequent to year end.

The Company has determined that it is probable that all other deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

(d) The tax effects of the significant components of temporary differences giving rise to the Company's net deferred tax liabilities are as follows:

	December 31, 2014	December 31, 2013
	($ thousands)	
Deferred tax assets:		
Leased assets	**$ 28,157**	$ 22,156
Allowance for doubtful accounts	**2,589**	1,474
Tax losses carried forward	**13**	12
Accrued liabilities	**589**	1,347
	$ 31,348	$ 24,989
Deferred tax liabilities:		
Finance receivables	**$ 51,335**	$ 48,872
Deferred taxes liabilities, net	**$ 19,987**	$ 23,883
Deferred taxes liabilities to be realized in the next 12 months	**$ 6,186**	$ 7,379

The Company has determined that it is probable that all recognized deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

The Company has not recognized deferred tax liabilities in respect of unremitted earnings in foreign subsidiaries, totaling $6.1 million (2013 - $13.9 million), as it is not considered probable that this temporary difference will reverse in the foreseeable future.

(e) Deferred tax balances within the consolidated statements of financial position were comprised of the following:

		December 31, 2014		December 31, 2013
		($ thousands)		
Deferred tax assets *(c)*	**$**	**815**	$	832
Deferred taxes liabilities *(d)*		**(19,987)**		(23,883)
Net deferred taxes liabilities	**$**	**(19,172)**	$	(23,051)

Reconciliation of net deferred tax liabilities:

		For the years ended **December 31,** **2014**		2013
		($ thousands)		
Balance, beginning of year	**$**	**(23,051)**	$	(24,962)
Deferred tax recovery in the statements of income *(a)*		**5,760**		3,559
Acquisition *(Note 16(a))*		**(30)**		—
Translation		**(1,851)**		(1,648)
Net change in net deferred tax liabilities during the year		**3,879**		1,911
Balance, end of year	**$**	**(19,172)**	$	(23,051)

25. COMMON SHARES

Normal course issuer bids

In August 2012, the Board of Directors approved the repurchase and cancellation of up to 658,943 of the Company's outstanding Common Shares for the period commencing August 25, 2012 and ending on August 24, 2013. From January 1, 2013 to August 24, 2013, no Common Shares were repurchased under this normal course issuer bid.
In August 2013, the Board of Directors approved the repurchase and cancellation of up to 688,614 of the Company's outstanding Common Shares for the period commencing August 25, 2013 and ending on August 24, 2014. No Common Shares were repurchased under this normal course issuer bid.

In August 2014, the Board of Directors approved the repurchase and cancellation of up to 746,331 of the Company's outstanding Common Shares for the period commencing August 25, 2014 and ending on August 24, 2015. No Common Shares have been repurchased under this normal course issuer bid. Decisions regarding the timing of purchases are based on market conditions and other factors.

See Note 36(b) - *Subsequent Events* for Common Shares issued subsequent to December 31, 2014.

26. COMPENSATION PLANS

(a) Share options

A summary of the number of options outstanding is as follows:

	For the years ended December 31, 2014	2013
Balance, beginning of year	**1,431,628**	1,522,900
Granted	**285,000**	—
Exercised	**(391,472)**	(81,272)
Forfeited	**—**	(10,000)
Balance, end of year	**1,325,156**	1,431,628

During the year ended December 31, 2014, personnel expenses and the share-based compensation reserve included $665,800 (2013 - $816,800) relating to option expense. As of December 31, 2014, unrecognized non-cash compensation expense related to the outstanding options was $763,500 (2013 - $357,800), which is expected to be recognized over the remaining vesting period.

During the year ended December 31, 2014, 391,472 options were exercised (2013 - 81,272) for total cash consideration of $2.2 million (2013 - $357,800). On exercise, the fair value of options that had been expensed to date during the vesting period of $1.1 million (2013 - $256,000) was transferred from reserve to Common Share capital. For the options exercised in 2014, the weighted average share price at the date of exercise was $15.52 (2013 - $11.40).

An analysis of the options outstanding at December 31, 2014 is as follows:

Grant date	Number of options outstanding	Vested	Expiry date	Exercise price
May 10, 2006	35,000	35,000	May 9, 2016	$ 10.00
June 23, 2009	49,628	49,628	June 22, 2019	$ 2.06
April 13, 2010	114,028	114,028	April 13, 2020	$ 4.49
April 25, 2011	237,500	237,500	April 24, 2021	$ 7.79
June 10, 2011	65,000	65,000	June 9, 2021	$ 7.73
December 6, 2011	200,000	200,000	December 6, 2021	$ 6.14
June 25, 2012	209,750	128,375	June 24, 2022	$ 7.45
July 9, 2012	4,250	2,500	July 8, 2022	$ 7.42
December 6, 2012	125,000	81,250	December 6, 2022	$ 8.86
April 29, 2014	285,000	—	April 29, 2024	$ 14.12
	1,325,156	913,281		

At December 31, 2014, the weighted average exercise price is $8.51 (2013 - $6.61) and the weighted average remaining contractual life for all options outstanding is 7.12 years (2013 - 7.04 years). The options exercisable at December 31, 2014 have a weighted average exercise price of $6.83 (2013 - 956,503 options at $6.12).

See Note 36 - *Subsequent events* in regards to the sale of Case Funding business operations and certain attorney loans receivables on February 3, 2015. In conjunction with the transfer of Case Funding's employees to the new owners, the stock options held by the employees immediately vested and thus the remaining $76,403 in unrecognized stock option costs was expensed in 2015.

In April 2014, the board of directors approved the grant of 285,000 options at a grant price of $14.12. The option exercise price is equal to the 10-day volume weighted average price of the Shares at the date prior to the day such Options were granted. The options vest 30% at the end of the first year, another 35% at the end of the second year, and the remaining 35% at the end of the third year. The options expire on the 10th anniversary of the grant date. The value of the options granted during the year was determined using the Black-Scholes option pricing model with the following assumptions:

Weighted average share price at date	$14.12
Expected volatility	34% - 62%
Expected life (years)	5 - 7
Expected dividend yield	5.73%
Risk-free interest rates	1.47% - 2.01%
Weighted average fair value of options granted	$3.72

The risk free rate was based on the Government of Canada benchmark bond yield on the date of grant for a term equal to the expected life of the options. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equal to the expected life of the options. The expected life was based on the contractual life of the awards and adjusted, based on management's best estimate and historical redemption rates.

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options, which have no black-out or vesting restrictions and are fully transferable. In addition, the Black-Scholes Option Pricing Model requires the use of subjective assumptions, including the expected stock price volatility. As a result of the Company's Stock Option Plan having characteristics different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimates, the Black-Scholes Option Pricing does not necessarily provide a single measure of the fair value of options granted.

(b) Restricted share units

A summary of the restricted share units ("RSUs") outstanding is as follows:

	For the years ended **December 31,**	
	2014	2013
Balance, beginning of year	**75,000**	69,000
Granted	**44,000**	51,500
Exercised	**(59,000)**	(45,500)
Balance, end of year	**60,000**	75,000

During the year ended December 31, 2014, personnel expenses and share-based compensation reserve included $577,700 (2013 - $528,200) relating to RSUs. As of December 31, 2014, unrecognized non-cash compensation expense related to non-vested RSUs was $240,800 (2013 - $199,400).

During the year ended December 31, 2014, an aggregate of 44,000 (2013 - 44,000) RSUs were granted to directors and expire in ten years. The grantees of such RSUs are not entitled to the dividends paid before the RSUs are exercised. Such RSUs vest one year from the date of issue and are to be settled by the issue of Common Shares. RSUs granted are in respect of future services and are expensed over the vesting period. Compensation cost is measured based on the market price of the Common Shares on the date of the grant of the RSUs, which was $14.07 (2013 - $11.65).

During the year ended December 31, 2013, 7,500 RSUs were granted in accordance with the Case Funding purchase agreement to a senior executive of Case Funding, the RSUs vested immediately and were exercised by the executive. Compensation cost was measured based on the market price of the Common Shares on the acquisition date of Case Funding, which was $7.73.

On exercise of the 59,000 RSUs during the year ended December 31, 2014 (2013 - 45,500), the value of the RSUs of $574,500 (2013 - $340,100) that had been expensed during the vesting period was transferred from reserve to Common Share capital.

For the 59,000 RSUs exercised in 2014, the weighted average share price at the date of exercise was $13.95 (2013 - 45,500 shares at $10.93).

An analysis of the RSUs outstanding at December 31, 2014 is as follows:

Grant date	Number of RSUs outstanding	Vested	Expiry date	Value on Grant date
April 25, 2011	4,000	4,000	April 24, 2021	$ 7.79
June 25, 2012	6,000	6,000	June 24, 2022	$ 7.45
May 22, 2013	6,000	6,000	May 21, 2023	$ 11.65
May 23, 2014	44,000	—	May 22, 2024	$ 14.07
	60,000	16,000		

The weighted average remaining contractual life for all RSUs outstanding is 8.9 years (December 31, 2013 - 8.35 years).

27. DIVIDENDS

Under the new credit facility (see Note 20 - *Borrowings*), the maximum cash dividends that the Company can pay in respect of a month (commencing with January 2015) is 1/12 of 80% of free cash flow for the most recently completed four financial quarters in which Chesswood has publicly filed its consolidated financial statements (including its annual financial statements in respect of a fourth quarter).

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during year ended December 31, 2014:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2013	January 15, 2014	$ 0.065	$ 744
January 31, 2014	February 18, 2014	$ 0.065	744
February 28, 2014	March 17, 2014	$ 0.065	745
March 31, 2014	April 16, 2014	$ 0.065	763
April 30, 2014	May 15, 2014	$ 0.065	763
May 30, 2014	June 15, 2014	$ 0.065	767
June 30, 2014	July 15, 2014	$ 0.065	770
July 31, 2014	August 15, 2014	$ 0.065	770
August 29, 2014	September 15, 2014	$ 0.065	772
September 30, 2014	October 15, 2014	$ 0.065	773
October 31, 2014	November 17, 2014	$ 0.065	773
November 28, 2014	December 15, 2014	$ 0.065	773
Paid during the year-ended December 31, 2014			**$ 9,157**

The following dividends were declared but not paid to Common Shareholders and Exchangeable Securities holders during the year-ended December 31, 2014 and are included in accounts payable and other liabilities:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2014	January 15, 2015	$ 0.065	$ 773

The following dividends were declared before the financial statements were authorized for issue but not recognized during the year-ended December 31, 2014:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
January 30, 2015	February 17, 2015	$ 0.065	$ 773
February 27, 2015	March 16, 2015	$ 0.065	773
March 31, 2015 *(*)*	April 15, 2015	$ 0.065 *	1,146
			$ 2,692

(*) - Total dividend amount payable for March 31, 2015 record date is based on shares outstanding as at March 24, 2015.

The following dividends were paid to Common Shareholders and Exchangeable Securities holders during the year-ended December 31, 2013:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2012	January 16, 2013	$ 0.055	$ 623
January 31, 2013	February 15, 2013	$ 0.055	623
February 28, 2013	March 15, 2013	$ 0.060	679
March 31, 2013	April 16, 2013	$ 0.060	681
April 30, 2013	May 15, 2013	$ 0.060	681
May 31, 2013	June 15, 2013	$ 0.060	682
June 30, 2013	July 16, 2013	$ 0.060	684
July 31, 2013	August 15, 2013	$ 0.060	685
August 31, 2013	September 17, 2013	$ 0.060	686
September 30, 2013	October 15, 2013	$ 0.060	686
October 31, 2013	November 15, 2013	$ 0.060	686
November 30, 2013	December 17, 2013	$ 0.065	744
Paid during the year-ended December 31, 2013			$ 8,140

The following dividends were declared but not paid to Common Shareholders and Exchangeable Securities holders during the year-ended December 31, 2013 and are included in accounts payable and other liabilities:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2013	January 15, 2014	$ 0.065	$ 744

28. EARNINGS PER SHARE

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

	For the years ended December 31, 2014	2013
Weighted average number of common shares outstanding	**10,261,882**	9,909,930
Dilutive effect of options	**585,538**	665,486
Dilutive effect of RSUs	**65,378**	77,066
Weighted average common shares outstanding for diluted earnings per share	**10,912,798**	10,652,482

Convertible debentures, issued on December 16, 2013, convertible into 941,176 common shares were not included in the calculation of diluted earnings per share due to their anti-dilutive effect for the year.

29. CASH FLOW SUPPLEMENTARY DISCLOSURE

	For the years ended December 31, 2014	2013
	($ thousands)	
Non-cash items included in net income - other		
Amortization of deferred financing costs	**$ 929**	$ 178
Unrealized loss on convertible debentures	**1,266**	680
(Gain) loss on interest rate swaps	**439**	(1,413)
Unrealized gain on foreign exchange	**(223)**	(478)
	$ 2,411	$ (1,033)
Finance receivables – change in		
Net investments in leases – pledged	**$ 1,218**	$ —
Net investments in leases	**(1,937)**	(16,547)
Equipment finance agreements	**(7,686)**	(11,200)
Working capital loans	**(15,475)**	(2,346)
Legal finance receivables	**(1,171)**	(4,781)
	$ (25,051)	$ (34,874)
Borrowings – change in		
Line-of-credit - Chesswood - net	**$ 97,192**	$ —
Line-of-credit – Pawnee – net	**(80,883)**	25,638
Line-of-credit - Northstar - net	**(434)**	—
Proceeds from bulk lease financing facility - net	**(1,379)**	—
Leasehold improvements loan - Sherway	**617**	
	$ 15,113	$ 25,638

	For the years ended December 31, 2014	2013
	($ thousands)	
Other net operating assets - change in		
Accounts receivable	**$ 201**	$ (428)
Inventories	**(1,371)**	46
Vehicle financing	**1,879**	169
Prepaid and other assets	**(1,794)**	(1,105)
Accounts payable and other liabilities	**168**	1,378
	$ (917)	$ 60
Non-cash transactions		
Common shares issued on exercise of restricted shares	**$ 575**	$ 340

30. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The Company is subject to various claims and legal actions in the normal course of its business, from various customers, suppliers and others. Since the individual value of each claim and the total value of all claims as at December 31, 2014 and December 31, 2013 were not material, additional disclosure is not required.

Other financial commitments

The Company has entered into retention agreements with certain employees whereby such employees shall be entitled to certain retention severance amounts upon the occurrence of events identified in each respective agreement.

31. FINANCIAL INSTRUMENTS

(a) Categories and measurement hierarchy

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

(i) Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

(ii) Level 2 Inputs - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 Inputs - techniques which use inputs which have a significant effect on the recorded fair value for the asset or liability that are not based on observable market data (unobservable inputs).

The categories to which the financial instruments are allocated under IAS 39, *Financial Instruments: Recognition and Measurement* are:

	Category
AFS	Available for sale
L&R	Loans and receivables
L&B	Loans and borrowings
HFT	Held for trading
FVTP	Fair value through profit or loss

The fair values of financial instruments are classified using the IFRS 7, *Financial Instruments: Disclosures* measurement hierarchy as follows:

					December 31, 2014
	Category	Level 1	Level 2	Level 3	Carrying Value
					($ thousands)
ASSETS					
Cash *(iii)*	L&R	$ 10,220	$ —	$ —	$ 10,220
Accounts receivable *(iii)*	L&R	—	998	—	998
EFAs & WCLs *(i)*	L&R	—	44,623	—	44,623
Attorney loans and medical liens *(i)*	L&R	—	4,878	—	4,878
Plaintiff advances *(b)*	AFS	—	—	7,776	7,776
LIABILITIES					
Accounts payable *(iii)*	L&B		(8,489)	—	(8,489)
Vehicle financing *(ii)*	L&B		(8,247)	—	(8,247)
Borrowings *(ii)*	L&B		(105,848)	—	(105,848)
Customer security deposits	L&B		(12,426)		(12,426)
Convertible debentures *(v)*	FVTP	(20,598)	—	—	(20,598)
Total net assets (liabilities) classified as financial instruments		$ (10,378)	$ (84,511)	$ 7,776	$ (87,113)

	Category	Level 1	Level 2	Level 3	December 31, 2013 Carrying Value
					($ thousands)
ASSETS					
Cash *(iii)*	L&R	$ 22,659	$ —	$ —	$ 22,659
Accounts receivable *(iii)*	L&R	—	1,199	—	1,199
EFAs & WCLs *(i)*	L&R	—	21,195	—	21,195
Attorney loans and medical liens *(i)*	L&R	—	4,642	—	4,642
Plaintiff advances *(b)*	AFS	—	—	6,319	6,319
LIABILITIES					
Accounts payable *(iii)*	L&B	—	(7,096)	—	(7,096)
Vehicle financing *(ii)*	L&B	—	(6,368)	—	(6,368)
Interest rate swaps *(iv)*	HFT	—	(1,201)	—	(1,201)
Borrowings *(ii)*	L&B	—	(77,305)	—	(77,305)
Customer security deposits	L&B	—	(11,830)	—	(11,830)
Convertible debentures *(v)*	FVTP	(20,680)	—	—	(20,680)
Total net assets (liabilities) classified as financial instruments		$ 1,979	$ (76,764)	$ 6,319	$ (68,466)

(i) There is no organized market for the finance receivables. Therefore the carrying value is the amortized cost using the effective interest rate method. The contractual interest rates approximate current market rates.

(ii) The stated value of the vehicle financing and borrowings approximates fair values, as the interest rates attached to these instruments are representative of current market rates, for loans with similar terms, conditions and maturities.

(iii) Carrying amounts are expected to be reasonable approximations of fair value for cash and for financial instruments with short maturities, including accounts receivable and accounts payable.

(iv) The Company determines the fair value of its interest rate swap under the income valuation technique using a discounted cash flow model. Significant inputs to the valuation model include the contracted notional amount, LIBOR rate yield curves and the applicable credit-adjusted risk-free rate yield curve. The Company's interest rate derivative is included in the Level 2 fair value hierarchy because all the significant inputs are directly or indirectly observable. For the rates on the interest rate swaps, see Note 19 - *Interest Rate Swaps*.

(v) The convertible debentures have several embedded derivative features which were determined to not meet the criteria for treatment as equity components and would otherwise be required to be recognized as separate financial instruments, measured at fair value through profit or loss. The Company has elected under IAS 39.11A to designate the entire convertible debentures (and all the embedded derivatives) as a combined financial liability at fair value through profit or loss. The fair value of the convertible debentures is based on their trading price on the Toronto Stock Exchange every reporting period; as a result, there may be increased volatility in the reported net income. The $1.4 million of costs related to the issuance of the convertible debenture were expensed when incurred in 2013; thus no transaction costs are capitalized in the fair value of the convertible debentures.

Transfers between levels are considered to occur on the date that the fair valuation methodology changes. There were no transfers between levels during the current or prior year.

(b) Reconciliation of Level 3 Financial Instruments

The following table sets forth a summary of changes in the carrying value of plaintiff advances:

	For the years ended **December 31,**	
	2014	2013
	($ thousands)	
Balance, beginning of year	**$ 6,319**	$ 3,349
Originations	**2,639**	3,125
Fair value accretion *(i)*	**3,176**	1,731
Losses	**(567)**	(11)
Collections	**(4,389)**	(2,193)
Foreign exchange impact *(ii)*	**598**	318
Balance, end of year	**$ 7,776**	$ 6,319

(i) Management considered that the change in fair value for plaintiff advances, which are carried at fair value, related to the amortization of interest or successful settlement of advances during the period. The fair value accretion on plaintiff advances is included in interest revenue on finance leases and loans in the consolidated statement of income.
(ii) Difference between year-end foreign exchange rate and average exchange rate; the amount is included in other comprehensive income.

Fair value measurements are based on level 3 inputs of the three-level hierarchy system which indicates inputs for the assets that are not based on observable market data (unobservable inputs). Plaintiff advances are initially recorded at their fair value, equivalent to the funds advanced. Subsequent measurement of plaintiff advances is at fair value utilizing a fair value model developed by the Company.

The principal assumptions used in the fair value model are as follows:
- Estimated duration of each plaintiff advance;
- Best estimate of anticipated outcome;
- Monthly fee per advance contract on nominal value of each plaintiff advance; and
- Market interest rate at which estimated cash flows are discounted.

The fair value of plaintiff advances is reviewed quarterly on an individual case basis. Events that may trigger changes to the fair value of each plaintiff advance include the following:
- Successful and unsuccessful judgments of claims in which the Company has a plaintiff advance;
- Outstanding appeals against both successful and unsuccessful judgments;
- Receipt of funds to settle plaintiff advances;
- A case is dismissed with prejudice (meaning, it can never be re-filed anywhere);
- Change in monthly fee assessed on plaintiff advances;
- Market interest rate at which estimated cash flows are discounted.

Inherent to the underwriting process is the approval for funding of cases that have a high probability of success, to be achieved either in pre-trial settlement or as a result of a judgment by a court. At December 31, 2014, the average size of a plaintiff advance is U.S.$11,637 (December 31, 2013 - U.S.$10,861). The fair value estimate is inherently subjective being based largely on an estimate of the duration of plaintiff advance and its potential settlement. In the Company's opinion there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no other inputs or variables to which the value of the plaintiff advances are correlated.

A 10% change in the estimated duration of plaintiff advances, while all other variables remain constant, would have no significant impact on the Company's net income and net assets.

(c) Gains and losses on financial instruments

The following table shows the net gains and losses arising for each IAS 39, *Financial Instruments: Recognition and Measurement,* category of financial instrument.

	For the years ended **December 31,**	
	2014	2013
	($ thousands)	
Loans and receivables:		
Provision for credit losses	**$ (11,144)**	$ (6,495)
Designated as at fair value through net income or loss:		
Convertible debentures	**(1,266)**	(680)
Fair value through profit or loss:		
Interest rate swaps	**(439)**	1,413
Net loss	**$ (12,849)**	$ (5,762)

(d) Financial Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include credit, liquidity and market risk. Market risks can include interest rate risk, foreign currency risk and other price risk.

There have been no changes in the Company's objectives, policies or processes for managing or for measuring any of the risks to which it is exposed since the previous year end, other than the new credit facility (Note 20 - *Borrowings*), which does not require interest rate swaps.

i) Credit risk

Credit risk stems primarily from the potential inability of a customer or counterparty to a financial instrument to meet its contractual obligations. The Company's maximum exposure to credit risk is represented by the carrying amounts of cash, accounts receivable and finance receivables.

The Company's excess cash is held in accounts with a couple of major Canadian chartered banks and a few U.S. banks with the majority at J.P. Morgan Chase in the United States. Management has estimated credit risk with respect to such balances to be nominal and monitors changes in the status of these financial institutions to mitigate potential credit risk.

Accounts receivable principally relate to the Sherway dealership. Of the total, 89.0% (2013 - 81.1%) represent amounts due from the manufacturer and financing contracts in transit, which are typically collected within seven to ten days. Credit risk for accounts receivable arises primarily due to the concentration of the receivable with the automotive manufacturer.

Pawnee's and Windset's investment in finance receivables are originated with smaller, often owner-operated businesses that have limited access to traditional financing. The typical Pawnee borrower is a start-up business that has not established business credit or a more tenured business that has experienced some business credit difficulty at some time in its history. As a result, such leases and loans entail higher credit risk (reflected in higher than expected levels of delinquencies and loss) relative to the commercial equipment finance market as a whole. The typical Windset borrower is a tenured small business - usually with at least ten years time-in-business that needs working capital for a variety of purposes that can include general expansion, funding of accounts receivable or inventory, a new location, etc.

Pawnee's credit risk is mitigated by: funding only "business essential" commercial equipment, where the value of the equipment is less than U.S.$75,000, obtaining at least one personal guarantee for each lease or loan, and by diversification on a number of levels, including: geographical across the United States, type of equipment funded, the industries in which Pawnee's lessees \borrowers operate and through the number of lessees\borrowers, none of which is individually significant. Furthermore, Pawnee's credit risk is mitigated by the fact that the standard lease\loan contract most often requires that the lessee\borrower provide two payments as a security deposit, which, in the case of default, is applied against the lease\loan receivable; otherwise the deposit is held for the full term of the lease\loan and is then returned or applied to the purchase option of the equipment at the lessee's option.

Pawnee and Northstar are entitled to repossess leased equipment if the lessees default on their lease contracts in order to minimize any credit losses. When an asset previously accepted as collateral is acquired, it undergoes a process of repossession and disposal in accordance with the legal provisions of the relevant market. See Note 12 - *Finance receivables past due*, for a further discussion on the repossession of collateral.

Pawnee's lease and loan receivables consist of a large number of homogenous leases and loans, with relatively small balances, and as such, the evaluation of the allowance for credit losses is performed collectively for the lease and loan receivable portfolio. More detailed information regarding this methodology is provided in the section on accounting policies.

Additional information on finance receivables that have been renegotiated or are considered to be impaired is provided in Note 12 - *Finance receivables past due*.

Windset's credit risk is mitigated by, amongst other things; the tenured nature of the borrower which typically averages at least 10 years time-in-business, an analysis of the borrowers' cash flows which limits the amount of the loan, the rapid repayment received by Windset through daily payments received on each business day, the personal guarantee of the principal business owner and the short term of the loan.

Northstar, in a similar segment of the Canadian equipment finance market as Pawnee's market segment in the U.S., mitigates credit risk in similar fashion to Pawnee including the small average size of each lease, diversification in multiple asset categories and industries, very low lessee concentration and personal guarantees of the business principals.

For Case Funding's attorney loans, in order to mitigate the potential for loss, the loans will always be in an amount significantly less than the contingency fees that Case Funding expects, after its own independent evaluation, the attorney is likely to earn from the basket of existing cases against which the loan is made. Case Funding's advance rate is a maximum of 15% of the expected total fees. Only cases already in progress are eligible for inclusion in a basket.

Repayment of Case Funding's attorney loans is required by contract to be made on a priority basis, meaning that attorney fees resulting from settlements of cases from the basket are generally required to be used first to repay the loan, further reducing the potential for loan losses.

In the case of attorney loans, terms generally include: guarantees of the law firm, guarantees of the partners (often joint and several), registered liens against all of the firm's cases, a direction that requires the trust accounts to repay Case Funding first upon receipt of proceeds and that all proceeds are to be held in escrow when received; generous effective annual rates of interest of which a portion is paid monthly, and the balance is paid upon payout or partial payout; requirement to report on an ongoing basis the status of cases in the basket; provision of the firm's monthly bank statements; notice provisions for all settled cases including copies of all remittance cheques; and quarterly financial statements of the firm.

Plaintiff advances are made on the probability of success and potential claim size, not the plaintiff's credit score. The standard for this industry is that advances are made on a non-recourse, at-risk basis where the funder forfeits its entire advance and any related fees if the plaintiff is not successful in the lawsuit. Inherent to the underwriting process is the approval for funding of cases that have a high probability of success, to be achieved either in pre-trial settlement or as a result of a judgment by a court.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's objective is to maintain low cash balances, investing any free cash in finance receivables as needed and using any excess to pay down debt on the primary financing facilities. At December 31, 2014, the Company has $45.7 million (2013 - $13.5 million) in additional borrowings available under various credit facilities to fund business operations.

The Company's operations and growth are financed through a combination of the cash flows from operations and from borrowings under existing credit facilities. Prudent liquidity risk management requires managing and monitoring liquidity on the basis of a rolling cash flow forecast and ensuring adequate committed credit facilities are in place, to the extent possible, to meet funding needs.

The Company has a new credit facility that allows borrowings of up to U.S. $150.0 million, and an accordion feature of up to U.S. $200 million, subject to certain percentages of eligible gross lease receivables, of which U.S. $88.0 million was utilized at December 31, 2014 (2013 - U.S. $73.2 million under Pawnee's former credit facility). See Note 20 - *Borrowing*s. At this time, management believes that the syndicate of financial institutions that provides Chesswood's credit facility is financially viable and will continue to provide this facility, however there are no guarantees in the current economic environment.

Under the new credit facility, the maximum cash dividends that the Company can pay in respect of a month (commencing with January 2015) is 1/12 of 80% of free cash flow for the most recently completed four financial quarters in which the Company has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter).

The maturity structure for undiscounted contractual cash flows is presented in Note 23 - *Minimum payments*.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market price risks faced by the Company relate to the trading price of convertible debentures, interest rates and foreign currency.

iv) Trading price of convertible debentures

The convertible debentures issued during 2013 are measured at fair value at each reporting date with changes in fair value recognized in net income or loss. Fair value is based on the trading price of the debentures on the Toronto Stock Exchange. Therefore changes in trading price have a direct impact on net assets and net income or loss. The Company does not hedge this fair value price exposure.

v) Interest rate risk

The finance receivables are written at fixed effective interest rates. To the extent the Company finances its fixed rate finance receivables with floating rate funds, there is exposure to fluctuations in interest rates such that an increase in interest rates could narrow the margin between the yield on a lease/loan and the interest rate paid by the Company to finance working capital. The Company elects to lock in the majority of its credit facility at the LIBOR interest rate.

The following table presents a sensitivity analysis for a reasonable fluctuation in interest rates in the U.S. market and the effect on the Company for the year-ended December 31, 2014 and 2013:

	For the years ended			
	December 31, 2014		December 31, 2013	
	+100 bps	-100 bps	+100 bps	-100 bps
	($ thousands)			
Increase (decrease) in interest expense	**$ 556**	**$ (556)**	$ 260	$ (260)
Increase (decrease) in net income and equity	**$ (368)**	**$ 368**	$ (182)	$ 182

vi) Foreign currency risk

The Company is exposed to fluctuations in the U.S. dollar exchange rate because significant operating cash inflows are generated in the U.S. while dividends are paid to shareholders in Canadian dollars. For the year-ended December 31, 2014 dividends paid totaled $9.2 million (2013 - $8.1 million).

The following table presents a sensitivity analysis for a hypothetical fluctuation in U.S. dollar exchange rates and the effect on the Company for the years ended December 31, 2014 and 2013:

U.S. Denominated Balances	**December 31, 2014**	December 31, 2013
	($ thousands)	
Year-end exchange rate	**1.1601**	1.0636
U.S. denominated net assets in U.S.$ held in Canada	**$ 2,136**	$ 254
Effect of a 10% increase or decrease in the Canadian/U.S. dollar on U.S. denominated net assets	**$ 248**	$ 25

32. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity, which at December 31, 2014 comprised $79.8 million (2013 - $68.2 million) and convertible debentures. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in the long-term and to provide adequate returns for shareholders.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk profile of the underlying assets. The Company uses various measures including the amount of dividends paid to shareholders.

On December 8, 2014, Chesswood entered into a new three year revolving senior secured U.S.$150 million credit facility. This new corporate credit facility replaces the U.S.$105 million revolving credit facility of Pawnee, and allows Chesswood to manage the allocation of capital to its various financial services businesses in Canada and the U.S., internally. Chesswood used approximately U.S.$94.0 million of its availability under the new credit facility to repay and retire the Pawnee credit facility. The new credit facility will support growth in finance receivables, provide for Chesswood's working capital needs and for general corporate purposes. The new facility, available in U.S. or Canadian dollars, also improves our financial flexibility by centralizing treasury management and making the provision of capital to individual businesses far easier.

Under the new credit facility, the maximum cash dividends that the Company can pay in respect of a month (commencing with January 2015) is 1/12 of 80% of free cash flow for the most recently completed four financial quarters in which the Company has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter).

Credit facilities of its operating subsidiaries are used to provide funding for the respective subsidiary's operations (i.e. to provide financing for the purchase of assets which are to be the subject of leases or to acquire vehicle inventory and support working capital). The credit facilities are not intended to directly fund dividends by the Company.

33. RELATED PARTY TRANSACTIONS

The Company has no parent or other ultimate controlling party.

The Company had the following transactions and balances with related parties:

(a) Pawnee, a U.S. subsidiary of the Company, leases a 10,800 square foot office facility from an entity that is controlled by the holders of the Class B and Class C shares of U.S. Acquisition Co Ltd, a non-operating subsidiary of the Company which is included in non-controlling interest. Minimum lease payments are U.S.$212,890 per annum, triple net. The lease expires on April 30, 2016, and contains an option to renew for an additional five year term. The expense is included in other expense and is translated at the average exchange rate for the period. At December 31, 2014 and December 31, 2013 there was no amount payable in respect of the lease.

(b) Case Funding provides Quick Cash Inc. ("Quick Cash"), an entity controlled by a director of Case Funding and the former CEO of Case Funding, with personnel and facilities to manage the portfolio of existing loans managed by Quick Cash and required origination and placement services in respect of future loans (Quick Cash is prohibited from making loans, other than those which Case Funding does not wish to make, and Quick Cash is responsible for all out-of-pocket third party fees and expenses relating to its business). Revenue recognized for services provided, during the year, which reflects negotiated market terms, were not material.

(c) Compensation of key management

The Company's key management consists of the President & Chief Executive Officer, Chief Financial Officer and the Board of Directors. Key management compensation is as follows:

	For the years ended **December 31,** **2014**	2013
	($ thousands)	
Salaries, fees and other short-term employee benefits	**$ 1,198**	$ 1,163
Share-based compensation	**944**	890
Compensation expense of key management	**$ 2,142**	$ 2,053

34. SEASONAL OPERATIONS

The Company's automotive business follows a seasonal pattern, with revenue and net income based on past experience being significantly lower in the first quarter than in other quarterly periods.

Tax expense reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. However, because the geographical mix of pre-tax income and losses in interim periods may not be reflective of full year results, this may distort the Company's interim period effective tax rate.

35. SEGMENT INFORMATION

Segments are identified on the same basis that is used internally to manage and to report on performance, taking into account materiality and the products and services of each segment and the organizational structure of the Company. The Company's operations consist of three reportable segments: Equipment Financing, Legal Financing, and Automotive Operations.

Chesswood's Equipment Financing segment is located in the lower 48 states of the United States (and in Canada since the acquisition of Northstar on January 31, 2014) and is involved in small-ticket equipment leasing and lending to small businesses in the start-up and "B" credit markets. At December 31, 2014, Windset and Northstar information is aggregated with Equipment Financing segment. Our Automotive Operations segment sells and services predominantly Acura automobiles and leases Acura and other brand automobiles in the province of Ontario, Canada. Our Legal Financing segment is located in the United States and is a provider of legal financing to plaintiffs and attorneys throughout the United States.

Segment information is prepared in conformity with the accounting policies adopted for the Company's financial statements.

The role of the "chief operating decision maker" with respect to resource allocation and performance assessment is embodied in the position of Chief Executive Officer. The performance of the Equipment Financing, Legal Financing and Automotive Operations segments is measured on the basis of net income or loss before tax. Net assets, which are defined as total segment assets less total segment liabilities, are used as the basis of assessing the allocation of resources.

When compared with the last annual financial statements, there are no differences in the basis of segmentation or in the basis of measuring segment results.

Selected information by segment and geographically is as follows:

	Year ended December 31, 2014 ($ thousands)				
	Equipment Financing	**Legal Financing – U.S.**	**Automotive operations - Canada**	**Corporate overhead - Canada**	**Total**
Interest revenue on finance leases and loans	$ 44,235	$ 4,418	—	$ —	$ 48,653
Ancillary finance and other fee income	5,581	163	—	—	5,744
Interest expense *(a)*	(4,973)	—	—	35	(4,938)
Provision for credit losses	(10,639)	(505)	—	—	(11,144)
Finance margin	**34,204**	**4,076**	**—**	**35**	**38,315**
Revenue - automotive operations	—	—	53,703	—	53,703
Cost of sales – automotive operations	—	—	(46,740)	—	(46,740)
Gross margin before expenses	**34,204**	**4,076**	**6,963**	**35**	**45,278**
Personnel expenses	5,938	1,615	2,863	1,343	11,759
Share-based compensation expense	195	71	33	944	1,243
Other expenses	4,776	980	2,258	1,426	9,440
Amortization	213	24	82	2	321
Income before undernoted items	**23,082**	**1,386**	**1,727**	**(3,680)**	**22,515**
Financing costs	(607)	—	—	(1,266)	(1,873)
Unrealized loss on interest rate swaps	(439)	—	—	—	(439)
Unrealized gain on foreign exchange	—	—	—	223	223
Income before taxes	**22,036**	**1,386**	**1,727**	**(4,723)**	**20,426**
Provision for taxes	8,192	—	—	695	8,887
Net income	**$ 13,844**	**$ 1,386**	**$ 1,727**	**$ (5,418)**	**$ 11,539**
Net cash from (used in) operating activities	$ 21,659	$ 1,714	$ 2,436	$ (4,567)	$ 21,242
Net cash used in investing activities	$ (25,193)	$ (1,254)	$ (1,643)	$ (10,567)	$ (38,657)
Net cash from (used in) financing activities	$ (84,676)	$ —	$ 617	$ 88,632	$ 4,573
Total Assets	$ 217,379	$ 14,707	$ 17,834	$ 5,519	$ 255,439
Total Liabilities	$ 41,166	$ 372	$ 10,716	$ 123,341	$ 175,595
Finance receivables	$ 184,903	$ 12,654	$ —	$ —	$ 197,557
Goodwill	$ 16,666	$ 757	$ 2,520	$ —	$ 19,943
Intangible assets	$ 6,807	$ 429	$ 889	$ —	$ 8,125
Property and equipment expenditures	$ 342	$ 83	$ 1,643	$ —	$ 2,068

(a) includes $524,300 in non-cash interest expense, based on the imputed interest savings on the customer security deposits, interest revenue on leases on loans is higher by the same amount.

	Year ended December 31, 2013 ($ thousands)				
	Equipment Financing	Legal Financing – U.S.	Automotive operations - Canada	Corporate overhead - Canada	Total
Interest revenue on finance leases and loans	$ 34,292	$ 2,836	—	$ —	$ 37,128
Ancillary finance and other fee income	5,381	199	—	—	5,580
Interest expense *(a)*	(4,016)	—	—	—	(4,016)
Provision for credit losses	(6,484)	(11)	—	—	(6,495)
Finance margin	**29,173**	**3,024**	**—**	**—**	**32,197**
Revenue - automotive operations	—	—	52,031	—	52,031
Cost of sales – automotive operations	—	—	(45,148)	—	(45,148)
Gross margin before expenses	**29,173**	**3,024**	**6,883**	**—**	**39,080**
Personnel expenses	4,306	1,263	3,059	1,062	9,690
Share-based compensation expense	224	164	67	890	1,345
Other expenses	3,650	906	2,092	1,154	7,802
Amortization	272	8	79	3	362
Income before undernoted items	**20,721**	**683**	**1,586**	**(3,109)**	**19,881**
Financing costs - convertible debentures	—	—	—	(2,035)	(2,035)
Unrealized gain on interest rate swaps	1,413	—	—	—	1,413
Unrealized gain on foreign exchange	—	—	—	478	478
Income before taxes	**22,134**	**683**	**1,586**	**(4,666)**	**19,737**
Provision for (recovery of) taxes	8,770	—	(102)	164	8,832
Net income	**$ 13,364**	**$ 683**	**$ 1,688**	**$ (4,830)**	**$ 10,905**
Net cash from (used in) operating activities	$ 15,009	$ 1,252	$ 1,618	$ (1,806)	$ 16,073
Net cash used in investing activities	$ (30,270)	$ (4,824)	$ (216)	$ (88)	$ (35,398)
Net cash from financing activities	$ 25,426	$ —	$ —	$ 10,863	$ 36,289
Total Assets	$ 168,673	$ 12,376	$ 13,018	$ 22,454	$ 216,521
Total Liabilities	$ 117,991	$ 573	$ 7,038	$ 22,761	$ 148,363
Finance receivables	$ 148,340	$ 10,961	$ —	$ —	$ 159,301
Goodwill	$ 11,439	$ 694	$ 2,520	$ —	$ 14,653
Intangible assets	$ 5,743	$ 394	$ 889	$ —	$ 7,026
Property and equipment expenditures	$ 251	$ 43	$ 216	$ —	$ 510

(a) includes $637,700 in non-cash interest expense, based on the imputed interest savings on the customer security deposits, interest revenue on leases on loans is higher by the same amount.

36. SUBSEQUENT EVENTS

(a) Case Funding operations and certain attorney loans sold

On February 3, 2015, Case Funding sold certain assets and operations to a private equity firm (the "Purchaser"). The assets sold are as follows:

Assets sold		US$
		($thousands)
Prepaid expenses and other assets	$	108
Attorney loans		1,410
Attorney loans - participation agreement (i)		744
Attorney loans - recourse (ii)		946
Property and equipment		129
Goodwill and intangible assets		1,023
Accounts payable and other liabilities		(51)
Net assets sold		4,309
Proceeds (10% to be held in escrow for one year)	$	5,157
Gain on sale of assets and operations	$	848

(i) The Purchaser acquired an 85% interest in certain attorney loans for approximately U.S.$744,000, included in proceeds above, with no recourse to Case Funding for future losses. Subsequent to the close of the transaction Case Funding participated in U.S.$156,000 in additional attorney loans with the Purchaser, representing 15% of the loan outstanding.

(ii) The attorney loans with recourse will show in finance receivables until collected and the corresponding funds received from the Purchaser will show as a payable, per accounting guidelines, as not all of the risk and rewards were deemed to have transferred.

In conjunction with the transfer of Case Funding's employees to the Purchaser, the stock options held by the employees immediately vested and thus the remaining $76,400 in unrecognized stock option costs was expensed in 2015.

The Company incurred approximately $85,000 in costs related to the disposal of these assets. The disposition will result in the utilization of tax losses of Case Funding; the value of which was not recognized at December 31, 2014 because the recognition criteria had not been met as at that date.

Case Funding retained approximately U.S.$7.6 million in finance receivables and will pay the Purchaser a servicing fee of 5% of collections to administer the remaining portfolio of attorney loans, plaintiff advances and medical liens on behalf of Case Funding.

(b) Business Acquisition and Equity Raise

On February 26, 2015, the Company announced that it had entered into an agreement to acquire all of the issued and outstanding shares and certain shareholder loans of Blue Chip Leasing Corporation ("Blue Chip") and EcoHome Financial Inc. ("EcoHome"). Both companies are incorporated in Ontario. Blue Chip is a tenured, prime, small ticket equipment finance company serving brokers and vendors from coast-to-coast in Canada and had net finance receivables of $74 million as of September 30, 2014. EcoHome provides financing solutions to the heating ventilating and air conditioning (HVAC) and home improvement markets. EcoHome had net finance receivables of $47 million as of October 31, 2014, most of which relate to customers in Ontario.

The purchase price to acquire Blue Chip and EcoHome (and shareholder loans) was $64 million with the possibility of additional consideration totaling $26.0 million if performance targets are exceeded for the subsequent three years. The purchase price for the acquisition was satisfied through a combination of $44.6 million of cash and the issuance of 1,806,384 Chesswood common shares to the vendor.

On March 12, 2015, the Company completed the public offering of 3,302,600 subscription receipts (“Subscription Receipts”) at a price of $9.75 per Subscription Receipt (the “Public Offering”). The Public Offering was oversubscribed, and 430,800 of the Subscription Receipts were issued as a result of the exercise in full of the over-allotment option granted to the underwriters of the Public Offering. Chesswood concurrently completed a non-brokered private placement of 615,384 Subscription Receipts at the same offering price as under the Public Offering to certain directors, officers and other insiders. Each Subscription Receipt entitled the holder thereof to receive, for no additional consideration, one common share in the capital of Chesswood upon the completion of the acquisition of Blue Chip and EcoHome.

At the close of business on March 17th, the Company completed its acquisition of Blue Chip and EcoHome in accordance with the terms described above. On March 18, 2015, the Subscription Receipts were exchanged for Common Shares.

Since the closing date of the acquisition and the release of these consolidated financial statements are within days of each other, the Company has yet to establish a reliable purchase price allocation but will update its disclosures in future periods after the close of the acquisition and as more information becomes available. Chesswood has engaged an independent valuation firm to assist in determining the fair values of the assets acquired, liabilities and provision assumed, and related deferred income tax impacts and the fair value of the earn-out consideration payable. None of the goodwill is expected to be deductible for tax purposes.

37. COMPARATIVE FIGURES

During the first quarter of 2014, the Company moved changes in finance receivables and customer security deposits to investing activities on the consolidated statement of cash flows and the change in borrowings was moved to financing activities to be comparable to other specialty finance companies, to reflect the longer-term nature of the receivables and borrowings and to better reflect the Company's decision to self-finance its finance receivables from excess funds and not necessarily cash from current operating activities. The respective prior period amounts were reclassified to conform to this presentation.