Chesswood Group Limited

2015 ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

CONTENTS

TO OUR SHAREHOLDERS

Once again we achieved record profitability, for our fifth consecutive year! It's a milestone that we are very proud of, and is a direct reflection of the outstanding teams we have throughout our Company.

This was another extremely busy year for us, as we completed the efforts begun two years ago to bring into focus our core commercial finance businesses. We think it's helpful to recall the major milestones achieved along this multi-year journey.

In early 2014 we entered the Canadian equipment finance market with the acquisition of Northstar Leasing Corporation. That acquisition was followed by our process of securing new corporate banking for Chesswood that replaced our tenured syndicate of banks at Pawnee Leasing and unlocked our balance sheet by providing treasury for each of our businesses. Our corporate banking facility was put in place in December 2014.

At the same time that our new banking was being finalized, in the second half of 2014, we began discussions for the purchase of Blue Chip Leasing and EcoHome Financial and started our efforts in seeking an exit from our legal finance business, which we determined was not scalable.

We closed the sale of our legal finance business in early 2015, while simultaneously finalizing negotiations for the purchase of Blue Chip and EcoHome. These two events were followed by our share offering to raise a portion of the funds necessary to complete the acquisitions. We closed our offering and the purchase of Blue Chip and EcoHome in March 2015.

While the integration of these acquisitions was our primary focus in 2015, we also determined that it was an excellent time to realize on high market valuations for new car dealerships, and we completed the sale of our long-standing Acura dealership, in November 2015. After sixteen years of ownership, the amazingly consistent success of our team at the dealership provided Chesswood with a healthy gain on a business that was no longer core to Chesswood.

Lastly, late in 2015, we received a very compelling offer for the sale of EcoHome Financial, our recently acquired consumer finance business. The sale of EcoHome, completed in early 2016 for a pretax gain of approximately $10.5 million, allows Chesswood to be singularly focused on commercial lending throughout north-America. We decided to share this good fortune with our shareholders and our Board declared a very healthy $0.50 per share special dividend, in addition to our regular monthly dividend of $0.065 per share. That special dividend represents an *additional* yield of approximately 5% to our shareholders.

Today, following all of this activity, we believe Chesswood is in excellent shape. Our equipment finance businesses are generating sustained growth, we have access to capital through three channels - corporate banking, securitization (in Canada) and the public equity and debt markets - we have very modest leverage and an excellent and tenured team, and we're coming off our fifth straight year of record earnings. We're very excited about our future!

Barry Shafran
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (this "MD&A") is a review of the financial condition and financial performance of Chesswood Group Limited ("Chesswood" or the "Company") for the three months and year ended December 31, 2015. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2015 set forth in the Company's 2015 Annual Report. The fiscal year of the Company ends on December 31. The date of this MD&A is March 16, 2016. All dollar amounts in this MD&A are in Canadian dollars, unless otherwise indicated.

The Company operates in the following businesses:

- Pawnee Leasing Corporation ("Pawnee") - micro and small-ticket equipment financing to small businesses in the lower 48 states of the United States.
- Windset Capital Corporation ("Windset') - providing working capital loans to small businesses in 33 states of the United States.
- Blue Chip Leasing Corporation ("Blue Chip") - commercial equipment financing to small and medium businesses in Canada.
- EcoHome Financial Inc. ("EcoHome") - consumer financing solutions to the heating ventilating and air conditioning ("HVAC") and home improvement markets.
- Case Funding Inc. ("Case Funding") - holds a portfolio of legal finance receivables in the United States.
- Sherway LP ("Sherway") - selling, servicing and leasing Acura automobiles in the Province of Ontario.

On January 31, 2014, the Company acquired Northstar Leasing Corporation ("Northstar"), which was a non-prime commercial equipment finance company in Ontario, Canada.

On February 3, 2015, Case Funding sold its operations and most of its attorney loan portfolio to a private equity firm. Upon the sale of its operations, its staff became employees of the purchaser. It was determined that Case Funding meets the criteria of a discontinued operation at December 31, 2015. The comparative figures on the Consolidated Statements of Income and Cash Flows have therefore been reclassified as if the operation had been discontinued from the start of the comparative year.

On March 17, 2015, the Company acquired Blue Chip, which is a commercial equipment finance company in Canada that focuses primarily on the prime credit market, and EcoHome, which offers consumer financing solutions in Ontario, Canada, for a variety of products, primarily in the home improvement space. On June 1, 2015, Northstar and Blue Chip were amalgamated to maximize operational synergies and continue under the Blue Chip name. In this MD&A, references to Blue Chip in respect of the period prior to June 1, 2015, mean Blue Chip Leasing Corporation prior to its amalgamation with Northstar, and references to Blue Chip in respect of the period from and after June 1, 2015 mean the corporation which resulted from the amalgamation of Blue Chip Leasing Corporation and Northstar. Blue Chip has retained Northstar's product offerings so it can provide its brokers and customers with a wider product offering.

On November 15, 2015, the Company sold its Acura dealership, Acura Sherway, for an aggregate purchase price of approximately $20.4 million and pretax gain of $6.1 million. It was determined that Sherway meets the criteria of a discontinued operation at September 30, 2015 and December 31, 2015. The comparative figures in the quarterly charts in the MD&A and the figures on the Consolidated Statements of Income and Cash Flows have therefore been reclassified as if the operation had been discontinued from the start of the comparative year.

On February 18, 2016, subsequent to year end, the Company sold EcoHome for approximately $35.0 million and an approximate pretax gain of $10.5 million. It was determined that EcoHome meets the criteria of a discontinued operation at December 31, 2015. The 2015 figures in the quarterly charts in this MD&A and the figures on the Consolidated Statement of Income and Cash Flows have therefore been reclassified as if the operation had been discontinued since it was acquired at March 17, 2015.

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) as set out in The Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

This discussion contains forward-looking statements. See “Forward-Looking Statements” for a discussion of the risks, uncertainties and assumptions relating to these statements. This discussion makes reference to certain non-GAAP measures to assist in assessing the Company’s financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See “Non-GAAP Measures” for the definition of and reconciliation to GAAP measures of EBITDA and Adjusted EBITDA.

Our annual report and annual information form in respect of the fiscal year ended December 31, 2015 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com, and provide additional information (including detailed information on each of Chesswood's operating companies) and should be read in conjunction with this management's discussion and analysis, consolidated financial statements and notes thereto.

The Company's common shares (the "Common Shares") are listed on the Toronto Stock Exchange under the symbol CHW. The Company's convertible debentures are listed on the Toronto Stock Exchange under the symbol CHW.DB.

FORWARD-LOOKING STATEMENTS

In this report, management makes statements that are considered forward-looking statements. Forward-looking information consists of disclosure regarding possible events, conditions or results that is based on assumptions about future economic conditions and courses of action. Wherever used, the words "may", "could", "should", "will", "anticipate", "intend", "expect", "plan", "predict", "believe", and similar expressions identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management, but indicate management's expectations of future growth, results of operations, business performance, and business prospects and opportunities.

Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved. Forward-looking statements are based on information available at the time they are made, assumptions made by management, and management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in forward-looking statements, historical results or current expectations. The Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

The Company operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond the Company's control and which could have an effect on the Company's business, revenues, operating results, cash flow and financial condition, including without limitation:

- continuing access to required financing (and, for certain subsidiaries, securitization or bulk leasing facilities);
- continuing access to products to allow us to hedge our exposure to changes in interest rates;
- risks of increasing default rates on leases, loans and advances;
- our provision for credit losses;
- increasing competition (including, without limitation, more aggressive risk pricing by competitors);
- increased governmental regulation of the rates and methods we use in financing and collecting on our equipment leases or loans, on the legal funding business generally and on our working capital loans;
- dependence on key personnel;
- general economic and business conditions; and
- the risks that our expectations with respect to our recent acquisitions will not be met.

Readers should also carefully review the risk factors described under "Risk Factors" below and the risk factors described in the Company's annual information form filed with various Canadian securities regulatory authorities through SEDAR at www.sedar.com.

PAWNEE

Pawnee is a U.S. equipment finance company that provides financing on micro and small-ticket business equipment. Pawnee focuses on small businesses (with a particular focus in the start-up and "B" credit segment of the U.S. equipment finance market), servicing the lower 48 states through a network of approximately 600 independent brokers. As of December 31, 2015, Pawnee administered 11,440 leases and loans in its portfolio, with gross receivables, including residuals, of approximately U.S.$215.7 million over the next five years.

Pawnee finances equipment where generally:

(i) the equipment is fundamental to the core operations of the lessee/borrower's business;
(ii) the cost of the equipment usually does not exceed U.S.$100,000;
(iii) a personal guarantee of at least the major shareholder/owner is obtained; and

(iv) all scheduled payments for start-up and "B" credit leases and loans are required to be paid by direct debit out of the lessee's/borrower's account.

Pawnee's business does not involve financing of consumer goods. Pawnee funds only commercial equipment.

A key aspect of Pawnee's business is managing potential risks in order to limit defaults to the greatest extent possible. Pawnee has developed a number of risk management tools and processes which it continually monitors and improves to address changes in its market and in the equipment finance industry.

Management believes that Pawnee is a leading micro and small-ticket funding source for equipment finance brokers in the start-up and "B" credit markets. Pawnee's success in these higher risk niche markets is due to Pawnee's ability to select creditworthy businesses through its proprietary credit analysis matrix and process, to price for higher risk, and its efficient servicing and collection processes.

Pawnee has traditionally provided funding to two very similar micro and small-ticket commercial financing markets - the start-up market and the "B" credit market. The creditworthiness of start-up businesses does not fall into traditional credit categories because of their lack of business credit history. Pawnee defines "start-up" businesses to be those businesses with less than two years of operating history. "B" credit businesses are those that have two or more years of operating history and have some unique aspect to their overall credit profile such that they are not afforded an "A" rated credit score and/or that the business owner(s) do not have an "A" rated personal credit history. Pawnee has recently commenced providing funding to the prime credit market as well.

The start-up and "B" credit segments of the micro and small-ticket equipment finance market have historically been, and continue to be, more sensitive to monthly lease/loan payment amounts than to the effective rates of interest charged.

Pawnee's business model is different from many other leasing, equipment finance, consumer, sub-prime mortgage and finance companies in a number of important respects, including the following:

- Pawnee does not sell its leases and loans, but rather retains its leases and loans for their full term,
- Pawnee's revenues are derived directly from its leases and loans, and are not derived from (and therefore, and more importantly, Pawnee's revenues are not dependent upon) fees from the sale of its portfolio of leases and loans, and
- not only is there significant geographic diversification (within the United States) within Pawnee's portfolio of leases and loans, there is also significant diversification in terms of the equipment funded and the industries in which Pawnee's lessees and borrowers operate. At December 31, 2015:
  - no state represented more than 8.2% of the number of Pawnee's total active leases and loans, with the exception of California and Texas which represented 12.3% and 12.5% respectively;
  - Pawnee financed over 70 equipment categories, with its five largest categories by volume being restaurant, auto repair, titled trucks and trailers, beauty salon and fitness equipment, which combined accounted for 54.9% of the number of active leases and loans;
  - its lessees and borrowers operated in over 85 different industry segments, with no industry concentration accounting for more than 17.8% of its number of active leases and loans;
  - no lessee/borrower accounted for more than 0.01% of its total lease and loan portfolio; and
  - its largest source of originations accounted for 5.0% of its gross lease and loan receivable, and its ten largest origination sources accounted for 34.3% of its gross lease and loan receivable.

Pawnee's revenues and fundings are not dependent upon continuously finding third party buyers for its lease and loan portfolio (where demand is driven by factors such as prevailing interest rates and the quality of other available portfolios and other available investments). Rather, Pawnee, through Chesswood, has a continuing lending facility. Pawnee may however in the future arrange for securitization facilities to expand its funding capabilities if it can do so on terms management considers attractive.

As of December 31, 2015, Pawnee employed 53 full-time equivalent employees, over one-third of whom are dedicated to collection and default remediation.

Key Performance Indicators

Management regularly evaluates and analyzes Pawnee's key performance indicators, including the following, to more effectively operate its business:

Pawnee Portfolio Statistics *(in U.S.$ thousands except # of leases/loans and %'s)*

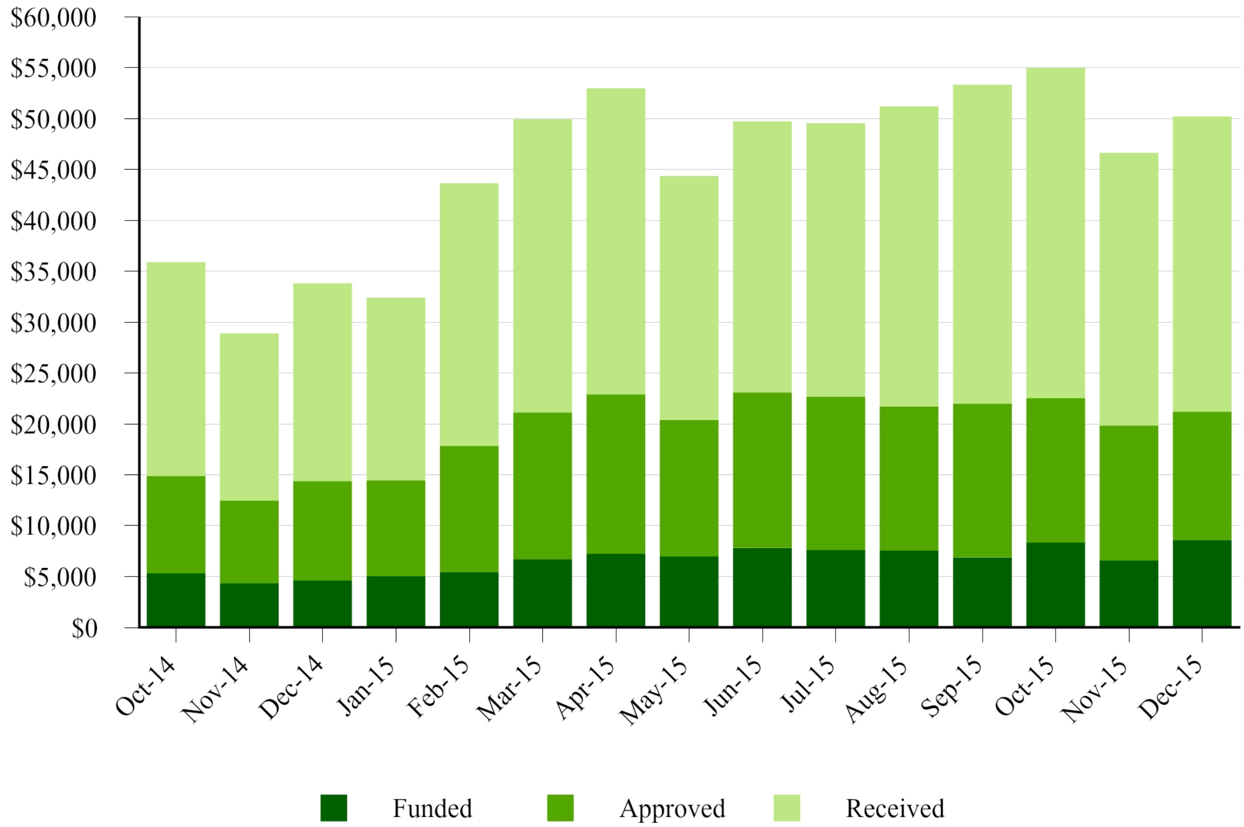
	Mar 31 2014	June 30 2014	Sep 30 2014	Dec 31 2014	Mar 31 2015	June 30 2015	Sep 30 2015	Dec 31 2015
Number of leases and loans outstanding (#)	9,724	9,919	10,095	10,134	10,303	10,707	11,140	11,440
Gross lease and loan receivable ("GLR") (1)	$173,487	$176,989	$176,818	$175,003	$176,400	$184,800	$192,863	$200,505
Residual receivable	$17,396	$17,075	$16,713	$16,201	$15,727	$15,614	$15,414	$15,235
Net investment in leases and loans receivable, before allowance (4)	$140,444	$142,529	$142,266	$140,310	$141,226	$147,554	$153,205	$159,210
Security deposits (nominal value)(4)	$11,891	$11,645	$11,436	$10,975	$10,704	$10,684	$10,603	$10,460
Allowance for doubtful accounts – IFRS	$3,665	$3,265	$3,844	$4,770	$4,646	$4,172	$5,134	$5,265
Over 31 days delinquency (% of GLR) (2)	2.22%	2.05%	2.11%	2.88%	2.73%	2.33%	2.90%	2.91%
Net charge-offs for the three-months ended (3)	$1,547	$1,485	$1,484	$1,495	$1,981	$1,683	$2,069	$2,520
Provision for credit losses for the three-months ended – IFRS	$1,889	$1,106	$2,111	$2,490	$2,027	$1,244	$2,965	$2,706

Notes:
(1) Excludes residual receivable.
(2) Over 31-days delinquency includes non-accrual gross lease and loan receivables.
(3) Excludes the "charge-offs" of interest revenue on finance leases and loans on non-accrual leases recognized under IFRS.
(4) Excludes adjustment for discounting security deposits and increasing unearned income for interest savings on security deposits.

Lease and Loan Application, Approval and Origination Volume

Management regularly reviews lease and loan application, approval and origination volumes, for trends that may indicate changes in the economic or competitive landscape and that may necessitate adjustments in Pawnee's approach to doing business in its market segments. Pawnee also uses this data in its forecasting and budgeting process. Management reviews application approval data to analyze and predict shifts in the credit quality of Pawnee's applicants, and looks at individual broker approval rates to determine whether a broker is submitting applications that meet Pawnee's credit criteria. Pawnee refers to total originations as a percentage of leases and loans funded as the "closing ratio". Pawnee tracks and reviews the closing ratio to aid management in determining the efficiency and effectiveness of Pawnee's origination processes. Significant changes in any of these key metrics, as well as other less significant metrics, usually results in a more detailed review, which may include, amongst other things, a review of broker, industry or equipment type, equipment cost, or geographic areas for specific results.

Lease and Loan Application, Approval and Origination Volume *(in U.S.$ thousands)*



Asset Quality

Pawnee is a niche specialty finance company that is focused on doing business with commercial enterprises that are not usually considered by conventional financing sources and that generally have a higher risk profile. This exposes the firm to a greater risk level; however management has built an operating model that is based on managing this risk. As a result, Pawnee has been able to generate greater margins with lower volume than many typical finance companies.

Risk management begins with carefully selecting which independent brokers Pawnee does business with. Brokers must have personal credit profiles acceptable to Pawnee, industry references and preferably have been active in the equipment finance industry for a minimum of one year. Regional marketing managers are responsible for training and for developing a knowledge base with new and existing brokers regarding Pawnee's underwriting policies and procedures. This training process is very important in ensuring that neither the broker nor Pawnee spend extraordinary time in reviewing and handling applicants that can't meet Pawnee's basic qualifications. The managers are also responsible for monitoring the brokers for credit application review and closing efficiencies, including applications submitted, approved and ultimately funded.

The Pawnee credit process is not the automated scoring procedure typical of high volume equipment finance companies. A credit analyst reviews each application and completes a proprietary credit matrix which is used as a guide for reaching a prudent credit decision. The matrix is designed to ensure that all of Pawnee's analysts are consistent in their review of applications. Analysts are available to directly assist brokers submitting applications and communicate credit decisions, including what would make an applicant more likely to be approved. Pawnee applies several basic principles for all credit decisions on new leases and loans, including the requirement that all business owners personally guarantee the lease/loan and must therefore submit their personal credit information for consideration, and all scheduled payments must be paid through direct debit. All leases and loans assigned to Pawnee, must be approved by Pawnee in accordance with the same criteria used in originating its own leases and loans.

Pawnee's credit matrix undergoes continual review by management, in addition to periodic assessment by outside professionals with statistical expertise.

Operating Efficiency

Pawnee manages operating performance using, in addition to other tools, a comprehensive budgetary review process. Included in this review are line-item-level comparisons of revenues and expenses to budget and trend data for the period then ended. If management finds there is a significant or unusual variance from budget or expectations, management will review the variance in detail and take corrective action, if necessary. Management focuses its attention on significant changes from projections and takes appropriate action, as necessary.

Pawnee's static pool loss analysis measures lease/loan loss performance by identifying a finite pool of lease/loan originations and segmenting this pool into quarterly or annual vintages according to when the leases and loans were originated. Poorly performing brokers, geographic areas, equipment types and industries are reviewed in more detail to determine if there is a systematic or other identifiable cause on which corrective action can be taken. For example, if management determines that Pawnee has unusually high losses on leases/loans for a particular type of equipment, management may raise the minimum required credit matrix score for those leases/loans to be approved or stop originating leases/loans of that equipment type altogether.

Collections

The ability to efficiently service and collect on leases and loans is critical in achieving appropriate profit margins and stable cash flows. Management of Pawnee recognizes the importance of the ability to collect on leases/loans and, as such, a great deal of emphasis is placed on the employment and retention of experienced collection personnel. Over one-third of Pawnee's personnel dedicate their activities to the collections process. Pawnee's collections department is structured to systematically and quickly resolve delinquent leases and loans whenever possible, mitigate losses and collect post-default recovery dollars.

Pawnee's collections activities begin when a lease/loan initially becomes delinquent. An account is recognized as troubled if for any reason the direct debit payment is not successfully received on the required due date - the account is immediately considered delinquent. When the lease/loan becomes 31 days past due, or earlier if the collector recognizes that the problem is something more significant than a past due payment, the lease/loan is referred to the appropriate negotiation, repossession/remarketing, bankruptcy or legal specialist on the Advanced Collection team. Pawnee regularly remediates a high percentage of leases/loans that go initially past due.

The Advanced Collection team's objective is to minimize Pawnee's loss through a combination of collecting payments, writing forbearances, repossessing and selling financed equipment, initiating lawsuits and, most importantly, negotiating settlements. After 154 days of delinquency, or earlier if the Advanced Collection team determines the account is uncollectible, the lease/loan is charged off.

After an account is charged off, it may continue to be handled internally when collection prospects for recovery through a personal guarantor or other remedy are considered good. If not, it is normally assigned to an independent collection agency for additional collection efforts. At this stage in the collections process, the primary sources of recovery are payments on restructured accounts, settlements with guarantors, equipment sales, litigation and bankruptcy court distributions.

Throughout the collections process, Pawnee's repossession/remarketing specialists perform a wide variety of functions, including acting on repossession requests from any collector, managing third-party vendors that perform repossession activities, working with remarketers to establish and approve the selling price on all repossessed equipment, and selling equipment on behalf of Pawnee.

WINDSET

Chesswood launched Windset, its working capital loan business, in September 2013. Windset provides working capital loans for up to U.S.$125,000 to tenured small businesses in the United States. Payments are processed automatically and usually deducted every business day from the borrowers' bank account. The terms of these loans can range from three months to 18 months but are typically nine to ten months on average. Extensions are common for those borrowers that have been in good standing during the initial term of the loan.

At December 31, 2015, Windset had 1,023 loans outstanding with approximately U.S.$35.8 million in gross loan receivables outstanding, an increase of 106.9% year-over-year (2014 - 570 loans - U.S.$17.3 million). Windset's eight staff members, operating out of Windset's head office in Riverton, Utah, leverage Pawnee's relationships in its broker channel in addition to the separate broker channel for working capital loans, to offer this product to small businesses across the United States. Windset is assisted by Pawnee's documentation, collection and administrative departments that provide "back-office" support to Windset, under the terms of a managed services agreement between the two companies.

Windset currently relies on a few key markers to assess portfolio performance and composition, including daily and monthly delinquency, loan size, time-in-business, credit profile and proprietary matrix score.

BLUE CHIP

On March 17, 2015, Chesswood purchased all of the outstanding shares of Blue Chip. See Note 5 - *Business Acquisitions* for further information. On June 1, 2015, the Company amalgamated Northstar into Blue Chip to maximize operational synergies. Blue Chip has retained Northstar's product offerings so that it now offers its broker customers a wider product offering.

Blue Chip is a small and mid-ticket commercial equipment finance company operating across Canada that focuses primarily on the prime credit market and specializes in financing small ticket equipment leases and loans for small and medium size businesses. Blue Chip focuses on the prime credit market (primarily in the "A" rated credit segment), although it also began offering more limited products tailored to the "B" credit segment of the market in 2013. These secured loans typically have terms ranging from three to five years with an amortization of three to 25 years. Blue Chip has been able to grow originations and profitability by taking advantage of the Canadian banks' tendencies to prefer larger ticket size transactions and to be less nimble in addressing customer needs. Blue Chip has also been able to improve its competitiveness by successfully negotiating a competitive cost of funds.

Loan and Lease Portfolio

As at December 31, 2015, Blue Chip had 10,232 leases and loans under administration with gross finance receivables of approximately $132.2 million (including residual receivables). Lessees/borrowers for approximately 55.9% of Blue Chip's gross finance receivables are located in Ontario, with Alberta being the next largest at 16.7%. Blue Chip derives substantially all of its revenues from the leases and loans it finances and services, which consist primarily of payments, fee income from late charges and other service and related fees. Blue Chip employs key performance indicators similar to those used by Pawnee.

Blue Chip Business Overview

Blue Chip operates in both the micro and small ticket commercial markets. The micro ticket segment is a high volume, low touch business that requires technology to meet market demand for fast credit decisions, quick funding of transactions and customer service excellence. Blue Chip has invested in industry leading software that streamlines the application process, shortens credit decision time and automates the preparation of secure documents. Some transactions in the small ticket segment have the additional underwriting requirement of financial statement analysis and more detailed documentation. Blue Chip has successfully originated strong volumes of these transactions primarily through its established network of equipment dealers and brokers.

Blue Chip has a diversified portfolio which helps it manage and mitigate risk. Blue Chip's top five equipment categories by volume are industrial equipment, computers, photographic equipment, medical and dental equipment and trailers. Blue Chip had an average lease term at origination of approximately 41 months.

Lease and loan terms typically range from 24 to 66 months and Blue Chip does not generally take residual positions on leases or loans, other than a 5% position in a small number of fair market value leases and loans.

Blue Chip's standard leases and loans generally require that lessees/borrowers: (i) operate the equipment in the manner for which it was designed and for commercial or business purposes only; (ii) maintain and service the equipment; (iii) insure the equipment for the full insurable value and, where appropriate having regard to the nature of the equipment, for potential liability for injury to third parties; (iv) indemnify and hold Blue Chip harmless from any liability resulting from the leased equipment; and (v) pay directly or reimburse Blue Chip for all sales, use and other taxes associated with the equipment.

In addition, Blue Chip's standard lease generally provides that in the event of a default, Blue Chip can, at its discretion, require payment of the entire balance due under the lease or loan and repossess the equipment for subsequent sale, refinancing or other disposal, subject to any limitations imposed by law.

Origination Process

Blue Chip originates transactions through both direct and indirect channels. Direct origination efforts are focused on soliciting transactions directly from equipment vendors.

Blue Chip has a network of more than 50 originators (equipment finance brokers), with the largest originator (by dollar amount funded) accounting for originations of approximately 25% of its leases in 2015. The four largest brokers (by dollar amount funded) accounted for approximately 60.4% of originations in 2015. Blue Chip has a mutual territorial non-competition agreement with one such originator in the Maritime Provinces which restricts it from establishing direct sales efforts by its employees in such territory.

Blue Chip is an active member of the Canadian Finance and Leasing Association as well as the U.S. based National Equipment Finance Association. Blue Chip is also a member in the Canadian Machine Tool Distributors' Association, a trade association dedicated to the marketing of machine tools and services in Canada.

Funding

Blue Chip utilizes a private securitization or bulk funding model to finance the majority of its loans and leases. The private securitization model replaces a public market rating with a thorough initial review of the finance company and very tight ongoing monitoring of operating performance. Pursuant to the securitization process, Blue Chip sells the future payment stream of a group of leases/loans (a 'tranche') to a securitizer such as a life insurance company or bank. The future stream is discounted at the time of funding the tranche and a relatively small percentage is held back in a loss reserve pool or supported by Blue Chip through a letter of guarantee in favour of the securitizer. The required amount of any one reserve is established by the securitizer and is based primarily on the strength of the historical performance of the portfolio being funded. Blue Chip has facilities with multiple providers of funding. Funding partners have rigorous monitoring and audit processes which include site visits and file audits. In addition to validating credit decisions, documentation accuracy and security perfection, there is quarterly signing of compliance certificates attesting to the correctness of portfolio and financial statistics. The Company also uses Chesswood's credit facility to provide some operational and warehouse funding for Blue Chip.

At December 31, 2015, Blue Chip employed 36 full-time equivalent employees and one part-time equivalent employee who also serves part-time functions with EcoHome.

ECOHOME

On March 17, 2015, Chesswood purchased all of the outstanding shares of EcoHome. See Note 5 - *Business Acquisitions* for further information. EcoHome offers consumer financing solutions in Canada including loans and rentals for a variety of products primarily in the home improvement space. EcoHome originates loans and rentals through an external network of heating, ventilating and air conditioning ("HVAC") dealers as well as through sales agencies of manufacturers who produce windows, doors, roofing and siding.

As at December 31, 2015, EcoHome had 16,262 finance contracts under administration and gross finance receivables of approximately $100.7 million.

On February 18, 2016, the Company sold EcoHome to Dealnet Capital Corp. ("Dealnet") for approximately $35.0 million. Of the $35 million purchase price, $29 million was paid in cash and Dealnet further issued to the Company 6,039,689 common shares of Dealnet and a $2.5 million convertible note, which matures in February 2018 and is convertible into common shares of Dealnet at a conversion price of $0.64 per share. The sale of EcoHome reflects the Company's decision to become singularly focused on our commercial finance businesses. See Note 6 (c) - *Discontinued Operations*.

NON-GAAP MEASURES

The Company provides non-GAAP measures as supplementary information. Management believes EBITDA and Adjusted EBITDA are useful measures in evaluating the performance of the Company and in determining whether to invest in Common Shares. EBITDA and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures presented by other issuers. Readers are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Among other items, Adjusted EBITDA reverses non-cash gains or losses during the reference period on the Company's $20.0 million of convertible debentures issued in December 2013, and instead reflects the interest payable on such debentures during the reference period.

Definitions of NON-GAAP measures

“EBITDA” is defined as net income adjusted to exclude interest, income taxes, depreciation and amortization.

“Adjusted EBITDA” is defined as EBITDA further adjusted for (i) interest on debt facilities, (ii) non-cash gain (loss) on interest rate swaps and convertible debentures, (iii) non-cash unrealized gain (loss) on foreign exchange, (iv) non-cash share-based compensation expense, (v) acquisition costs, (vi) contingent consideration accretion (vii) financing costs written off, (viii) any unusual and material one-time expenses (such as the convertible debenture issue costs in December 2013) and (ix) actual interest attributable to the period in respect of the convertible debentures.

"Free Cash Flow" or "FCF" is defined as the Adjusted EBITDA less maintenance capital expenditures (excluding the Sherway 2014 leasehold improvements) and tax expense.

"FCF L4PQ" is defined as 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). For the period prior to March 17, 2015, the FCF of Blue Chip and EcoHome for the corresponding quarters are added in the calculation of FCF L4PQ.

"Maximum Permitted Dividends" is defined under Chesswood's credit facility as the maximum cash dividends that the Company is permitted to pay in respect of a month, being 1/12 of 90% FCF L4PQ (changed from 80% subsequent to year-end and to include purchases under normal course issuer bids).

The maximum permitted cash dividend allowed under Chesswood's credit facility has been increased up to $3.4 million until November 2017 in relation to the gain realized on the sale of Sherway.

On January 25, 2016, the maximum cash dividends that the Company can pay in respect of a month, including cost of any repurchases under normal course issuer bids, was amended to be 1/12 of 90% of the FCF L4PQ (previously 80%). In addition, the Company can also declare a special dividend or make repurchases under normal course issuer bids to an aggregate of $17.7 million in connection with the EcoHome sale (and the Company has declared a special dividend of $0.50 per share, for an aggregate special dividend amount payable of $8.9 million on March 15, 2016).

"Operating income" is defined as income before undernoted items as presented on the consolidated statement of income.

ADJUSTED EBITDA, FREE CASH FLOW, MAXIMUM PERMITTED DIVIDENDS [(1)]

For the quarter-ended	2014				**2015**			
($ thousands)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income	$ 3,129	$ 3,241	$ 3,269	$ 1,900	$ 3,498	$ 5,114	$ 3,140	$ 8,052
Interest expense - continuing	1,175	1,177	1,256	1,330	1,308	2,008	2,187	2,260
Interest expense - discontinued	34	36	40	54	130	706	718	734
Provision for taxes - continuing	2,418	2,664	2,641	1,164	2,551	3,672	2,754	2,804
Provision for taxes - discontinued	6	(7)	—	1	504	131	47	(462)
Amortization - continuing	29	79	40	67	127	424	221	661
Amortization - discontinued	22	21	22	41	95	232	139	377
EBITDA [(1)]	**6,813**	**7,211**	**7,268**	**4,557**	**8,213**	**12,287**	**9,206**	**14,426**
Interest expense	(1,209)	(1,213)	(1,296)	(1,384)	(1,438)	(2,714)	(2,905)	(2,994)
Share-based compensation expense	240	321	345	337	382	408	462	407
Financing costs written off	—	—	—	607	—	—	—	—
Financing costs - conv deb [(3)]	20	298	302	646	152	(98)	276	272
Interest expense on conv deb	(321)	(324)	(328)	(328)	(321)	(324)	(328)	(328)
Contingent consideration accretion, acquisition costs & gain on sale of assets	167	—	—	30	(13)	468	173	(4,143)
Foreign exchange loss (gain)	69	33	(384)	59	(103)	(37)	(12)	209
Unrealized loss (gain) – interest rate swaps	(19)	494	(501)	465	—	—	1,300	(454)
Adjusted EBITDA [(1)]	**5,760**	**6,820**	**5,406**	**4,989**	**6,872**	**9,990**	**8,172**	**7,395**
Maintenance capital expenditures	(26)	(216)	(28)	(194)	(26)	(137)	(90)	(29)
Provision for taxes	(2,424)	(2,657)	(2,641)	(1,165)	(3,055)	(3,803)	(2,801)	(2,342)
Free Cash Flow ("FCF") [(1)]	**$ 3,310**	**$ 3,947**	**$ 2,737**	**$ 3,630**	**$ 3,791**	**$ 6,050**	**$ 5,281**	**$ 5,024**
Free Cash Flow of Acquired Companies	$ 1,004	$ 1,528	$ 1,100	$ 904	$ 1,025	n/a	n/a	n/a
FCF L4PQ divided by 4 [(1)]	$ 2,959	$ 3,185	$ 3,348	$ 3,343	$ 3,721	$ 4,624	$ 4,761	$ 5,050
Maximum Permitted Dividends [(1)(3)(4)]	**$ 2,367**	**$ 2,548**	**$ 2,678**	**$ 2,674**	**$ 2,976**	**$ 3,699**	**$ 3,809**	**$ 4,040**
Dividends declared [(2)]	$ 2,251	$ 2,300	$ 2,315	$ 2,320	$ 2,693	$ 3,451	$ 3,458	$ 3,460

(1) Adjusted EBITDA, EBITDA, Free Cash Flow, FCF L4PQ (Free Cash Flow for the last four published quarters) and Maximum Permitted Dividends are non-GAAP measures. See "Non-GAAP Measures" for the definitions.

(2) Includes dividends on Exchangeable Securities (non-controlling interest as described below under "Statement of Financial Position").

(3) Prior to December 2014, the Company did not have a credit facility and therefore dividend restrictions were found in the credit facilities of its subsidiaries. The permitted dividends information in the table in respect of such period is therefore provided on a pro-forma basis for illustrative purposes.

(4) Based on 80% of FCF L4PQ, on January 25, 2016 the rate was changed to 90%.

SELECTED FINANCIAL INFORMATION

($ thousands, except per share figures)	For the years ended December 31, 2013	2014	2015
Revenue (1)	$ 39,673	$ 49,816	$ 76,577
Finance margin	$ 29,173	$ 34,239	$ 49,885
Income from continuing operations	$8,534	$8,426	$12,363
Net income	$10,905	$11,539	$19,804
Basic earnings per share - continuing operations (3)	$0.75	$0.72	$0.74
Diluted earnings per share - continuing operations (3)	$0.70	$0.68	$0.72
Basic earnings per share (3)	$0.96	$0.98	$1.19
Diluted earnings per share (3)	$0.89	$0.93	$1.16
Total assets	$ 216,521	$ 255,439	$ 565,510
Long-term financial liabilities	$ 134,899	$ 158,859	$ 316,375
Adjusted EBITDA (1)	$ 21,623	$ 22,975	$ 32,429
Dividends declared (3)	$ 8,262	$ 9,186	$ 13,062
Dividends declared per share (3)	$0.725	$0.78	$0.78

As at and for the quarter-ended				2014				2015
($ thousands, except per share figures)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue (1)	$11,518	$12,297	$12,741	$13,260	$15,412	$18,644	$20,749	$21,772
Finance margin before expenses(1)	8,259	9,472	8,494	8,014	10,452	13,670	12,264	13,499
Income before tax and other items (operating income (2))	5,034	5,907	4,709	3,982	6,027	8,399	6,811	7,547
Income before tax	4,777	5,039	5,292	2,205	5,088	7,709	4,911	6,436
Provision for taxes	2,418	2,664	2,641	1,164	2,551	3,672	2,754	2,804
Income from continuing operations	2,359	2,375	2,651	1,041	2,537	4,037	2,157	3,632
Income from discontinued operation	770	866	618	859	961	1,077	983	4,420
Net income	$3,129	$3,241	$3,269	$1,900	$3,498	$5,114	$3,140	$8,052
Basic earnings per share - continuing operations (3)	$0.21	$0.20	$0.22	$0.09	$0.19	$0.23	$0.11	$0.21
Diluted earnings per share - continuing operations (3)	$0.19	$0.19	$0.22	$0.08	$0.19	$0.22	$0.11	$0.20
Basic earnings per share (3)	$0.27	$0.28	$0.27	$0.16	$0.27	$0.29	$0.17	$0.46
Diluted earnings per share (3)	$0.25	$0.26	$0.26	$0.16	$0.26	$0.28	$0.16	$0.46
Total assets	243,142	237,064	255,351	255,439	477,179	509,025	540,697	565,510
Long-term financial liabilities	155,449	150,444	161,614	158,859	316,678	346,922	370,565	316,375
Other Data								
Adjusted EBITDA (2)	5,760	6,820	5,406	4,989	6,872	9,990	8,172	7,395
Dividends declared (4)	2,251	2,300	2,315	2,320	2,693	3,451	3,458	3,460
Dividends declared per share (4)	$0.195	$0.195	$0.195	$0.195	$0.195	$0.195	$0.195	$0.195

(1) It was determined that Sherway, Case Funding, and EcoHome meet the criteria of discontinued operations at December 31, 2015. The comparative figures have been reclassified as if their respective operations had been discontinued from the start of the comparative periods. See Note 6 - *Discontinued Operations.*
(2) Adjusted EBITDA and Operating Income are non-GAAP measures. See "Non-GAAP Measures" for the definitions.
(3) Based on weighted average shares outstanding during period.
(4) Includes dividends on Exchangeable Securities (non-controlling interest as described below under "Statement of Financial Position").

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014

The U.S. dollar results for the three months ended December 31, 2015, were converted at approximately 1.3354, which was the average exchange rate for the three month period. The U.S. dollar results for the three months ended December 31, 2014, were converted at approximately 1.1356, which was the average exchange rate for the corresponding period.

	Three months ended December 31, 2015			
($ thousands)	Equipment Financing - U.S.	Equipment Financing - Canada	Corporate Overhead - Canada	Total
Interest revenue on leases and loans	$ 16,403	$ 2,488	$ —	$ 18,891
Ancillary finance and other fee income	2,028	853	—	2,881
Interest expense	(1,379)	(881)	—	(2,260)
Provision for credit losses	(6,090)	77	—	(6,013)
Finance margin	**10,962**	**2,537**	**—**	**13,499**
Personnel expenses	1,915	626	248	2,789
Share-based compensation expense	62	23	282	367
Other expenses	1,676	552	504	2,732
Amortization - property and equipment	61	3	—	64
Income before undernoted items	**7,248**	**1,333**	**(1,034)**	**7,547**
Acquisition costs and related items	—	—	52	52
Amortization - intangible assets, contingent consideration accretion (non-cash)	—	(597)	(539)	(1,136)
Financing costs - convertible debentures	—	—	(272)	(272)
Unrealized gain on interest rate swaps	—	—	454	454
Unrealized loss on foreign exchange	—	—	(209)	(209)
Income before taxes	**7,248**	**736**	**(1,548)**	**6,436**
Tax expense	2,031	357	416	2,804
Income from continuing operations	5,217	379	(1,964)	3,632
Income from discontinued operations *(Note 6)*	—	—	4,420	4,420
Net income	**$ 5,217**	**$ 379**	**$ 2,456**	**$ 8,052**
Net cash from (used in) operating activities	$ (8,596)	$ (1,247)	$ (187)	$ (10,030)
Net cash used in investing activities	$ (12)	$ (3)	$ 19,673	$ 19,658
Net cash from financing activities	$ —	$ (3,674)	$ (885)	$ (4,559)
Property and equipment expenditures	$ 12	$ 3	$ —	$ 15

For the three months ended December 31, 2015, the Company reported consolidated net income of $8.1 million, an increase of $6.2 million compared to the same period in the prior year. Of the $6.2 million increase in net income, income from discontinued operations increased $3.6 million predominantly from the gain on sale of Acura Sherway and the income from continued operations increased by $2.6 million predominantly from an $2.3 million increase in net income from Pawnee and Windset ($783,000 from the increase in foreign exchange rate from the prior year) and $379,000 in net income from Blue Chip, which was acquired in March 2015.

It was determined that Sherway, EcoHome and Case Funding meet the criteria of discontinued operations at December 31, 2015. As such, the income from these operations has been reclassified and shown as income from discontinued operation. The comparative figures have been reclassified as if these operations had been discontinued from the start of the comparative periods. See Note 6 - *Discontinued Operations* for further details.

	Three months ended December 31, 2014		
($ thousands)	**Equipment Financing**	**Corporate overhead - Canada**	**Total**
Interest revenue on finance leases and loans	$ 11,852	$ —	$ 11,852
Ancillary finance and other fee income	1,408	—	1,408
Interest expense	(1,365)	35	(1,330)
Provision for credit losses	(3,916)	—	(3,916)
Finance margin	**7,979**	**35**	**8,014**
Personnel expenses	1,903	437	2,340
Share-based compensation expense	52	262	314
Other expenses	1,007	304	1,311
Amortization - property and equipment	47	—	47
Income before undernoted items	**4,970**	**(968)**	**4,002**
Amortization of intangibles	(20)	—	(20)
Financing costs	(607)	—	(607)
Financing costs on convertible debentures	—	(646)	(646)
Unrealized loss on interest rate swaps	(465)	—	(465)
Unrealized loss on foreign exchange	—	(59)	(59)
Income before taxes	**3,878**	**(1,673)**	**2,205**
Tax expense	996	168	1,164
Income from continuing operations	2,882	(1,841)	1,041
Income from discontinued operations *(Note 6)*	—	859	859
Net income	**$ 2,882**	**$ (982)**	**$ 1,900**
Net cash from (used in) operating activities	$ 4,870	$ (245)	$ 4,625
Net cash used in investing activities	$ (124)	$ —	$ (124)
Net cash from (used in) financing activities	$ (108,377)	$ 93,329	$ (15,048)
Property and equipment expenditures	$ 124	$ —	$ 124

For the three months ended December 31, 2015, the Company reported consolidated operating income ("income before undernoted items") from continuing operations of $7.5 million compared to $4.0 million in the same period in the prior year, an increase of $3.5 million, or approximately 88.6%, year-over-year.

The $3.5 million increase in operating income for the three month period compared to the prior year was the result of:

- Operating income from Pawnee and Windset increased by $2.3 million in the three month period compared to the same period in the prior year. The increase in operating income is predominantly from a $5.2 million increase in finance income due to a larger average net finance receivable outstanding and the increase in the foreign exchange rate offset by a $2.2 million increase in provision for credit losses and a $685,000 increase in personnel and other expenses compared to the prior year. The $2.2 million increase in provision for credit losses is the result of a U.S.$1.8 million increase in actual net charge-offs in the period compared to same period in the prior year, offset by a non-cash U.S.$557,000 reduction in the allowance for doubtful accounts, plus an $903,000 increase due to the increase in the foreign exchange rate. Approximately 43.7% of the increase in actual net charge-offs year-over-year in the three month period relates to Windset.

- The newly acquired Canadian equipment leasing company generated operating income of $1.3 million in the three month period.

- Corporate overhead before foreign exchange increased by $66,000 compared to the same period in the prior year, predominantly from an increase in general and administrative expenses.

The amortization of the estimated value of intangible assets at Blue Chip totaled $597,000 for the three months ended December 31, 2015. The value associated with the broker networks will be amortized over a period of 15 years and non-compete agreements for five years. The accretion of the contingent consideration payable translated to an expense of $539,000 in the three months ended December 31, 2015. As a result of the sale of EcoHome, the additional $6.0 million contingent consideration under tha purchase agreement for the acquisition of Blue Chip and EcoHome associated with 2015 and 2016 became payable within 10 days of the sale of EcoHome. It was determined that the reclassification of EcoHome to discontinued operations forced the recognition of the 2016 contingent consideration at December 31, 2015. Thus, $354,700 in contingent consideration accretion that otherwise would have been recognized in 2016 was recognized at December 31, 2015.

The Company entered into interest rate swap agreements in the third quarter of 2015, that provide for payment of an annual fixed rate, in exchange for a LIBOR based floating rate amount. The interest rate swaps are intended to offset a portion of the variable interest rate risk on the Chesswood credit facility. The non-cash unrealized mark-to-market gain for the period totaled $454,000. This compares with a $465,000 loss recorded in the same period last year which translates to a $919,000 increase in income year-over-year.

The provision for taxes for continuing operations for the three months ended December 31, 2015, totaled $2.8 million compared to $1.2 million in the same period of the prior year. The $2.8 million provision for taxes for the three months ended December 31, 2015, is comprised of $2.1 million in current tax recovery, $83,800 in withholding tax on inter-company dividends and a future tax expense of $4.86 million. The effective tax rate differs from the Canadian statutory tax rate due to permanent differences between accounting and taxable income and higher foreign jurisdictional tax rates. Permanent differences primarily include share-based compensation expense, contingent consideration accretion and non-deductible acquisition costs.

Income from discontinued operations increased to $4.4 million from $859,000 recorded in the same quarter in the prior year. The $4.4 million income from discontinued operations for 2015 includes the $4.6 million net gain on sale of Acura Sherway. The 2014 discontinued operations income includes full quarterly results of Sherway and Case Funding, while in 2015 the quarterly results for the three months ended December 31, 2015 only include a month and half of Sherway's operating results as it was sold on November 15, 2015. For Case Funding, the fourth quarter 2015 results are down compared to the same period of the prior year as the operations and certain finance receivables were sold in February 2015, thus 2015 results only include the impact of the finance receivables that remain, as well the fair value of the remaining receivables and accretion of that fair value (revenue) were reduced by $1.2 million in the fourth quarter of 2015 when the remaining assets were reclassified to discontinued operations. The fourth quarter income from discontinued operations for 2015 include $228,000 (after tax) from EcoHome which was acquired in March 2015 and reclassified to discontinued operations at December 31, 2015 due to the pending sale.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The U.S. dollar results for the year ended December 31, 2015, were converted at 1.2787, which was the average exchange rate for the period. The U.S. dollar results for the year ended December 31, 2014, were converted at 1.1045, which was the average exchange rate for the corresponding period.

See Note 30 - *Segment Information* in the notes to the Company's consolidated financial statements for a breakdown of operating results and other information by industry segment and geographic location.

For the year ended December 31, 2015, the Company reported consolidated net income of $19.8 million compared to $11.54 million in the same period in the prior year, an increase of $8.27 million.

During 2015, the Company determined that EcoHome, Sherway and Case Funding meet the criteria of discontinued operations. The income related to these companies has been reclassified and shown as income from discontinued operation. The comparative figures have been reclassified as if the operations had been discontinued from the start of the comparative year. See Note 6 -

Discontinued Operations for further details. The $7.4 million income from discontinued operations for 2015 includes the $4.6 million net gain on sale of Acura Sherway, $840,000 gain on the sale of certain assets and operations of Case Funding and from EcoHome operations for the period from March 17, 2015 to December 31, 2015.

For the year ended December 31, 2015, the Company reported consolidated operating income ("income before undernoted items") from continuing operations of $28.8 million, compared to $19.6 million in the prior year, an increase of $9.2 million, or 46.6%. Blue Chip generated $3.8 million of the increase in operating income with the pre-existing companies generating the other $5.4 million, or 27.6%, increase in operating income.

The $9.2 million increase in operating income for the year ended December 31, 2015 compared with the prior year was the result of:

- A $5.8 million increase in operating income from Pawnee and Windset compared to the prior year. Finance income (before provision for credit losses) increased $15.9 million due to a larger portfolio of finance receivables and an increase in the foreign exchange rate offset partially by a $7.7 million increase in provision for credit losses and a $2.3 million increase in personnel and other expenses. Approximately half of the increase in personnel and other expenses is the result of increased staff levels and expenses related to the increased portfolio of finance receivables and the other half is from the increase in the foreign exchange rate. The $7.7 million increase in provision for credit losses year-over-year is comprised of $2.5 million from the increase in foreign exchange and a U.S.$5.3 million increase in actual net charge-offs, over half of which relates to Windset. Windset only started to experience charge-offs in the second quarter of 2014 as it was a relatively new portfolio at that time.

- As stated above, the newly acquired Canadian equipment leasing company, Blue Chip, generated operating income of $3.8 million since March 17, 2015, the date of acquisition. Blue Chip added net finance receivables of $100.9 million to Chesswood finance receivables at December 31, 2015.

- Due to expanded operations, corporate overhead before other items increased by $474,000 year-over-year, predominantly from a $327,000 increase in general and administrative expenses, which mainly relates to professional fees.

The $2.0 million in acquisition related items is composed of $897,000 in costs associated with the acquisition of Blue Chip and EcoHome and $1.1 million in accretion of the contingent consideration payable. As a result of the sale of EcoHome, the $6.0 million additional contingent consideration under the purchase agreement for the acquisition of Blue Chip and EcoHome associated with 2015 and 2016 became payable within 10 days of the sale of EcoHome. It was determined that the reclassification of EcoHome to discontinued operations forced the recognition of the 2016 contingent consideration at December 31, 2015. Thus, $354,700 in contingent consideration accretion that otherwise would have been recognized in 2016 was recognized at December 31, 2015.

The amortization of intangible assets at Blue Chip totaled $1.2 million for the period from March 18, 2015 to December 31, 2015. The value associated with the broker networks is slated to be amortized over a period of 15 years and non-compete agreements for five years.

The Company entered into interest rate swap agreements in the third quarter of 2015, that provide for payment of an annual fixed rate, in exchange for a LIBOR based floating rate amount. The interest rate swaps are intended to offset a portion of the variable interest rate risk on the credit facility. The non-cash unrealized mark-to-market adjustment for the year totaled $846,000.

The provision for taxes for the year ended December 31, 2015 totaled $11.8 million compared to $8.9 million in the prior year. The $11.8 million provision for taxes for the year ended December 31, 2015 is comprised of $14.2 million in current tax expense, $545,000 in withholding tax on inter-company dividends offset by a future taxes recovery of $2.9 million. The effective tax rate differs from the Canadian statutory tax rate due to permanent differences between accounting and taxable income and higher foreign jurisdictional tax rates. Permanent differences primarily include share-based compensation expense, contingent consideration accretion and non-deductible acquisition costs.

STATEMENT OF FINANCIAL POSITION

The total consolidated assets of the Company at December 31, 2015 were $565.5 million. This is an increase of $310.1 million from December 31, 2014. The addition of Blue Chip and EcoHome represents $250.0 million of the increase and the change in the foreign exchange rate represents $42.6 million of the increase. The exchange rate on December 31, 2015 was 1.384 compared to 1.1601 at December 31, 2014.

Cash totaled $15.2 million at December 31, 2015 compared to $10.2 million at December 31, 2014, an increase of approximately $5.0 million.

In late 2015, the Company made a strategic decision to focus on the growth and development of the Company's specialty finance companies, in particular, commercial equipment finance. This led to the decisions to sell Acura Sherway in November 2015, the sale of EcoHome in February 2016 and the potential sale of the remainder of the Case Funding's finance receivables in 2016. It was determined that these disposals meet the criteria of discontinued operations at December 31, 2015. The comparative figures on the Consolidated Statements of Income and Cash Flows have been reclassified as if the operation had been discontinued from the start of the comparative year. The assets and liabilities of EcoHome and the remaining assets and liabilities of Case Funding and Acura Sherway are classified as held-for-sale on the Consolidated Statement of Financial Position at December 31, 2015. See Note 6 - *Discontinued Operations* for a breakdown of the assets and liabilities.

Accounts receivable of $1.0 million and inventories of $9.2 million as at December 31, 2014 related to Acura Sherway, which was sold on November 15, 2015.

Prepaid expenses and other assets totaled $10.3 million at December 31, 2015, an increase of $4.7 million from December 31, 2014. A large portion of Pawnee's tax installments paid during 2015 will be refunded subsequent to year end due to legislation passed by Congress in late December and a portion will be applied to 2016 installments. Included in the 2014 balance was an $1.4 million receivable from Honda for their share of the renovations at Sherway, which was received in the first quarter of 2015.

Finance receivables consist of the following:

	December 31, 2015	December 31, 2014
	($ thousands)	
Net investment in leases - U.S. equipment leases and loans	**$ 212,146**	$ 156,373
Net investment in leases - Canadian equipment leases	**112,476**	11,594
Working capital loans - Windset	**40,937**	16,936
Legal finance receivables (reclassified to assets held for sale in 2015)	**—**	12,654
	$ 365,559	$ 197,557

Finance receivables increased by $168.0 million, or 85.0%, since December 31, 2014. Finance receivables increased $100.9 million from the acquisition of Blue Chip in 2015 and $33.4 million is related to the increase in the foreign exchange rate.

The $365.6 million in net investment in leases and loans is net of $10.6 million in allowance for doubtful accounts (compared to $6.6 million in allowance for doubtful accounts at December 31, 2014, an increase of $4.0 million). Under IFRS, an allowance can only be set up if there is objective evidence that the impairment has already occurred. Potential losses expected as a result of future events, no matter how likely based on past historical evidence, are not allowed to be recognized.

Pawnee charges-off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of the charge-offs are made before the subject leases/loans reach 154 days contractually past due. As only a small percentage of the total lease and loan receivable portfolio have monthly payments that are past due at any one reporting date, the portion of the receivables that shows observable objective evidence of impairment at any one reporting date is quite small, despite long-term historical experience that indicates that future charge-offs with respect to the current lease and loan receivable will typically exceed the level of observable impairment in a matter of months.

Windset charges-off loans when they become 60 days contractually past due, unless information indicates that an earlier charge-off is warranted. A very high percentage of the charge-offs are made before the subject loans reach 60 days contractually past due. As only a small percentage of the portfolio has payments that are past due at any one reporting date, the portion of the receivables that shows observable objective evidence of impairment at any one reporting date is quite small, despite industry experience that suggests that future charge-offs with respect to the current loan receivable may exceed the level of observable impairment, in a matter of months.

Blue Chip charges-off leases and loans on an individual basis. As only a small percentage of the total lease and loan receivable portfolios have monthly payments that are past due at any one reporting date, the portion of the receivables that shows observable objective evidence of impairment at any one reporting date is quite small.

Legal finance receivables consist of funds advanced to plaintiffs, attorneys, and for the purchase of medical liens relating to plaintiff cases. At December 31, 2015, there were 406 advances and loans outstanding (December 31, 2014 - 650 advances and loans). On February 3, 2015, Case Funding sold its operations and most of its attorney loan portfolio to a private equity firm, see Note 6 - *Discontinued Operations* for further information. Case Funding received proceeds of approximately $1.0 million for certain attorney loans, as Case Funding still has full recourse if those specific loans are uncollectible, thus the loans are still included in the finance receivables and the contingent payable is included in accounts payable and other liabilities. The advances and loans are due when the underlying cases are settled. However, attorney borrowers do make partial monthly interest payments that are generally equal to at least half of the interest accruing on the loan. These payments are collected through automatic monthly debits to the borrowers' bank accounts. Interest income is recognized for accounting purposes by estimating the collection date and thus total funds to be collected, from which income can be determined on an effective interest rate basis. The advances and loans are due when the underlying cases are settled. The number of days the receivable is outstanding does not necessarily indicate the likelihood of impairment. It is normal for receivables in this industry to be outstanding anywhere from 6 months to 48 months.

Under IFRS, an allowance for the collectability of the legal finance receivables can only be set up if there is objective evidence that the impairment has already occurred - potential losses expected as a result of future events, no matter how likely based on past historical evidence or known uncertainties with this type of receivable, are not allowed to be recognized.

The collectability of loans and/or advances made by Case Funding depends on litigation outcomes in the form of judgments and/or settlements. Once an advance/loan is made, the timing of the collection cycle is out of Case Funding's control. Therefore, the timing of actual collections will be irregular.

Intangible assets totaled $23.3 million at December 31, 2015. Of the $15.2 million increase in intangible assets from December 31, 2014, $16.5 million relates to the acquisition of Blue Chip and $1.2 million relates to the increase in the foreign exchange rate. These increases were offset by $1.2 million in amortization, $1.32 million of Case Funding's and Sherway's intangible assets were netted against the gain on sale of assets and operations. The significant intangible assets of broker relationships and trade names do not require any outlay of cash to be maintained, as the creation of lease and loan receivables does not require an outlay of cash, other than commissions, which are separately expensed over the term of the lease and loan receivable.

Goodwill totaled $41.3 million at December 31, 2015 compared to $19.9 million at December 31, 2014. Of the $21.3 million increase in goodwill, $22.2 million relates to the acquisition of Blue Chip and $2.4 million relates to the increase in the foreign exchange rate. These increases were offset by $3.3 million when Case Funding's and Sherway's goodwill was netted against the gain on sale of assets and operations. Goodwill is typically tested annually for impairment unless certain circumstances arise that would require an assessment prior to an annual review. The Company completed its annual goodwill impairment test as at December 31, 2015 and 2014 and determined that no impairment had occurred.

Accounts payable and other liabilities totaled $11.6 million at December 31, 2015 compared to $8.5 million at December 31, 2014, an increase of $3.1 million; approximately $1.5 million relates to the taxes owing on the gain on sale of Acura Sherway. See Note 12 - *Accounts Payable and Other Liabilities* for more detail on the balances that comprise accounts payable and other liabilities.

The contingent consideration of $7.2 million represents management's estimate of additional consideration payable which is contingent upon the future performance targets of Blue Chip and EcoHome. See Note 5 (a) - *Business Acquisitions* for further details. In February 2016, the Company paid the amounts relating to the first and second year contingent consideration payable, totaling $6.0 million at December 31, 2015. Chesswood and the vendor are in the process of negotiating appropriate changes to the provision in respect of the year ending December 31, 2017 to reflect that EcoHome has ceased to be owned by Chesswood.

Borrowings totaled $255.2 million at December 31, 2015 compared to $105.8 million at December 31, 2014, an increase of $149.3 million. The increase in borrowings is predominantly the result of the $92.4 million in debt of Blue Chip, $37.2 million to fund the increase in finance receivables and $19.7 million due to the increase in the foreign exchange rate.

Chesswood was utilizing U.S.$125.0 million of its credit facility at December 31, 2015 compared to U.S.$88.0 million at December 31, 2014. On December 8, 2014, Chesswood entered into a new three year revolving senior secured U.S.$150 million credit facility. This corporate credit facility replaced the U.S.$105 million revolving credit facility of Pawnee, and allows Chesswood to internally manage the allocation of capital to its various financial services businesses in Canada and the U.S. 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 supports growth in finance receivables, provides for Chesswood's working capital needs and for general corporate purposes. This new facility, available in U.S. or Canadian dollars, also improves the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient.

The Company's borrowings under the credit facility are subject to, among other things, adhering to certain percentages of eligible gross lease/loan receivables. The credit facility is secured by substantially all of the Company's assets, contains negative covenants including the maintaining of leverage and interest coverage ratios and matures on December 8, 2017. Chesswood was in full compliance with all its bank covenants at December 31, 2015 and December 31, 2014 (and throughout the periods).

Blue Chip and EcoHome have entered into master purchase and servicing agreements and bulk lease financing facilities with various financial institutions and life insurance companies (referred to collectively as the "Securitizers"). The funding facilities are advanced to Blue Chip and EcoHome on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Blue Chip and EcoHome either maintain certain cash reserves as credit enhancements or provide letters of guarantee in return for cash release from the cash reserves. Blue Chip and EcoHome continue to service these finance receivables on behalf of the Securitizers. As at December 31, 2015, Blue Chip had access to $100.0 million of committed lines of funding from both financial and insurance companies. $50.0 million of the funding availability is based on annual limits while the additional $50.0 million is based on rolling balances, of which $20.0 million of the rolling balances availability can be accessed by EcoHome. EcoHome had access to $40.0 million of committed lines of funding from both financial and insurance companies, as well as to $20.0 million of Blue Chip's line of funding as referred to above. Blue Chip and EcoHome must meet certain financial covenants to support these securitization facilities. As at December 31, 2015 and throughout the period, Blue Chip and EcoHome were in compliance with all covenants. As noted above, EcoHome was sold in February 2016.

The $13.9 million (December 31, 2014 - $12.4 million) in customer security deposits relates to security deposits predominantly held by Pawnee. Pawnee's primary contracts requires that the lessee/borrower provide two payments as security deposit (not advance payments), which 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). Historically, a very high percentage of lessees' deposits are either applied to the purchase option of the leased equipment at the end of the lease term or used to offset charge-offs.

On December 16, 2013, the Company issued a total of $20.0 million of convertible debentures. The debentures 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 at a conversion price of $20.19 per share at any time (the original conversion price of 21.25 was adjusted as a result of the recent declaration of a $0.50 per share special dividend). Upon a holder's election to convert its debentures, in lieu of delivering shares, the Company may elect to pay the holder cash. The Company also has the right to satisfy its payment obligations under the debentures (subject 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 before their 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, as defined for purposes of the debentures, is at least 125% of the conversion price of $20.19.
- Subsequent to December 31, 2017 and prior to December 31, 2018, the Company has the option to redeem the debentures at a redemption price equal to the principal amount plus accrued and unpaid interest.

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 as at the end of each reporting period. As a result, there may be increased volatility in the reported net income.

The Company entered into interest rate swap agreements in the third quarter of 2015 that provide for payment of an annual fixed rate, in exchange for a LIBOR based floating rate amount. The interest rate swaps are intended to offset a portion of the variable interest rate risk on the credit facility. The cost to terminate the interest rate swaps totaled $892,000 at December 31, 2015.

Future taxes payable at December 31, 2015 totaled $26.5 million compared to $20.0 million at December 31, 2014, an increase of $6.5 million. Future taxes related to Blue Chip, acquired in March 2015, total $6.8 million at acquisition, of which $4.1 million relates to the gross-up of future taxes payable and goodwill to create the future tax expense reduction to offset the future amortization of intangible assets. Future taxes also increased $3.5 million as the result of the change in the foreign exchange rate. Future taxes payable were reduced by $3.8 million during the period to reflect future tax timing differences at the various subsidiaries. Tax at Pawnee, Windset and Blue Chip is provided for using the asset and liability method of accounting. This method recognizes future tax assets and liabilities that arise from differences between the accounting basis of the subsidiary's assets and liabilities and their corresponding tax basis.

At December 31, 2015, there were 16,263,711 Common Shares outstanding (excluding the shares issuable in exchange for the Exchangeable Securities, as defined below) with a book value of $101.7 million. Including the Exchangeable Securities, Chesswood would have had 17,742,248 Common Shares outstanding. 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. Costs of $3.2 million (net of $1.2 million tax impact) were deducted from the $32.2 million of proceeds raised. 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, upon the completion of the acquisition of Blue Chip and EcoHome. On March 18, 2015, the Subscription Receipts were exchanged for Common Shares. As partial consideration for the acquisition of Blue Chip and EcoHome, 1,806,384 Common Shares were issued to the vendor. The vendor's shares are subject to an escrow agreement that provides for, amongst other things, a staged release of these shares, from escrow, over a three year period. For valuation purposes, the discount on these restricted shares was calculated based on the theoretical price of a put option on the shares with an expiry date equal to the trading restriction period. A value of approximately $9.14 per Common Share was calculated.

In August 2013, the Board of Directors approved the repurchase and cancellation of up to 688,614 of the outstanding Common Shares for the period commencing August 25, 2013 and ended 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 outstanding Common Shares for the period commencing August 25, 2014 and ending on August 24, 2015. No Common Shares were repurchased under this normal course issuer bid. In August 2015, the Board of Directors approved the repurchase and cancellation of up to 1,078,741 of the Company's outstanding Common Shares for the period commencing August 25, 2015 and ending on August 24, 2016. To date, 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.

Non-controlling interest is comprised of the 1,274,601 Class B common shares and 203,936 Class C common shares (the "Exchangeable Securities") of Chesswood US Acquisitionco Ltd. ("U.S. Acquisitionco"), which were issued as partial consideration for the acquisition of Pawnee and are fully exchangeable at any time for Common Shares, on a one-for-one basis, through a series of steps. Attached to the Exchangeable Securities are Special Voting Shares of the Company which provide the holders of the Exchangeable Securities voting equivalency to holders of Common Shares. Under IFRS, 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, have voting powers only in the parent company, and are fully exchangeable into the equity of the parent for no additional consideration and receive the same dividends as the common shares of the parent company). When the non-controlling interest was moved from Other liabilities back to the shareholders' equity section on January 1, 2011 (the date Chesswood Income Fund was converted into the Company), per IFRS, the value attributed to the non-controlling interest was just the fair value of the equivalent Common Shares (closing value of Fund Units on the Toronto Stock Exchange on December 31, 2010) as the Exchangeable Securities are fully exchangeable into Common Shares. Their portion of the cumulative income and dividends from May 2006 to January 1, 2011 was not allocated to non-controlling interest; however, their portion of income and dividends has since been allocated to non-controlling interest.

Reserves represent the accumulated share-based compensation expensed over the vesting term for options and restricted share units unexercised at December 31, 2015.

Accumulated other comprehensive income is the cumulative translation difference between the exchange rate on January 1, 2010, the IFRS adoption date and the exchange rate on December 31, 2015 of self-sustaining foreign operations net assets.

LIQUIDITY AND CAPITAL RESOURCES OVERVIEW

The primary sources of cash for the Company and its subsidiaries have been cash flows from operating activities, and borrowings under its, and its various subsidiaries' credit and securitization facilities. The primary uses of cash for the Company and its subsidiaries are to fund equipment leases and loans, working capital loans, long-term debt principal repayments and dividends.

The Company raised net funds of $33.8 million through the issuance of Subscription Receipts (subsequently exchanged for Common Shares) in March 2015 to fund acquisitions, see Note *5 - Business Acquisition* and Note 19 - *Common Shares* for more details.

The Chesswood credit facility includes an "accordion" feature which allows for an increase in the maximum permitted borrowings of up to an additional U.S.$50.0 million provided that certain conditions are met.

Financing 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/loans or to support working capital). The financing facilities are not intended to directly fund dividends by the Company.

At December 31, 2015, the Company's continuing operations had $83.7 million in additional borrowings available under various credit and financing facilities to fund business operations.

The Chesswood credit facility is used to provide funding for operations (i.e. to provide financing for the purchase of assets which are to be the subject of leases and loans or to acquire vehicle inventory and support working capital). Under the facility, the maximum cash dividends that the Company can pay in respect of a month is 1/12 of 90% of Free Cash Flow (which was amended from 80%, see Dividend Policy below) for the most recently completed four financial quarters in which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter), including the Free Cash Flow of Blue Chip and EcoHome for the corresponding period for periods prior to March 17, 2015. Free Cash Flow is defined as the consolidated adjusted EBITDA less maintenance capital expenditures (excluding the Sherway 2014 leasehold improvements) and tax expense.

The Company has no material "off-balance sheet" financing obligations, except for long-term premises lease agreements and U.S. $6.4 million in letters of guarantee. Other commitments are disclosed in Note 24 - *Contingent liabilities and other financial commitments* of the 2015 annual consolidated financial statements.

Refer to Note 5 - *Business Acquisitions* of these consolidated financial statements for description of contingent consideration.

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

($ thousands)	2016	2017	2018	2019	2020	2021 and beyond	Total
Accounts payable and other liabilities	$ 11,557	$ —	$ —	$ —	$ —	$ —	**$ 11,557**
Contingent consideration	6,000	—	1,215	—	—	—	**7,215**
Borrowings (a)	37,423	191,328	15,705	8,561	2,156	—	**255,173**
Customer security deposits (b)	4,464	4,146	3,502	1,890	987	14	**15,003**
Convertible debentures	—	—	20,000	—	—	—	**20,000**
Interest rate swaps	—	—	—	—	505	387	**892**
	$59,444	$195,474	$40,422	$10,451	$3,648	$401	**$309,840**
Other financial commitments (c)	931	588	203	207	210	398	**2,537**
Total commitments	$60,375	$196,062	$40,625	$10,658	$3,858	$799	**$312,377**

a. The Company's financing credit facility is a line-of-credit; as such the balance can fluctuate. The credit facility matures in December 2017. The interest rate has a floating component, thus the interest payments are dependent on the balance of the line of credit and the interest rate at any point of time. Includes amounts payable under securitization debt as well.

b. 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.

c. 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 2016, 2017 and 2023, which represent the bulk of other financial commitments. Due to existing and projected increased staffing levels, on December 1, 2015, Pawnee entered into a new building lease, at a new location, with the first lease payment commencing June 1, 2016 through May 31, 2023 and is included in the future minimum rental payments.

Cash Sources and Uses

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 period. Cash flows in foreign currencies have been translated at the average rate for the period. Cash flow from operating activities comprises net income (loss) adjusted for non-cash items, changes in working capital and operational net assets. IFRS deems changes in finance receivables as operating assets for financial companies. Receipts and payments with respect to tax are included in cash from operating activities. The Company considers vehicle financing as an operational liability as it is short-term in nature and directly relates to changes in accounts receivable and inventory. The changes are shown in cash flows from operating activities and interest revenue and interest expenses are included in operating activities and not investing or financing activities. Cash flow from investing activities comprises payments relating to the acquisition of companies and property and equipment. Cash flow from financing activities comprises changes in borrowings, payment of dividends, proceeds from stock issues, and the purchase and sale of treasury stock.

In the second quarter of 2015, the Company moved the change in finance receivables and security deposits to operating activities. Per IFRS, finance receivables are deemed to be operating assets for financial institutions and the Company has adopted this same presentation.

For the three months ended December 31, 2015

In the three months ended December 31, 2015, there was an increase in cash of $1.9 million compared to a decrease in cash of $9.9 million in the same period in the prior year as a result of reasons discussed below.

The Company and its subsidiaries utilized its available borrowings to fund the majority of the growth in finance receivables and $4.8 million in tax instalment payments. Cash from the increase in net borrowings during the three months ended December 31, 2015 totaled $3.5 million compared to $9.5 million in excess cash being applied to debt in the same period in the prior year, resulting in a $13.0 million increase in cash from borrowings year-over-year.

The Company received approximately $12.0 million net proceeds from the sale of Acura Sherway during the three months ended December 31, 2015. The majority of the funds were applied to the Chesswood credit facility.

Capital expenditures totaled $29,000 (2014 - $15,000) during the three months ended December 31, 2015.

The Company paid dividends to the holders of Common Shares and Exchangeable Securities in the amount of $3.5 million during the three months ended December 31, 2015 compared to $2.3 million in the same period in the prior year; an increase of $1.2 million due to a higher number of shares outstanding. There were no options exercised in the fourth quarter of 2015, compared to receiving $81,000 from the exercise of options by employees during the three months ended December 31, 2014.

For the year ended December 31, 2015

In the year ended December 31, 2015, there was an increase in cash of $5.7 million compared to a decrease in cash of $12.0 million in the prior year as a result of reasons discussed below.

The Company's continuing operations utilized $49.7 million of cash during the year ended December 31, 2015 compared to $7.9 million in the same period in the prior year, an increase of $41.8 million. If the cash utilized to fund the growth in finance receivables and security deposits is excluded from cash from operating activities, the Company generated $44.0 million in cash from net income, non-cash items and other working capital changes compared to $29.8 million in the prior year, an increase of $14.2 million.

The Company and its subsidiaries utilized its available borrowings to fund the majority of the growth in finance receivables. Cash from the increase in borrowings during the year ended December 31, 2015 totaled $50.3 million compared to $14.5 million in the prior year.

The Company used $45.5 million to acquire Blue Chip and EcoHome on March 17, 2015, including costs. The companies acquired had cash balances of $4.1 million for a net utilization of cash of $41.4 million (see Note 5 - *Business Acquisitions)*. The $18.1 million of net proceeds from the sale of Acura Sherway and Case Funding assets offsets the cash utilized to acquire the companies and was applied to the Chesswood facility. The Company raised net proceeds of $33.8 million from the issuance of share capital to fund the acquisition and used approximately $10.8 million of excess cash and borrowings to help fund the acquisition of Blue Chip and EcoHome during the period.

In the prior year, the Company acquired Northstar for $10.6 million. The Company had raised $20.0 million through an offering of convertible debentures in December 2013 to fund the acquisition of Northstar.

Capital expenditures totaled $254,000 (2014 - $342,000) during the year ended December 31, 2015.

The Company paid dividends to the holders of Common Shares and Exchangeable Securities in the amount of $12.7 million during the year ended December 31, 2015 compared to $9.2 million in the prior year; an increase of $3.5 million due to a higher number of shares outstanding. The Company received $399,000 (2014 - $2.2 million) from the exercise of options by employees during the year ended December 31, 2015.

Chesswood expects that current operations and planned capital expenditures for the foreseeable future of its subsidiaries will be financed using funds generated from operations, existing cash, and funds available under existing and/or new credit and financing facilities. Chesswood may require additional funds to finance future acquisitions and support significant internal growth initiatives such as future acquisitions and originations relating to finance receivable portfolio growth. It will seek such additional funds, if necessary, through public or private equity, debt financings or securitizations from time to time, as market conditions permit.

Financial Covenants, Restrictions and Events of Default

The Company and Blue Chip are subject to bank and/or securitizer covenants relative to leverage and/or working capital.

The Company's ability to access funding at competitive rates through various economic cycles enables it to maintain the liquidity necessary to manage its business, and its ability to continue to access funding is an important condition to its future success.

The Company's secured borrowing agreement and Blue Chip's securitization facility agreements have financial covenants and other restrictions to obtain continued funding and avoid default.

Advances on the Chesswood revolving facility may be drawn at any time, subject to compliance with borrowing base calculations and compliance with the covenants set out therein. As of December 31, 2015, U.S.$125.0 million was outstanding under the U.S. $150.0 million facility and the Company had capacity to draw up to U.S.$25.0 million and remain within the borrowing base under the facility. The Company had U.S.$6.4 million letters of credit outstanding under the Chesswood credit facility. The Company used some of the proceeds from the sale of EcoHome to pay down the Chesswood credit facility.

Dividends to Shareholders

The Company declared cash dividends during the year ended December 31, 2015 as follows:

Shareholder Record Date	Per Share
January 31, 2015	$ 0.065
February 28, 2015	$ 0.065
March 31, 2015	$ 0.065
April 30, 2015	$ 0.065
May 30, 2015	$ 0.065
June 30, 2015	$ 0.065
July 31, 2015	$ 0.065
August 31, 2015	$ 0.065
September 30, 2015	$ 0.065
October 31, 2015	$ 0.065
November 28, 2015	$ 0.065
December 31, 2015	$ 0.065
	$ 0.780

Dividend Policy

The Company's policy is to pay monthly dividends to shareholders of record on the last business day of each month by the 15th of the following month (or the next business day thereafter if the 15th is not a business day).

Under the Chesswood credit facility, the maximum cash dividends that the Company can pay, in respect of a month is 1/12 of 90% (from 80% subsequent to year-end, see below) 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 consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined as the consolidated adjusted EBITDA less maintenance capital expenditures (excluding the Sherway 2014 leasehold improvements) and tax expense.

The maximum permitted cash dividends that can be paid under the Chesswood credit facility has been increased by up to $3.4 million until November 2017 in relation to the gain realized on the sale of Sherway.

On January 25, 2016, the maximum cash dividends that the Company can pay in respect of a month, including cost of any repurchases under normal course issuer bids, was amended to 1/12 of 90% (increased from 80%) of the Free Cash Flow for the most recently completed four financial quarters in which Chesswood has publicly filed its condensed consolidated interim financial statements (including its annual financial statements in respect of a fourth quarter). In addition, the Company can also declare a special dividend or make repurchases under normal course issuer bids to an aggregate of $17.7 million in connection to the EcoHome sale (see below).

On February 18, 2016, the Company announced a special dividend of $0.50 per share or $8.9 million for shareholders of record on February 29, 2016 to be paid on March 15, 2016.

The amount of any dividends payable by Chesswood is at the discretion of its board of directors, is evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, Chesswood's earnings, financial requirements for its operating entities, growth opportunities, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

OUTLOOK

Our U.S. equipment finance business, Pawnee Leasing, continues to be our most significant engine of growth. Pawnee posted another record year in 2015, in both originations and profitability. Application flow was the highest in Pawnee's history and continues to show strength well into 2016. With finance receivables now in excess of US$200 million, and an expanded product line, we expect that Pawnee will continue to post significant originations and earnings growth in 2016, and beyond. From a portfolio perspective we have seen the same seasonality effects as last year, with delinquencies and charge-offs rising toward the end of the year and into early 2016, followed by meaningful improvement in both markers in March.

Our Canadian equipment finance business, Blue Chip Leasing, while new to Chesswood in March of last year, also enjoyed record performance in 2015. We expect Blue Chip to also continue its growth in 2016, in both originations and earnings, and 2016 is off to a strong start.

Our working capital loan business, Windset Capital, generated earnings for Chesswood, in an emerging industry that has been undergoing rapid change and the frequent entrance of new competitors. While we earned more than $2.0 million in 2015 at Windset (pretax), we believe very few working capital loan businesses are actually profitable.

Windset generated very modest earnings in the fourth quarter, as charge-offs increased. We have seen that earnings pattern continue in January and February (on a larger portfolio) with an improvement in March, as charge-offs abated. Windset's originations in the first quarter of 2016 will be reduced by the effect of new regulations in California that require brokers to have a state lenders' license. There is a considerable buzz around this segment of "Fintech", however our view on this industry can best be described as cautious, in the face of what we believe are increasingly riskier underwriting practices by many competitors.

The last twenty-four months at Chesswood have been extremely active, with the objective of bringing in to greater focus our core commercial lending businesses. Now that we have achieved that, we are all the more focused on opportunities for our north-American equipment finance businesses to continue to leverage one another's expertise and expand in complementary product lines, as well as organically in their historical product lines.

Chesswood is extremely well positioned today. Our equipment finance businesses have strong positions in their respective markets. They have a wide range of competitive products, proven management teams, highly customer focused organizations and access to capital to feed their growth.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Understanding the Company's accounting policies is essential to understanding the results of the Company's operations and financial condition. The Company's significant accounting policies are described in Note 3 - *Significant Accounting Policies* to the Company's consolidated financial statements for the year ended December 31, 2015. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

FUTURE ACCOUNTING STANDARDS

A listing of the recent accounting pronouncements not yet adopted by the Company is included in Note 4 - *Accounting Standards Issued But Not Yet Effective* to the consolidated financial statements for the year-ended December 31, 2015.

RISK FACTORS

An investment in Common Shares entails certain risk factors that should be considered carefully.

Chesswood operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond our control and which could have an effect on our business, revenues, operating results, cash flow and financial condition. Readers should carefully review the risk factors in the Company's annual information form filed with various Canadian securities regulatory authorities through SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com, a summary of which are set out below.

Dependence on Key Personnel

Our operating companies depend to a large extent upon the abilities and continued efforts of their key operating personnel and senior management teams.

Relationships with Brokers and Other Origination Sources

Pawnee has formed relationships with hundreds of origination sources, comprised primarily of equipment finance brokerage firms. Pawnee relies on these relationships to generate applications and originations. The failure to maintain effective relationships with its brokers and other origination sources or decisions by them to refer transactions to, or to sign contracts with, other financing sources could impede Pawnee's ability to generate transactions.

Similarly, the business models of Windset and Blue Chip depend to a large extent on referral relationships.

Risk of Future Legal Proceedings

Our operating companies are threatened from time to time with, or are named as defendants in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting their respective businesses. A significant judgment or the imposition of a significant fine or penalty on an operating company (or on a company engaged in a similar business, to the extent the operating company operates in a similar manner) could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Interest Rate Fluctuations

The Company and our operating companies are exposed to fluctuations in interest rates under their borrowings. Increases in interest rates (to the extent not mitigated by interest hedging arrangements) may have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

The leases and loans are written at fixed interest rates and terms. The operating companies generally, finances their activities using both fixed rate and floating rate funds. To the extent the operating companies finance fixed rate leases and loans with floating rate funds, they are exposed to fluctuations in interest rates such that an increase in interest rates could narrow or eliminate the margin between the yield on a lease and loan and the effective interest rate paid by the borrower.

Portfolio Delinquencies; Inability to Underwrite Lease and Loan Applications

Pawnee's receivables consist primarily of lease and loan receivables originated under programs designed to serve smaller, often owner-operated businesses that have limited access to traditional financing. There is a high degree of risk associated with equipment financing for such parties. The typical borrower in Pawnee's portfolio is a start-up business that has not established business credit or a more established business that has experienced some business or personal credit difficulty at some time in its history. As a result, such leases entail a relatively higher risk and may be expected to experience higher levels of delinquencies and loss levels.

Pawnee cannot guarantee that the delinquency and loss levels of its receivables will correspond to the historical levels Pawnee has experienced on its portfolio and there is a risk that delinquencies and losses could increase significantly.

In addition, since defaulted leases and loans and certain delinquent leases and loans cannot be used as collateral under our variable rate financing facilities, higher than anticipated lease defaults and delinquencies could adversely affect our liquidity by reducing the amount of funding available to us under our financing arrangements. Furthermore, increased rates of delinquencies or loss levels could result in adverse changes to the terms of future financing arrangements, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

Analogous risks are faced by Windset and Blue Chip in their businesses.

Deterioration in Economic or Business Conditions; Impact of Significant Events and Circumstances

Our operating companies' results may be negatively impacted by various economic factors and business conditions, including the level of economic activity in the markets in which they operate. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. Delinquencies and credit losses generally increase during economic slowdowns or recessions such as that recently experienced in the United States. As our operating companies extend credit primarily to small businesses, many of their customers may be particularly susceptible to economic slowdowns or recessions, and may be unable to make scheduled lease or loan payments during these periods. Unfavourable economic conditions may also make it more difficult for our operating companies to maintain new origination volumes and the credit quality of new leases and loans at levels previously attained. Unfavourable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities, securitizations and other capital markets or result in a decision by lenders not to extend further credit.

In addition, the leasing and working capital loan industries generally may be affected by changes in accounting treatment for leases and loans, and negative publicity with respect to, among other things, fraud or deceptive practices by certain participants in the industry. Greater governmental scrutiny is also a risk, especially as to the tax treatment of certain transaction structures or other aspects of these transactions that, if changed, could result in additional tax, fee or other revenue to that governmental authority. Any of these factors may make leasing less attractive or diminish the profitability of the existing financing alternatives offered by our operating companies.

In addition to being impacted by factors or conditions in the United States, political economic or other significant events or circumstances outside of North America (whether political unrest which impacts upon the prices of oil and other commodities or otherwise) can ultimately significantly impact upon North American economic conditions which, in turn, could result in the adverse implications described in the first paragraph under this heading. Similarly, natural disasters in any relevant place in the world may directly (through impact on supplies of goods or equipment to our businesses) or indirectly impact upon our operations or results.

Losses from Leases and Loans

Losses from leases and loans in excess of our operating companies' expectations would have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our operating companies' actual and projected net credit losses and the related allowance for credit losses. Should there be a significant change in the above noted factors, then our operating companies may have to set aside additional reserves which could have a material adverse impact on their respective business, financial condition and results of operations and on the amount of cash available for dividends to our shareholders.

Determining the appropriate level of the allowance is an inherently uncertain process and therefore the determination of this allowance may prove to be inadequate to cover losses in connection with a portfolio of leases and loans. Factors that could lead to the inadequacy of an allowance for credit losses may include the inability to appropriately underwrite credit risk of new originations, effectively manage collections, or anticipate adverse changes in the economy or discrete events adversely affecting specific customers, industries or geographic areas.

Adverse Events or Legal Determinations in Areas With High Geographic Concentrations of Leases or Loans

If judicial or other governmental rulings or actions or interpretations of laws adverse to the equipment finance business and\or the working capital loan business in general or to business practices engaged in by our operating companies, or adverse economic conditions or the occurrence of other significant events such as natural disasters and terrorist attacks, were to occur in a geographic region with a high concentration of leases/loans or equipment financed from our operating companies, there could be a material adverse impact on our business, financial condition and results of operations, and the amount of cash available for dividends to our shareholders.

"Characterization" Risks

If an applicable court or regulatory authority were to make an adverse finding, or take an adverse action on the basis that one of Pawnee's form of lease is not a true lease for commercial law, tax law, or other legal purposes, adverse consequences could result with respect to leases entered into in such form including the loss of preferred creditor status (which would impact upon Pawnee's rights to recover on its claim), limitations on finance charges and other fees that can be enforced, and additional federal, state and other (income or sales) taxes payable by Pawnee.

Case Funding's non-recourse advances may be re-characterized in certain jurisdictions, as loans or determined to be improper fee-splitting, which would adversely affect the collectability of the advances.

Defenses to Enforcement of a Significant Number of Leases and Loans

Certain defenses and recovery impediments are more common in micro and small-ticket equipment finance transactions than with respect to equipment finance providers in other segments of the equipment finance industry. Management believes that certain of these risks are sufficiently addressed in Pawnee's existing documentation and related business practices. However, there are other risks that Pawnee has not addressed for various reasons, including that certain of these risks are not susceptible to being addressed either at all, or without incurring cost inefficiencies or taking other measures deemed unacceptable by Pawnee's management based on a risk-reward assessment. Pawnee has never experienced any material occurrence of these risks nor have these risks historically had a material adverse impact on Pawnee. However, there is no assurance that these risks will not have a material adverse impact on Pawnee's business, financial condition and results of operations in the future.

Origination, Funding and Administration of Transactions

Our operating companies' origination, funding and transaction administration practices could result in certain vulnerabilities in their enforcement rights. For example, certain leases and loans are assignments of transactions already documented by its brokers. Acquiring leases/loans by this "indirect" process subjects our operating companies to various risks, including risks that might arise by reason of the broker's insolvency, administrative inadequacies or fraudulent practices, as well as any third party claims against the broker or its rights with respect to the assigned lease or loan. Any of these broker related risks can impair our operating companies' rights with respect to recovering the rents and/or property under its leases and loans. Pawnee has not been involved in any claims or litigation in relation to such risks and Pawnee does not conduct lien searches in the name of, require lien releases from, or file financing statements against the lease broker.

If the lessee/borrower or broker is the party to whom the vendor of the equipment has agreed to sell the property at the time of its delivery, then under applicable commercial law, the lessee/borrower or broker, as applicable, may be deemed to have acquired title to the property prior to Pawnee's having funded the transaction. It has not been Pawnee's practice to ensure that the title to the leased property has not already passed or to obtain assurances that it is acquiring good title to that property free of liens and other third party claims. The manner in which Pawnee purchases the equipment is typical in this market segment, especially with respect to similarly situated equipment financing providers. Pawnee has not yet faced any meaningful challenge or adverse consequence from this practice, but there can be no assurance that such a challenge or consequence will not occur in the future.

In most circumstances where the equipment is less than U.S.$15,000 (or U.S.$10,000 if for a home business) for Pawnee's core product and U.S.$35,000 for the "B+" product, Pawnee's practice of requiring only a verbal confirmation that the property has been delivered and irrevocably accepted under the subject lease or loan, and/or inspecting the property to confirm the same, could make Pawnee vulnerable to certain defenses. By way of example, Pawnee's deemed failure to deliver conforming property under the lease or loan documents could be a defense to a lessee/borrower's "unconditional" obligation to pay the rents and certain other amounts. Pawnee has not suffered any material losses relating to these practices, however, there can be no assurance that it would not in the future.

Analogous risks are faced by Blue Chip.

Changes in Governmental Regulations, Licensing and Other Laws and Industry Codes of Practice

Finance companies are subject to laws and regulations relating to extending financing generally and are also members of industry associations which have adopted, among other things, codes of business practice. Laws, regulations and codes of business practice may be adopted with respect to existing leases and loans or the leasing, marketing, selling, pricing, financing and collections processes which might increase the costs of compliance, or require it to alter its respective business, strategy or operations, in a fashion that could hamper the ability to conduct business in the future.

Licensing Requirements

If an applicable court or regulatory authority were to make an adverse finding or otherwise take adverse action with respect to our operating companies based on their failure to have a finance lender's or other license or registration required in the applicable state, our operating companies would have to change business practices and could be subject to financial or other penalties. Further, certain jurisdictions may enact or change administrative practices in respect of licensing requirements for our operating companies or their referring brokers. For example, California has recently announced changes so as to require that referring brokers have a lenders' license, which may impact upon referrals from certain brokers for funding to California residents.

Fees, Rates and Charges

Some of our operating companies' documents require payment of late payment fees, late charge interest, and other charges either relating to the non-payment, or enforcement of their leases and loans. It could be determined that these fees and/or the interest rates charged exceed applicable statutory or other legal limits. If the charges are deemed to be punitive and not compensatory, or to have other attributes that are inconsistent with, or in violation of, applicable laws, they could be difficult to enforce. A number of charges payable with respect to equipment finance transactions in the micro and small-ticket equipment finance market have been the subject of litigation by customers against financing parties over the past few years. Although our subsidiaries are not currently the subject of any such litigation, there can be no assurance that a lessee/borrower or a group of lessees/borrowers will not attempt to bring a lawsuit against our subsidiaries in relation to fees and charges, which our subsidiaries may or may not be successful in defending.

Our operating companies believe that fee programs are designed and administered so as to comply with legal requirements and are within the range of industry practices in their market segments. Nevertheless, certain attributes of these fees or charges, and their practices, including that their leases and loans typically provide for several different fees and charges resulting in a substantial amount of fee income and the possibility that the fees and charges may exceed actual costs involved or may otherwise be deemed excessive, could attract litigation, including class actions, that would be costly even if our subsidiaries were to prevail and as to which no assurance can be given of their successful defense. In addition to the risk of litigation, fee income is important to our subsidiaries and the failure of our subsidiaries to continue to collect most or all of these fees could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Possible Acquisitions

The growth strategy for the Company includes seeking out acquisitions in the financial services industries. Acquisitions, if they occur, may increase the size of the operations as well as increase the amount of indebtedness that may have to be serviced by Chesswood and its subsidiaries. There is no assurance that such acquisitions can be made on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect the growth and profitability of Chesswood and its subsidiaries. There is no assurance that such acquisitions will be successfully integrated.

Insurance

To ensure that the lessor or funder of the leased or financed property suffering a loss receives the related insurance proceeds, the lease or loan also requires that the lessor or funder be named as a loss payee under the requisite casualty coverage. However, each lessee/borrower is ultimately relied upon to obtain and maintain the required coverage for financed equipment but there is no certainty that they will obtain the requisite coverage either conforming to the requirements of the lease or loan, or at all. Additionally, there are often policy provisions including exclusions, deductibles and other conditions that by their terms, or by reason of a breach, could limit, delay or deny coverage. There can be no assurance that any insurance will protect our operating company's interest in the equipment, and the failure by the lessee/borrower to obtain insurance or the failure by the operating companies to receive the proceeds from such insurance policies could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Lessor Liability

There is a risk that a lessor, such as Pawnee or Blue Chip, could be deemed liable for harm to persons or property in connection with, among other things, the ownership or leasing of the leased property, or the conduct or responsibilities of the parties to the lease relating to that property. The liability may be contractual (such as warranties regarding the equipment), statutory such as federal, state or provincial environmental liability or pursuant to various legal theories (such as negligence). There have been cases in which a lessor has been held responsible for damage caused by leased property without a showing of negligence or wrong-doing on the lessor's part. Even if a lessor ultimately succeeds in defending itself or settling any related litigation, the related costs and any settlement amount could be significant.

Liability for Misuse of Leased Equipment

There is no practical manner to ensure that leased equipment or a leased vehicle will be used, maintained or caused to comply with applicable law. Pawnee and Blue Chip requires its lessees to deliver evidence of compliance with same as a condition to funding but has no assurance that a lessee will take the appropriate actions during the lease term to address any use, maintenance or compliance issues which may arise. A lessee's conduct (or lack thereof) could subject Pawnee or Blue Chip, as applicable, to liability to third parties.

Estimates Relating to Value of Leases

Based on the particular terms of a lease, equipment finance companies estimate the residual value of the financed equipment, which is recorded as an asset on its statement of financial position. At the end of the lease term, equipment finance companies seek to realize the recorded residual for the equipment by selling the equipment to the lessee or in the secondary market or through renewal of the lease by the lessee. The ultimate realization of the recorded residual values depends on numerous factors, including: accurate initial estimate of the residual value; the general market conditions and interest rate environment at the time of expiration of the lease; the cost of comparable new equipment; the obsolescence of the leased equipment; any unusual or excessive wear and tear on or damage to the equipment; and the effect of any additional or amended government regulations.

If Pawnee or Blue Chip (in connection with those leases where the lessee is not obligated to either purchase the equipment or guarantee the residual value of the equipment at the end of the term of the lease) is unable to accurately estimate or realize the residual values of the leased equipment subject to their leases, the amount of recorded assets on its statement of financial position will have been overstated.

Competition From Alternative Sources of Financing

The business of micro and small-ticket equipment finance in the United States is highly fragmented and competitive. Pawnee focuses its business on the segment of the micro and small-ticket equipment finance market involving start-up businesses that have not established business credit or established businesses that have experienced some credit difficulty in their history that do not meet the credit standards of more traditional financing sources. Pawnee's main competition comes from leasing companies, home equity loans, and credit cards.

If Pawnee expands its suite of products to target potential lessees with higher credit scores or if the creditworthiness of its potential customers increases for various external reasons, it can expect to face competition from more traditional financing sources as well, including: national, regional and local finance companies; captive finance and equipment finance companies affiliated with major equipment manufacturers; and financial services companies, such as commercial banks, thrifts and credit unions.

Many of the firms and institutions providing financing alternatives are substantially larger than Pawnee and have considerably greater financial, technical and marketing resources. Some of them may have a lower cost of funds and access to funding sources that are unavailable to Pawnee. A lower cost of funds could enable a competitor to offer leases with pricing lower than that of Pawnee, potentially forcing Pawnee to decrease its prices or lose origination volume. In addition, some financing sources may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share.

Further, because there are fewer barriers to entry with respect to the micro and small-ticket equipment finance market, new competitors could enter this market at any time, especially if an improvement in the economy leads to a greater ability of small businesses to establish improved levels of creditworthiness.

Similarly, competition from a variety of other funding sources may result in a decrease in demand for Windset's or Blue Chip's financing products.

Fraud by Lessees, Borrowers, Vendors or Brokers

While our operating companies make every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud, in a small number of cases in the past our operating companies have been a victim of fraud by lessees/borrowers, vendors and brokers. In cases of fraud, it is difficult and often unlikely that our operating companies will be able to collect amounts owing under a lease or loan or repossess the related equipment. Increased rates of fraud could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Protection of Intellectual Property

Chesswood's operating subsidiaries continually develop and improve their brand recognition, which are an important factor in maintaining a competitive position. No assurance can be given that others will not independently develop substantially similar branding. Despite the efforts of our operating subsidiaries to protect their proprietary rights, unauthorized parties may attempt to obtain and use information that they regard as proprietary. Stopping unauthorized use of such proprietary rights may be difficult, time-consuming and costly. There can be no assurance that our operating subsidiaries will be successful in protecting their proprietary rights.

Uncertainty of Outcome of Cases

The returns on loans and/or advances made by Case Funding, and thus the returns for Chesswood, depend on litigation outcomes in the form of judgments or settlements. Litigation of individual cases entails a large degree of uncertainty. It is also possible that a claimant may die or abandon his or her case, that the lawyer may abandon the plaintiff's case, or that the defendant, the law firm, or the defendant's insurance carrier may declare bankruptcy. Case Funding is also reliant on the capabilities of the attorneys handling the cases in which it provides funding to effectively litigate claims with due skill and care. Although Case Funding sought to weigh such uncertainties in the due diligence conducted before making its funding decisions, and intended to reduce risk by funding in a broad array of cases, there can be no assurance that the outcome of any given litigated claim or basket of claims can be predicted, whether or not the probabilities were correctly assessed by Case Funding.

Uncertainty in the Timing of Litigation Settlements and Awards

The nature of litigation recoveries, including the timing and amounts recovered, are outside the control of Case Funding. Individual claims may be resolved over drastically varying times: for example, as short as one month, or longer than three years. Case Funding will be required to wait for an indeterminate period of time after an advance/loan is made to fully collect money from judgment recoveries.

Case Funding May Have Difficulty Collecting on its Investments

If plaintiffs or law firms to which Case Funding has advanced or loaned funds, do not pay Case Funding pursuant to the terms of the advances/loans made, Case Funding may be required to pursue costly legal actions to collect. It is also possible that a plaintiff's attorney or a law firm may attempt to renegotiate the ultimate amount owed to Case Funding or that there is not enough proceeds from the case to repay Case Funding in full. In these situations, Case Funding may accept a smaller return than anticipated in order to accommodate and maintain business relationships or avoid litigation. In either event, the failure of Case Funding to collect or the necessity of legal action to collect could ultimately harm or reduce the potential cash flow.

Failure of Computer and Data Processing Systems

Our operating companies are dependent upon the successful and uninterrupted functioning of their computer and data processing systems. The failure of these systems could interrupt operations or materially impact upon the ability of our operating subsidiaries to originate and service their lease and loan portfolio and broker networks. If sustained or repeated, a system failure could negatively affect these operations. Our operating companies maintain confidential information regarding lessees and borrowers in their computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation and result in liability.

Security Risks

Despite implementation of network security measures similar to most other on-line e-commerce sites, the infrastructure of our subsidiaries' websites and our management network is potentially vulnerable to computer break-ins and similar disruptive problems.

Risks Related to our Structure and Exchange Rate Fluctuations

The dividends expected to be paid to our shareholders will be denominated in Canadian dollars, however, a significant percentage of our revenues are expected to be derived from the U.S. dollar revenues of our U.S. operating subsidiaries, which are in U.S. dollars. Changes in the value of the U.S. dollar could have a negative impact on the amount in Canadian dollars available for dividends to our shareholders.

Unpredictability and Volatility of Share Price

A publicly-traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

Leverage, Restrictive Covenants

The Company and Blue Chip have third party debt service obligations under their respective credit and securitization facilities. The degree to which our subsidiaries are leveraged could have important consequences to our shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries may be dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Restrictions on Potential Growth

The payout by our operating companies of a significant portion of their earnings available for distribution will make additional capital and operating expenditures dependent upon increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of our operating companies and their cash flow.

Canadian Income Tax Matters

The income of the Company and its related entities must be computed in accordance with Canadian and foreign tax laws, as applicable, and the Company is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash.

United States Income Tax Matters

There can be no assurance that U.S. federal income tax laws and administrative policies will not develop or be changed in a manner that adversely affects our shareholders.

RELATED PARTY TRANSACTIONS

Concurrent with the Public Offering, Chesswood 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 upon the completion of the acquisition of Blue Chip and EcoHome. Such Subscription Receipts were exchanged for Common Shares in March 2015.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer and the Director of Finance (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control - Integrated Framework ("1992 COSO Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to design the Company’s ICFR.

Evaluation of Design Effectiveness of Controls

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design effectiveness of the Company’s DC&P and ICFR as at December 31, 2015 and have concluded that the Company’s DC&P and ICFR are not effective due to the existence of Material Weaknesses as described below. A Material Weakness is defined as a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The following provides a description of Material Weaknesses identified by the Certifying Officers and the risk mitigation procedures that have been implemented in relation to such weaknesses:

1) Segregation of Duties

Given the Company’s size, it has limited resources within the finance department at head office 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. As a result, the Company is reliant on the knowledge of a limited number of employees and on the performance of mitigating procedures during its financial close process to ensure that the consolidated financial statements are presented fairly in all material respects. Although the finance department of Pawnee has staffing levels which the Company’s management believes is appropriate in the context of the scope of Pawnee’s operations, and although the individuals comprising the members of the Company’s management and Pawnee’s management responsible for financial reporting are considered to have appropriate proficiency and experience to effectively perform their respective duties, the nature and size of the Company’s operations are such that the duties are performed by a small number of persons. While management of the Company believes that the flow of information and degree of consultation with the finance personnel of Pawnee is significant, in order to mitigate the risk of material misstatement in the consolidated financial statements, the Company has implemented additional review and monitoring controls at head office on a monthly basis, and at Pawnee on a quarterly basis. In addition, further steps to cross train existing personnel have been undertaken where possible.

2) Information Technology Controls
Due to the relatively small size of the Company, the Company has not been able to maintain effective controls over certain key end user computing applications, such as spreadsheets, used in the Company's financial reporting process as well as appropriate security controls to manage access to key information. Controls pertaining to access profiles and password protocols require revision to mitigate the risk of inappropriate access to systems and applications. In addition, improvements to exception reporting are required to ensure that any unauthorized modification of the data or formulas within spreadsheets is identified and reported. It should be noted that the foregoing weaknesses relate to the Company and its systems and that Pawnee's systems are believed to be more commensurate with the scope of its operations.

Given the above noted weaknesses, the Company has performed additional analyses and other post-closing procedures to ensure the consolidated financial statements are prepared accurately and completely and that the disclosed data is in accordance with GAAP.

3) Anti-Fraud Controls
As a result of the lack of segregation of duties at the Company level as described above, the anti-fraud controls are limited. While management found no evidence of fraudulent activity, the Director of Finance has access to both accounting records and corporate assets, principally the operating bank account, and prepares journal entries without any independent review**.** Management feels the existing signing authorities and current review of bank balances is sufficient to mitigate the risk.

Changes in ICFR
During the three months ended December 31, 2015, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

With the oversight of the Audit Committee, the Certifying Officers have commenced a comprehensive Internal Control Program to address the remediation of Material Weaknesses reported above. The Program is managed by external advisors and among other things includes design and implementation of specific policies, procedures and controls that would address the design effectiveness of segregation of duties, information technology controls and anti-fraud controls. The advisors will also assist management in transitioning the Company's internal control environment to the updated 2013 COSO Internal Control Framework.

Limitations of an Internal Control System
The Certifying Officers believe that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) breakdowns can occur because of undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

MARKET FOR SECURITIES

The Company's convertible debentures due December 31, 2018 are traded on the Toronto Stock Exchange under the symbol CHW.DB. The following table summarizes the high and low sales prices of the debentures and the average daily trading volume for each month in the year ended December 31, 2015.

Convertible debentures - 2015	High	Low	Average Daily Volume
January	$104.00	$100.00	18,619
February	$103.00	$99.99	44,632
March	$103.75	$100.00	26,773
April	$104.74	$102.00	8,595
May	$103.50	$102.00	10,175
June	$103.24	$100.01	20,091
July	$102.75	$100.26	4,636
August	$103.95	$101.50	21,750
September	$103.49	$99.00	11,571
October	$101.76	$99.75	12,643
November	$101.51	$100.50	9,333
December	$100.76	$99.01	11,690
	$104.74	$99.00	16,446

The Common Shares are traded on the Toronto Stock Exchange under the symbol CHW. The following table summarizes the high and low sales prices of the Common Shares and the average daily trading volume for each month in the year ended December 31, 2015.

Common shares - 2015	High	Low	Average Daily Volume
January	$12.15	$10.00	13,600
February	$11.50	$9.57	32,218
March	$12.62	$9.43	60,117
April	$13.20	$11.83	17,813
May	$12.51	$11.44	17,758
June	$12.97	$12.05	17,261
July	$12.50	$11.20	11,407
August	$12.05	$9.10	10,707
September	$11.43	$10.10	12,124
October	$11.48	$10.30	19,483
November	$11.38	$9.50	39,347
December	$10.80	$8.82	20,283
	$13.20	$8.82	22,750

ADDITIONAL INFORMATION

Additional information about Chesswood is available:

- At the www.chesswoodgroup.com website
- At the www.sedar.com website
- Via email to investorrelations@chesswoodgroup.com, or
- Via phone at 416-386-3099

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.

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 and Governance Committee.

The Chief Executive Officer and the Director of Finance (the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control - Integrated Framework ("1992 COSO Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design the Corporation's ICFR.

As more fully detailed in the accompanying MD&A, the Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design effectiveness of the Corporation's DC&P and ICFR as at December 31, 2015 and have concluded that the Corporation's DC&P and ICFR are not effective due to the existence of Material Weaknesses. Given the relatively small size of the Corporation's finance department personnel at head office, the evaluation 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 at head office; (ii) the Corporation (at its head office) had not maintained effective controls over certain key end-user computing applications, such as spreadsheets, and appropriate security controls to manage access to key information, systems and applications, 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.

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 and Governance Committee is appointed by the Board and is comprised of independent Directors. The committee meets periodically with Management and the external auditors, to discuss disclosure controls and 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 and Governance 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 and Governance Committee to discuss their audit and related findings as to the integrity of the financial reporting.

Barry Shafran

Barry Shafran
President & CEO
March 16, 2016

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, 2015 and December 31, 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 16, 2016
Toronto, Ontario

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

	Note	**December 31, 2015**	December 31, 2014
ASSETS			
Cash		**$ 15,229**	$ 10,220
Accounts receivable	*6*	**—**	998
Inventories	*6*	**—**	9,207
Assets held for sale	*6*	**107,840**	—
Prepaid expenses and other assets	*7*	**10,261**	5,528
Finance receivables	*8*	**365,559**	197,557
Deferred tax assets	*18*	**1,141**	815
Property and equipment	*9*	**895**	3,046
Intangible assets	*10*	**23,335**	8,125
Goodwill	*11*	**41,250**	19,943
TOTAL ASSETS		**$ 565,510**	$ 255,439
LIABILITIES			
Accounts payable and other liabilities	*12*	**$ 11,557**	$ 8,489
Vehicle financing	*6*	**—**	8,247
Liabilities held for sale	*6*	**73,808**	—
Contingent consideration	*5*	**7,215**	—
Borrowings	*13*	**255,173**	105,848
Customer security deposits	*14*	**13,895**	12,426
Convertible debentures	*15*	**19,900**	20,598
Interest rate swaps	*16*	**892**	—
Deferred tax liabilities	*18*	**26,515**	19,987
		408,955	175,595
SHAREHOLDERS' EQUITY			
Common shares	*19*	**101,726**	49,039
Non-controlling interest		**13,194**	11,124
Share-based compensation reserve	*20*	**4,434**	3,504
Accumulated other comprehensive income		**20,987**	6,092
Retained earnings		**16,214**	10,085
		156,555	79,844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 565,510**	$ 255,439

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, 2015 AND 2014
(in thousands of dollars, except per share amounts)

	Note	2015	2014
Finance revenue			
Interest revenue on finance leases and loans		$ 66,649	$ 44,235
Ancillary finance and other fee income		9,928	5,581
		76,577	49,816
Finance expenses			
Interest expense		7,763	4,938
Provision for credit losses		18,929	10,639
		26,692	15,577
Finance margin		49,885	34,239
Expenses			
Personnel expenses		11,671	8,420
Other expenses		9,177	6,035
Amortization - property and equipment		253	152
		21,101	14,607
Income before undernoted items		28,784	19,632
Acquisition related items	*5*	(1,955)	(167)
Amortization - intangible assets		(1,180)	(63)
Financing costs written off		—	(607)
Financing costs - convertible debentures	*15*	(602)	(1,266)
Unrealized loss on interest rate swaps	*16*	(846)	(439)
Unrealized gain (loss) on foreign exchange		(57)	223
Income before taxes		24,144	17,313
Tax expense	*18*	(11,781)	(8,887)
Income from continuing operations		12,363	8,426
Income from discontinued operations	*6*	7,441	3,113
Net income		$ 19,804	$ 11,539
Attributable to:			
Common shareholders		$ 18,038	$ 10,105
Non-controlling interest		$ 1,766	$ 1,434
Basic earnings per share	*22*	$ 1.19	$ 0.98
Diluted earnings per share	*22*	$ 1.16	$ 0.93

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(in thousands of dollars)

		2015		2014
Net income	**$**	**19,804**	$	11,539
Other comprehensive income:				
Unrealized gain on translation of foreign operations		**16,352**		5,868
Comprehensive income for the year	**$**	**36,156**	$	17,407
Attributable to:				
Common shareholders	**$**	**32,932**	$	15,244
Non-controlling interest	**$**	**3,224**	$	2,163

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(in thousands of dollars)

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	2015 Total
		(# '000s)						
Shareholders' equity - December 31, 2014		**10,420**	**$ 49,039**	**$ 11,124**	**$ 3,504**	**$ 6,092**	**$ 10,085**	**$ 79,844**
Shares issued	19	**5,734**	**51,559**	**—**	**—**	**—**	**—**	**51,559**
Net income		**—**	**—**	**1,766**	**—**	**—**	**18,038**	**19,804**
Dividends declared	21	**—**	**—**	**(1,153)**	**—**	**—**	**(11,909)**	**(13,062)**
Share-based compensation	20	**—**	**—**	**—**	**1,659**	**—**	**—**	**1,659**
Exercise of restricted share units	20	**38**	**535**	**—**	**(535)**	**—**	**—**	**—**
Exercise of options	20	**72**	**593**	**—**	**(194)**	**—**	**—**	**399**
Unrealized gain on translation of foreign operations		**—**	**—**	**1,457**	**—**	**14,895**	**—**	**16,352**
Shareholders' equity - December 31, 2015		**16,264**	**$ 101,726**	**$ 13,194**	**$ 4,434**	**$ 20,987**	**$ 16,214**	**$ 156,555**

	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	21	—	—	(1,153)	—	—	(8,033)	(9,186)
Share-based compensation	20	—	—	—	1,243	—	—	1,243
Exercise of restricted share units	20	59	575	—	(575)	—	—	—
Exercise of options	20	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**

Please see notes to the consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(in thousands of dollars)

	Note	2015	2014
OPERATING ACTIVITIES			
Income from continuing operations		**$ 12,363**	$ 8,426
Costs associated with investing activities included in net income		**1,013**	167
		13,376	8,593
Non-cash items included in net income			
Amortization		**1,433**	215
Provision for credit losses		**23,505**	14,215
Amortization of origination costs		**16,718**	9,786
Tax expense		**11,781**	8,887
Other non-cash items	*23*	**4,769**	3,550
		58,206	36,653
Cash from operating activities before change in net operating assets		**71,582**	45,246
Funds advanced on origination of finance receivables		**(239,191)**	(108,867)
Origination costs paid on finance receivables		**(25,539)**	(12,548)
Principal collections of finance receivables		**164,549**	87,772
Change in other net operating assets	*23*	**(1,416)**	(2,375)
Interest paid on convertible debentures	*15*	**(1,300)**	(1,348)
Income taxes paid		**(18,433)**	(15,814)
Cash used in operating activities - continuing operations		**(49,748)**	(7,934)
Cash (used in) from operating activities - discontinued operations	*6*	**(7,214)**	3,154
Cash used in operating activities		**(56,962)**	(4,780)
INVESTING ACTIVITIES			
Acquisition, net of cash acquired	*5*	**(41,349)**	(10,567)
Proceeds from sale of discontinued operations, net of costs	*6*	**18,133**	—
Purchase of property and equipment		**(254)**	(342)
Cash used in investing activities - continuing operations		**(23,470)**	(10,909)
Cash used in investing activities - discontinued operations	*6*	**(73)**	(1,726)
Cash used in investing activities		**(23,543)**	(12,635)
FINANCING ACTIVITIES			
Borrowings, net	*23*	**50,271**	14,496
Payment of financing costs		**(818)**	(1,919)
Settlement of interest rate swaps	*16*	**—**	(1,686)
Proceeds from issue of shares, net of costs	*19*	**33,807**	—
Proceeds from exercise of options	*20*	**399**	2,222
Cash dividends paid	*21*	**(12,682)**	(9,157)
Cash from financing activities - continuing operations		**70,977**	3,956
Cash from financing activities - discontinued operations	*6*	**13,762**	617
Cash from financing activities		**84,739**	4,573
Unrealized foreign exchange gain on cash		**1,466**	403
Net increase (decrease) in cash		**5,700**	(12,439)
Cash, beginning of the year		**10,220**	22,659
Cash, end of the year		**15,920**	10,220
Cash held by discontinued operations	*6*	**691**	—
Cash held by continuing operations		**$ 15,229**	$ 10,220

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 156 Duncan Mill Road, Suite 15, Toronto, Ontario, M3B 3N2, 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, Blue Chip Leasing Corporation ("Blue Chip"), EcoHome Financial Inc. ("EcoHome"), 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.

On June 1, 2015, Northstar Leasing Corporation ("Northstar") and Blue Chip were amalgamated to maximize operational synergies and continue under the Blue Chip name. In these notes to the financial statements, references to Blue Chip mean the corporation which resulted from the amalgamation of Blue Chip Leasing Corporation and Northstar.

As partial consideration for the acquisition of Pawnee in May 2006, 1,274,601 Class B shares and 203,936 Class C shares of 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 presented on the consolidated financial statements.

Through its interest in subsidiaries, the Company operates in the following businesses:

- Pawnee - micro and small-ticket equipment financing to small businesses in the lower 48 states of the United States.
- Windset - providing working capital loans to small businesses in 33 states of the United States.
- Blue Chip - commercial equipment financing to small and medium businesses in Canada.
- EcoHome - consumer financing solutions to the heating ventilating and air conditioning ("HVAC") and home improvement markets.
- Case Funding - holds a portfolio of legal finance receivables in the United States.
- Sherway - selling, servicing and leasing Acura automobiles in the Province of Ontario.

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").

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., Blue Chip, EcoHome, Sherway, and Lease-Win Limited 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 16, 2016 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, except for the finalization of the purchase price allocation as described in note 5.

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, contingent consideration, 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.

Finance receivables

The net investment in finance receivables arises from the Company's equipment leasing operations and is described below under Revenue recognition.

The Company finances a portion of its finance lease receivables by pledging such receivables as security for amounts borrowed from lenders under a bulk lease facilities and our general corporate credit facility. The Company 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 the Company defaults under this facilities.

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, Windset and Blue Chip 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.

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 billing systems 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 to fifteen years. The non-compete agreements are amortized on a scheduled straight-line basis over their five year life.

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.

For the Company's loan receivables, interest is recognized using the effective interest rate method over the term of the loan. Initial loan acquisition costs are capitalized and amortized using the effective interest rate method over the term of the loan.

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 RSUs 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

Basic earnings per share is calculated by dividing net income for the year attributed to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusted for the weighted average number of common shares outstanding during the year to reflect the dilutive impact, if any, of any options, RSUs, or other commitments and instruments assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when options are exercised will be used to purchase common shares at the average market price during the reporting period.

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, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
1.3840	1.1601	**1.2787**	1.1045

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, 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, 2015 and 2014.

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, 2015 and 2014.

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 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, contingent consideration, 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.

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 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.

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.

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 a financial asset. If credit risk subsequently increases significantly above the risk assessed at recognition, 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.
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. 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, 2018.

IFRS 16 *Leases*

The standard will replace IAS 17 *Leases*. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IAS 1 Presentation of Financial Statements

This standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Amendments to IAS 1 were issued in December 2014 and are effective for the annual period beginning on or after January 1, 2016. The amendments clarify existing requirements relating to materiality and aggregation, along with presentation of subtotals in the financial statements.

5. BUSINESS ACQUISITIONS

(a) Blue Chip Leasing Corporation and EcoHome Financial Inc.

On March 17, 2015 (the "Acquisition Date"), the Company acquired (the "Acquisition") all of the issued and outstanding shares and certain shareholder loans of Blue Chip and EcoHome ("Acquired Companies"). Both companies are incorporated in Ontario. Blue Chip is a tenured, prime, small and mid-ticket equipment finance company serving brokers and vendors from coast-to-coast in Canada. EcoHome provides financing solutions to the heating ventilating and air conditioning ("HVAC") and home improvement markets. The Acquisition enabled the Company to expand the geographical coverage of its North American small ticket platform.

The purchase price to acquire Blue Chip and EcoHome (and shareholder loans) was $61.1 million with the possibility of additional consideration totaling $26.0 million if performance targets are exceeded for the subsequent three years ("Contingent Consideration"). 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. The vendor's shares are subject to an escrow agreement that provides for, amongst other things, a staged release of these shares, from escrow, over a three year period. For valuation purposes, the discount on these restricted shares was calculated based on the theoretical price of a put option on the shares with an expiry date equal to the trading restriction period. A value of approximately $9.14 per common share was calculated.

The Acquisition is recorded using the acquisition method of accounting. Under this method, the identifiable assets acquired and the liabilities assumed are measured and recognized at their Acquisition Date fair values. Any excess of the Acquisition Date fair value of the consideration over the net of the Acquisition Date fair values of the identifiable assets acquired and the liabilities assumed is recognized as goodwill and any deficiency is recognized as a gain. Acquisition costs associated with a business combination are expensed in the period incurred. The results of operations have been consolidated from the Acquisition Date.

In conjunction with the Acquisition, 175,000 equity options were issued to certain senior management of the Acquired Companies, as described in Note 20 - *Compensation Plans*.

Included in the consolidated statement of income are revenue of $10.1 million and net income of $2.1 million related to the Acquired Companies for the period March 18, 2015 to December 31, 2015 (excluding EcoHome results which were reclassified to discontinued operations). Transaction costs of $897,000 and accretion of the contingent consideration relating to this Acquisition of $1.1 million were expensed during the period and are included in Acquisition related items. An additional $30,000 of transaction costs were expensed during the year ended December 31, 2014.

Goodwill recorded in connection with the Acquisition is primarily attributable to the economic value associated with the workforce of the acquired business, the expected profitability of the acquired business, the expected synergies and other intangible assets that do not qualify for separate recognition. None of the goodwill is expected to be deductible for tax purposes.

Chesswood 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 contingent consideration payable. The allocation of the purchase price was completed during the final quarter of 2015. The material adjustments arising included: the separate recognition of the broker network and trade name intangible assets, with a reduction in the carrying amount of goodwill, and the adjustment of the fair value of the vendor-take-back shares subject to escrow. The resulting purchase price allocation to the fair value of assets acquired and liabilities assumed is as follows:

As at March 17, 2015	Blue Chip	EcoHome	Total
		($ thousands)	
Cash	$ 2,614	$ 1,490	$ 4,104
Net investment in leases and loans	83,537	54,585	138,122
Prepaid expenses and other assets	564	498	1,062
Trade names	288	262	550
Billing systems	—	1,723	1,723
Broker relationships	14,811	10,311	25,122
Non-competition agreements	1,309	690	1,999
Goodwill	22,176	14,129	36,305
Total assets	125,299	83,688	208,987
Accounts payable and other liabilities	1,736	2,056	3,792
Borrowings	73,145	55,686	128,831
Deferred tax liabilities	6,789	2,341	9,130
Total liabilities	81,670	60,083	141,753
Net assets acquired	$ 43,629	$ 23,605	$ 67,234
<u>Consideration</u>			
Cash			$ 44,556
Common shares			16,518
Contingent consideration			6,160
			$ 67,234

Contingent Consideration - Additional Purchase Price

If the Acquired Companies' normalized net income before taxes ("NIBT"), as defined in the purchase and sale agreement, for the twelve months ended on December 31, 2015 was at least $6.85 million, Chesswood is required to pay to the vendor the amount of $4.0 million. If the NIBT for the twelve months ended on December 31, 2015 was less than $6.85 million, Chesswood is required to pay to the vendor the greater of (i) nil, and (ii) $4.0 million multiplied by a fraction the numerator of which is the NIBT for the twelve months ended on December 31, 2015 and the denominator of which is $6.85 million.

If the NIBT for the twelve months ending on December 31, 2016 is at least $7.65 million, Chesswood is required to pay to the vendor the amount of $2.0 million. If the NIBT for the twelve months ending on December 31, 2016 is less than $7.65 million, Chesswood is required to pay to the vendor the greater of (i) nil, and (ii) $2.0 million multiplied by a fraction the numerator of which is the NIBT for the twelve months ending on December 31, 2016 and the denominator of which is $7.65 million.

With respect to the twelve months ending on December 31, 2017, Chesswood is required to pay to the vendor an amount equal to the aggregate amount determined in accordance with the following formula, up to a maximum of $20.0 million: (NIBT for the twelve months ending on December 31, 2017 less $12.0 million) x 10 x 0.25.

Chesswood may satisfy up to 50% of the Additional Purchase Price payable with respoect to the twelve months ended December 31, 2017 through the issuance of Chesswood Shares ("Additional Shares"), at a deemed issue price per share equal to the ten day volume weighted average trading price of the Chesswood Shares preceding the issue date, if certain conditions are met.

At the Acquisition Date, management estimated the amount that is potentially payable at $6.2 million. The estimate of fair value of contingent consideration requires subjective assumptions to be made of various potential operating scenarios and discount rates. The accretion or reduction in contingent consideration payable will flow through profit and loss and is included in Acquisition related items. Chesswood will review the valuation each quarter and update the assessment of various probability weighted projected NIBT scenarios.

As a result of the sale of EcoHome (see Note 31 - *Subsequent Events*), the $6.0 million contingent consideration associated with 2015 and 2016 NIBT became payable within 10 days of the sale of EcoHome. It was determined that the reclassification of EcoHome to discontinued operations and the fact that the 2016 amount is quantifiable crystalized the recognition of the 2016 contingent consideration at December 31, 2015.

Chesswood and the vendor are in the process of negotiating appropriate changes to the provision in respect of the year ending December 31, 2017 to reflect that EcoHome has ceased to be owned by Chesswood.

(b) Northstar Leasing Corporation

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 enabled 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 United States to complement that of Northstar. The synergistic benefits to the Company are not recognizable intangible assets and are included in the goodwill amount for financial reporting purposes.

On June 1, 2015, Northstar amalgamated with Blue Chip and continued as Blue Chip.

Transaction costs relating to this acquisition of $167,000 were expensed during the year ended December 31, 2014 and are included in Acquisition related items. 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.

The gross contractual amounts receivable under leases 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.

The allocation of the purchase price was completed during the final quarter of 2014. The material adjustments arising included: 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 to fair value, 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:

As at January 31, 2014		Northstar
		($ thousands)
Cash	$	12
Net investment in leases		12,887
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
Borrowings		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

6. DISCONTINUED OPERATIONS

a) Assets held for sale

In the fourth quarter of 2015, the Company made a strategic decision to focus on the growth and development of the Company's specialty finance companies, in particular, commercial equipment finance. This led to the decisions to sell Acura Sherway in November 2015, the sale of EcoHome in February 2016 and the potential sale of the remainder of Case Funding including the remaining legal finance receivables in 2016. It was determined that these disposals meet the criteria of discontinued operations at December 31, 2015. The comparative figures on the Consolidated Statements of Income and Cash Flows have been reclassified as if the operation had been discontinued from the start of the comparative year.

As a result, the assets and liabilities that are classified as held-for-sale are as follows:

Held-for-sale	Sherway	Case Funding	EcoHome	December 31, 2015
($ thousands)	*(c)*	*(d)*	*(e)*	
Cash	$ —	$ —	$ 691	$ 691
Accounts receivable	7	—	—	7
Prepaid expenses and other assets	5	—	669	674
Finance receivables	—	10,590	69,412	80,002
Intangible assets	—	—	12,337	12,337
Goodwill	—	—	14,129	14,129
Assets held for sale	$ 12	$ 10,590	$ 97,238	$ 107,840
Accounts payable and other liabilities	$ 37	$ 3,247	$ 1,898	$ 5,182
Borrowings	—	—	66,065	66,065
Deferred taxes liabilities	—	—	2,561	2,561
Liabilities held for sale	$ 37	$ 3,247	$ 70,524	$ 73,808

No impairment loss was recognized on reclassification as held-for-sale or at December 31, 2015, as the fair value less costs to sell is higher than the carrying amount.

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: 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:

($ thousands)	Category	Level 1	Level 2	Level 3	December 31, 2015 Carrying Value
ASSETS HELD FOR SALE					
Cash *(iii)*	L&R	$ 691	$ —	$ —	$ 691
Accounts receivables *(iii)*	L&R	7	—	—	7
Loan receivables *(i)*	L&R	—	23,947	—	23,947
Attorney loans and medical liens *(i)*	L&R	—	3,559	—	3,559
Plaintiff advances *(Note 6(d))*	AFS	—	—	7,031	7,031
LIABILITIES HELD FOR SALE					
Accounts payable *(iii)*	L&B	—	(5,182)	—	(5,182)
Borrowings *(ii)*	L&B	—	(66,065)	—	(66,065)
Net assets (liabilities) held-for-sale classified as financial instruments		$ 698	$ (43,741)	$ 7,031	$ (36,012)

(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 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.

(b) Results from discontinued operations

	For the year ended December 31, 2015			
($ thousands, except per share amounts)	Sherway *(c)*	Case Funding *(d)*	EcoHome *(e)*	**Total**
Interest revenue on leases and loans	$ —	$ 1,816	$ 5,062	**$ 6,878**
Ancillary finance and other fee income	—	12	386	**398**
Interest expense	—	—	(2,119)	**(2,119)**
Provision for credit losses	—	(1,383)	(25)	**(1,408)**
Finance margin	—	445	3,304	**3,749**
Revenue - automotive operations	48,557	—	—	**48,557**
Cost of sales – automotive operations	(42,275)	—	—	**(42,275)**
Gross margin before expenses	6,282	445	3,304	**10,031**
Personnel expenses	2,694	180	1,005	**3,879**
Share-based compensation expense	29	76	90	**195**
Other expenses	1,815	471	636	**2,922**
Amortization - property and equipment	191	3	—	**194**
Income before undernoted items	1,553	(285)	1,573	**2,841**
Gain on sale, net of costs and taxes	4,629	840		**5,469**
Amortization - intangible assets	—	—	(649)	**(649)**
Income before taxes	6,182	555	924	**7,661**
Tax expense	—	—	(220)	**(220)**
Income from discontinued operation	$ 6,182	555	$ 704	**$ 7,441**
Basic earnings per share from discontinued operations				**$ 0.45**
Diluted earnings per share from discontinued operations				**$ 0.44**

Cash flow from discontinued operations

	Sherway	Case Funding	EcoHome	Total
Net cash from (used in) operating activities	$ 2,834	$ 2,756	$ (12,804)	**$ (7,214)**
Net cash used in investing activities	$ (29)	$ (44)	$ —	**$ (73)**
Net cash from (used in) financing activities	$ (617)	$ —	$ 14,379	**$ 13,762**
Property and equipment expenditures	$ 29	$ —	$ —	**$ 29**

($ thousands, except per share amounts)	For the year ended December 31, 2014			
	Sherway	Case Funding	EcoHome	Total
	(c)	(d)	(e)	
Interest revenue on leases and loans	$ —	$ 4,418	$ —	$ 4,418
Ancillary finance and other fee income	—	163	—	163
Provision for credit losses	—	(505)	—	(505)
Finance margin	—	4,076	—	4,076
Revenue - automotive operations	53,703	—	—	53,703
Cost of sales – automotive operations	(46,740)	—	—	(46,740)
Gross margin before expenses	6,963	4,076	—	11,039
Personnel expenses	2,863	1,615	—	4,478
Share-based compensation expense	33	71	—	104
Other expenses	2,258	980	—	3,238
Amortization - property and equipment	82	24	—	106
Income before taxes	1,727	1,386	—	3,113
Tax expense	—	—	—	—
Income from discontinued operation	$ 1,727	1,386	$ —	$ 3,113
Basic earnings per share from discontinued operation				$ 0.27
Diluted earnings per share from discontinued operation				$ 0.26

Cash flow from discontinued operations	Sherway	Case Funding	EcoHome	Total
Net cash from operating activities	$ 2,436	$ 718	$ —	$ 3,154
Net cash used in investing activities	$ (1,643)	$ (83)	$ —	$ (1,726)
Net cash from financing activities	$ 617	$ —	$ —	$ 617
Property and equipment expenditures	$ 1,643	$ 83	$ —	$ 1,726

c) Acura Sherway

On November 15, 2015, the Company sold the assets and operations of Sherway, for an aggregate purchase price of approximately $20.4 million resulting in a net gain of approximately $4.6 million. The 2015 results presented above reflect the period from January 1, 2015 to November 15, 2015. In conjunction with the transfer of Sherway's employees to the new owner, the stock options held by the employees immediately vested and thus the remaining $11,600 in unrecognized share-based compensation was expensed on November 15, 2015.

No impairment loss was recognized on reclassification as held for sale nor at December 31, 2015, as the fair value less costs to sell was higher than the carrying amount.

Up to November 15, 2015 and during 2014, Sherway had an authorized line of credit of $1.0 million. The line of credit was secured by assignments of the accounts receivable and a general security agreement over the assets of the dealership. The line of credit was terminated upon sale of the dealership.

Sherway had an $8.5 million floor plan facility available, bearing interest at the bank's prime rate plus 0.625% (2014 - 0.625%) or the Canadian Dollar Offering Rate ("CDOR") plus 1.25% (2014 - 1.25%), secured by the related vehicles and a general security agreement over the dealership's other assets. Advances under the floor plan were due on the earlier of the date of sale of the related vehicle and 12 months after the receipt of the loan. Based on monthly average debt levels, the effective interest rate paid during the year was 2.26% (2014 - 2.40%). The vehicle financing facility was terminated upon sale of the dealership.

d) Case Funding

On February 3, 2015, Case Funding sold certain assets and operations to a private equity firm (the "Purchaser") for proceeds of $6.2 million. The gain on sale, net of costs, totaled $840,000. The gain on sale resulted in the utilization of tax losses (these tax losses were never recognized as a deferred tax asset) of Case Funding.

The Purchaser acquired an 85% interest in certain attorney loans for approximately $927,000, included in proceeds above, with no recourse to Case Funding for future losses. Subsequent to the close of the transaction, Case Funding participated in $505,300 in additional attorney loans with the Purchaser, representing 15% of the loans outstanding. Subsequent to December 31, 2015, all of the participation attorney loans have been collected from the Purchaser.

Attorney loans totaling $1.3 million are reported in finance receivables until collected and the corresponding funds received from the Purchaser will show as a payable, because not all of the risk and rewards were deemed to have been 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 on February 3, 2015.

Case Funding retained approximately $9.4 million in finance receivables and pays 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.

In December 2015, the Company made a strategic decision to dispose of the retained legal finance receivables in the next 12 months. A search is underway for a buyer. A $1.3 million reduction in the fair value of the receivables was included as a reduction to interest revenue on loans and leases in discontinued operations to reflect the revaluation of the receivables.

Legal finance receivables in the held-for-sale assets consist of:

		December 31, 2015		December 31, 2014
		($ thousands)		
Attorney loans and medical liens	**$**	**3,559**	$	4,878
Plaintiff advances		**7,031**		7,776
Legal finance receivables		**10,590**		12,654
Current portion *(i)*		**6,455**		5,646
Legal finance receivables – long-term portion	**$**	**4,135**	$	7,008

At Case Funding, management reviews each attorney loan receivable on an individual basis for collectability and for reserve requirements, if any. At December 31, 2015, it was determined an allowance of $486,000 (December 31, 2014 - $116,000) was required.

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.

e) EcoHome Financial Inc.

On February 18, 2016, the Company sold EcoHome for approximately $35.0 million, of which $29 million was paid in cash. Chesswood also received 6,039,689 common shares of Dealnet Capital Corp. ("Dealnet") and a $2.5 million convertible note which will mature in two years, and bears interest at 6% per annum and at Chesswood's sole discretion, be convertible, in whole or in part at any time into common shares of Dealnet at a conversion price of $0.64.

No impairment loss was recognized on reclassification as held-for-sale at December 31, 2015, because the fair value less costs to sell exceeds the carrying amount. The estimated net gain after costs and taxes is approximately $9.0 million.

7. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise:

	December 31, 2015	December 31, 2014
	($ thousands)	
Property tax receivable	**$ 741**	$ 541
Tax receivable	**8,358**	2,928
Sales tax receivable	**648**	78
Other prepaid expenses and current assets	**514**	1,981
	$ 10,261	$ 5,528

8. FINANCE RECEIVABLES

Finance receivables comprise:

	Note	**December 31, 2015**	December 31, 2014
		($ thousands)	
Net investment in leases		**$ 273,667**	$ 140,280
Loan receivables		**91,892**	44,623
Legal finance receivables	*6(d)*	**—**	12,654
		$ 365,559	$ 197,557

The Company finances its finance lease receivables by pledging such receivables as security for amounts borrowed from lenders under bulk lease facilities and our general corporate credit facility. The Company 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 the Company defaults under these facilities.

(a) Net investment in finance receivables includes the following:

		December 31, 2015	December 31, 2014
		($ thousands)	
Total minimum payments		**$ 454,531**	$ 235,932
Residual values of leased equipment		**21,249**	20,113
		475,780	256,045
Unearned income, net of initial direct costs of acquisition		**(101,198)**	(64,584)
Net investment in lease and loan receivables before allowance for doubtful accounts		**374,582**	191,461
Allowance for doubtful accounts *(b)*		**(10,647)**	(6,558)
Net investment in lease and loan receivables		**363,935**	184,903
Reserve receivable on securitized financial contracts		**1,624**	—
Legal finance receivables	*6(d)*	**—**	12,654
		365,559	197,557
Current portion		**170,429**	84,479
Net investment in finance receivables - long-term portion		**$ 195,130**	$ 113,078

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

	For the years ended **December 31,**	
	2015	2014
	($ thousands)	
Balance, beginning of year	**$ 6,558**	$ 3,747
Provision for credit losses	**18,929**	10,638
Impact of change in foreign exchange rates	**1,392**	446
Allowance of acquired companies	**942**	324
Charge-offs	**(21,765)**	(12,173)
Recoveries	**4,591**	3,576
Balance, end of year	**$ 10,647**	$ 6,558

(c) Scheduled collections of minimum finance receivable payments receivable at December 31, 2015 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 finance receivable payments as at December 31, 2015 are not to be regarded as a forecast of future cash collections.

	Minimum payments	Present value
	($ thousands)	
2016	$ 216,370	$ 162,728
2017	121,879	93,720
2018	71,987	58,564
2019	34,437	29,428
2020	9,748	8,796
2021 and thereafter	110	97
Total minimum lease payments	$ 454,531	$ 353,333

(d) Finance Receivables Past Due

Pawnee, Windset and Blue Chip finance receivables 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.

The following aging represents the total carrying amount of the lease and loan receivables and not just the payments that are past due. The balances presented exclude the $13.9 million (December 31, 2014 - $12.4 million) of security deposits received from lessees/borrowers and the collateral held (including potential proceeds from repossessed 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.

						As of December 31, 2015
($ thousands)	**Current**	**1-30 days**	**31 - 60 days**	**61 - 90 days**	**Over 90 days**	**Total**
Equipment lease receivables	**$ 267,891**	**$ 5,921**	**$ 2,136**	**$ 1,087**	**$ 2,404**	**$ 279,439**
Loan receivables	**90,794**	**2,712**	**1,165**	**133**	**339**	**95,143**
	358,685	**8,633**	**3,301**	**1,220**	**2,743**	**374,582**
Impaired	**229**	**2,050**	**2,472**	**1,052**	**2,608**	**8,411**
Past due but not impaired	**$ —**	**$ 6,583**	**$ 829**	**$ 168**	**$ 135**	**$ 7,715**

						As of December 31, 2014
($ thousands)	Current	1-30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Equipment lease receivables	$ 136,659	$ 4,491	$ 2,197	$ 730	$ 1,713	$ 145,790
Loan receivables	44,234	672	671	—	94	45,671
	180,893	5,163	2,868	730	1,807	191,461
Impaired	235	676	1,304	423	1,736	4,374
Past due but not impaired	$ —	$ 4,487	$ 1,564	$ 307	$ 71	$ 6,429

Collateral

Pawnee and Blue Chip 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, 2015, the proceeds from the disposal of repossessed equipment that was charged-off totaled $1.0 million (2014 - $1.2 million). Repossessed equipment is held at various warehouses by a company contracted to repossess and sell the equipment.

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
Cost:			*($ thousands)*		
December 31, 2013	$ 950	$ 210	$ 546	$ 879	$ 2,585
Additions	1,613	—	30	399	2,042
Acquisition *(Note 5(b))*	—	—	87	59	146
Disposals	—	—	(1)	(15)	(16)
Translation	—	—	3	41	44
December 31, 2014	**$ 2,563**	**$ 210**	**$ 665**	**$ 1,363**	**$ 4,801**
Additions	—	—	42	212	254
Additions - discontinued operations	—	23	—	50	73
Disposals (*Note 6*)	(2,563)	(233)	(168)	(399)	(3,363)
Translation	—	—	8	(9)	(1)
December 31, 2015	**$ —**	**$ —**	**$ 547**	**$ 1,217**	**$ 1,764**

	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
Accumulated amortization:			*($ thousands)*		
December 31, 2013	$ 628	$ 155	$ 307	$ 280	$ 1,370
Amortization - continuing operations	—	—	58	94	152
Amortization - discontinued operations *(Note 6(b))*	47	10	7	42	106
Disposals	—	—	—	(10)	(10)
Acquisition *(Note 5(b))*	—	—	75	52	127
Translation	—	—	(3)	13	10
December 31, 2014	$ 675	$ 165	$ 444	$ 471	$ 1,755
Amortization - continuing operations	—	—	70	183	253
Amortization - discontinued operations *(Note 6(b))*	164	8	7	15	194
Disposals (*Note 6*)	(839)	(173)	(144)	(177)	(1,333)
Acquisition	—	—	—	—	—
Translation	—	—	6	(6)	—
December 31, 2015	**$ —**	**$ —**	**$ 383**	**$ 486**	**$ 869**

	Leasehold improvements	Service equipment and vehicles	Furniture and equipment	Computer hardware	Total
Carrying amount:			*($ thousands)*		
December 31, 2013	$ 322	$ 55	$ 239	$ 599	$ 1,215
December 31, 2014	$ 1,888	$ 45	$ 221	$ 892	$ 3,046
December 31, 2015	**$ —**	**$ —**	**$ 164**	**$ 731**	**$ 895**

10. INTANGIBLE ASSETS

	Indefinite useful life			Finite useful life		
	Trade names	Billing Systems	Framework agreement	Broker relationships	Non-Compete	Total
Cost:			*($ thousands)*			
December 31, 2013	$ 6,137	$ —	$ 889	$ 3,722	$ —	$ 10,748
Acquisitions (*Note 5(b)*)	127	—	—	478	—	605
Translation	557	—	—	338	—	895
December 31, 2014	**$ 6,821**	**$ —**	**$ 889**	**$ 4,538**	**$ —**	**$ 12,248**
Acquisitions *(Note 5(a))*	550	1,723	—	25,213	1,999	29,485
Disposal *(Note 6(c) & (d))*	(429)	—	(889)	—	—	(1,318)
Reclassified to held-for-sale *(Note 6(e))*	(262)	(1,723)	—	(10,311)	(690)	(12,986)
Translation	1,209	—	—	—	—	1,209
December 31, 2015	**$ 7,889**	**$ —**	**$ —**	**$ 19,440**	**$ 1,309**	**$ 28,638**

	Trade names	Billing Systems	Framework agreement	Broker relationships	Non-Compete	Total
Accumulated amortization:			*($ thousands)*			
December 31, 2013	$ —	$ —	$ —	$ 3,722	$ —	$ 3,722
Amortization	—	—	—	63	—	63
Translation	—	—	—	338	—	338
December 31, 2014	**$ —**	**$ —**	**$ —**	**$ 4,123**	**$ —**	**$ 4,123**
Amortization - continuing operations	—	—	—	847	206	1,053
Impairment	127	—	—	—	—	127
Amortization - discontinued operation *(Note 6(b))*	—	—	—	540	109	649
Reclassified - held-for-sale *(Note 6(e))*	—	—	—	(540)	(109)	(649)
Translation	—		—	—	—	—
December 31, 2015	**$ 127**	**$ —**	**$ —**	**$ 4,970**	**$ 206**	**$ 5,303**

	Trade names		Framework agreement		Broker relationships		Non-Compete		Total	
Carrying amount:					*($ thousands)*					
December 31, 2013	$	6,137	$	889	$	—	$	—	$	7,026
December 31, 2014	$	6,821	$	889	$	415	$	—	$	8,125
December 31, 2015	**$**	**7,762**	**$**	**—**	**$**	**14,470**	**$**	**1,103**	**$**	**23,335**

Trade names were recognized in the acquisitions of Pawnee and Blue Chip 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 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, 2015		December 31, 2014	
		($ thousands)		
Pawnee	**$**	**7,474**	$	6,265
Blue Chip		**288**		—
Case Funding		**—**		429
Northstar		**—**		127
Sherway		**—**		889
Total indefinite-life intangible assets	**$**	**7,762**	$	7,710

11. GOODWILL

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

	Pawnee	Case Funding	Sherway	Blue Chip	EcoHome	Total
Cost:			*($ thousands)*			
December 31, 2013	$ 38,577	$ 694	$ 3,923	$ —	$ —	$ 43,194
Translation	3,500	63	—	—	—	3,563
Acquisition *(Note 5(b))*	—	—	—	4,189	—	4,189
December 31, 2014	**$ 42,077**	**$ 757**	**$ 3,923**	**$ 4,189**	**$ —**	**$ 50,946**
Translation	8,121	—	—	—	—	8,121
Acquisition *(Note 5(a))*	—	—	—	22,176	14,129	36,305
Disposal *(Note 6(c) & (d))*	—	(757)	(3,923)	—	—	(4,680)
Reclassified - held-for-sale *(Note 6 (e))*	—	—	—	—	(14,129)	(14,129)
December 31, 2015	**$ 50,198**	**$ —**	**$ —**	**$ 26,365**	**$ —**	**$ 76,563**

	Pawnee	Case Funding	Sherway	Blue Chip	Total
Accumulated impairment:			($ thousands)		
December 31, 2013	$ 27,138	$ —	$ 1,403	$ —	$ 28,541
Impairment	—	—	—	—	—
Translation	2,462	—	—	—	2,462
December 31, 2014	**$ 29,600**	**$ —**	**$ 1,403**	**$ —**	**$ 31,003**
Impairment	—	—	—	—	—
Disposal *(Note 6(c))*	—	—	(1,403)	—	(1,403)
Translation	5,713	—	—	—	5,713
December 31, 2015	**$ 35,313**	**$ —**	**$ —**	**$ —**	**$ 35,313**

	Pawnee	Case Funding	Sherway	Blue Chip	Total
Carrying amount:			($ thousands)		
December 31, 2013	$ 11,439	$ 694	$ 2,520	$ —	$ 14,653
December 31, 2014	$ 12,477	$ 757	$ 2,520	$ 4,189	$ 19,943
December 31, 2015	**$ 14,885**	**$ —**	**$ —**	**$ 26,365**	**$ 41,250**

The Company completed its annual goodwill impairment test as at December 31, 2015 and 2014 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 plus a terminal value 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 and Blue Chip is most sensitive to assumptions of lease origination volumes and net charge-offs.

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	Blue Chip
Terminal value growth rates:				
December 31, 2014	3.0%	3.0%	2.0%	2.0%
December 31, 2015	3.0%	n/a	n/a	3.0%

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	Blue Chip
Pre-tax discount rates:				
December 31, 2014	30.82%	23.83%	23.84%	22.83%
December 31, 2015	30.82%	n/a	n/a	22.77%

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.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprise:	**December 31, 2015**	December 31, 2014
	($ thousands)	
Dividends payable	**$ 1,153**	$ 773
Accounts payable	**927**	1,253
Sales tax payable	**672**	759
Customer deposits and prepayments	**899**	240
Unfunded finance receivables	**2,634**	1,244
Taxes payable	**2,744**	468
Payroll related payables and accruals	**783**	1,280
Accrued expenses and other liabilities	**1,745**	2,472
	$ 11,557	$ 8,489

13. BORROWINGS

Borrowings are comprised of:

		December 31, 2015	December 31, 2014
		($ thousands)	
Chesswood credit facility	*(a)*	**$ 164,250**	$ 102,089
Deferred financing costs		**(1,524)**	(1,598)
		162,726	100,491
Securitization and bulk lease financing facilities	*(b)*	**92,447**	4,740
Leasehold improvement loan - Sherway	*(c)*	**—**	617
		$ 255,173	$ 105,848

(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 finance receivables. 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, 2015 and December 31, 2014, and throughout the period, Chesswood was in compliance with all covenants. Based on average debt levels, the effective interest rate paid during the year ended was 3.79%.

(b) Blue Chip have entered into master purchase and servicing agreements with various financial institutions and life insurance companies (referred to collectively as the "Securitizers"). The funding facilities are advanced to Blue Chip on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facilities are secured by the associated finance receivables. The facilities have limited recourse to other assets in the event that lessees\borrowers fail to make payments when due. Blue Chip either maintains certain cash reserves as credit enhancements or provide letters of guarantee in return for cash release from the cash reserves. Blue Chip continues to service these finance receivables on behalf of the Securitizers.

Blue Chip has access to the following committed lines of funding:

- $20.0 million annual limit from one life insurance company;
- $10.0 million rolling limit from one life insurance company;
- $30.0 million annual limit from one financial institution; and

◦ $40.0 million rolling limit from one financial institution.

As at December 31, 2015, Blue Chip had $92.4 million in securitization debt outstanding, was utilizing $43.5 million of their available financing and had access to $49.2 million of financing available for use from the Securitizers. Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Based on average debt levels, the effective interest rate paid during the period was 3.38% (2014 - n/a). As at December 31, 2015, Blue Chip has provided $5.9 million in outstanding letters of guarantee through Chesswood credit facility.

Blue Chip must meet certain financial covenants to support these securitization and bulk lease financing facilities. As at December 31, 2015 and throughout the period, Blue Chip was in compliance with all covenants.

(c) At December 31, 2014, Sherway had an authorized non-revolving demand loan facility available in the amount of $2.5 million. The demand loan was used to finance leasehold improvements at the dealership. The demand loan was secured by secondary assignment of the accounts receivable and a general security agreement over the assets of the Partnership. The loan bore interest of prime plus 0.5% and was repaid in part by contribution from Honda's Acura Advanced Facility Program Enhancement program. The loan was repaid during 2015 and canceled.

14. 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, 2015	December 31, 2014
	($ thousands)	
Security deposits that will be utilized within one year	**$ 4,464**	$ 3,789
Security deposits that will be utilized in future years	**9,431**	8,637
	$ 13,895	$ 12,426

15. 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 an original conversion price of $21.25 per share at any time (see Note 31 - *Subsequent Events*). 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 (see Note 31 - *Subsequent Events*).

- 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 is composed of:

		December 31, 2015		December 31, 2014
		($ thousands)		
Principal amount recognized on issuance	**$**	**20,000**	$	20,000
Fair value adjustment		**(100)**		598
Balance, end of year	**$**	**19,900**	$	20,598

	For the years ended December 31,			
		2015		2014
		($ thousands)		
Fair value adjustment for the year	**$**	**698**	$	82
Interest paid during the year		**(1,300)**		(1,348)
Financing costs - convertible debentures	**$**	**(602)**	$	(1,266)

16. INTEREST RATE SWAPS

The Company enters into interest rate swap agreements that provide for payment of an annual fixed rate, in exchange for a LIBOR based floating rate amount. The interest rate swaps are intended to offset a portion of the variable interest rate risk on the credit facility (see Note 13 - *Borrowings*).

The interest rate swaps are not considered trading instruments as the Company intends to hold them until maturity. The interest rate swaps do not qualify as a hedge for accounting purposes, and are therefore recorded as separate derivative financial instruments. Accordingly, the estimated fair value of the interest rate swaps are recorded as a liability on the accompanying consolidated statement of financial position. Payments made and received pursuant to the terms of the interest rate swaps are recorded as an adjustment to interest expense. Adjustments to the fair value of the interest rate swaps are recorded as fair value adjustments on the statement of income. The fair value of interest rate swaps is based upon the estimated net present value of cash flows.

The following swap agreements were outstanding at December 31, 2015:

Effective Date	Notional Amount U.S.$	Annual Fixed Rate	Maturity Date
August 15, 2016	$20 million	1.985%	August 13, 2020
August 15, 2016	$20 million	2.120%	August 13, 2021

Prior to December 2014, Pawnee was required to purchase fixed interest rate swaps 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. On December 8, 2014, when the new corporate credit facility replaced Pawnee's credit facility (Note 13 - *Borrowings*), Pawnee settled the interest rate swaps required under its former credit facility for U.S.$1.5 million.

17. MINIMUM PAYMENTS

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

($ thousands)		2016	2017	2018	2019	2020	2021 +	**Total**
Accounts payable and other liabilities		$ 11,557	$ —	$ —	$ —	$ —	$ —	**$ 11,557**
Contingent consideration		6,000	—	1,215	—	—	—	**7,215**
Borrowings	*(i)*	37,423	191,328	15,705	8,561	2,156	—	**255,173**
Customer security deposits	*(ii)*	4,464	4,146	3,502	1,890	987	14	**15,003**
Convertible debentures		—	—	20,000	—	—	—	**20,000**
Interest rate swaps		—	—	—	—	505	387	**892**
		59,444	195,474	40,422	10,451	3,648	401	**309,840**
Other financial commitments	*(iii)*	931	588	203	207	210	398	**2,537**
Total commitments		$ 60,375	$ 196,062	$ 40,625	$ 10,658	$ 3,858	$ 799	**$ 312,377**

i. *Borrowings are described in Note 13, and include Chesswood's credit facility, which is a line-of-credit and, as such, the balance can fluctuate.*

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 2017 and 2023, which represent the bulk of other financial commitments. On December 1, 2015, Pawnee entered into a new building lease, at a new location, with the first lease payment commencing June 1, 2016 through May 31, 2023.*

18. TAXES

(a) Tax expense consists of the following:

	For the years ended **December 31, 2015**	For the years ended December 31, 2014
	($ thousands)	
Current tax expense	**$ 14,713**	$ 14,647
Deferred tax recovery	**(2,932)**	(5,760)
Tax expense	**$ 11,781**	$ 8,887

(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% (2014 - 26.5%) to income before income taxes.

	For the years ended			
	December 31, 2015		December 31, 2014	
	($ thousands)			
Income from continuing operations before taxes	**$**	**24,144**	$	17,313
Canadian tax rate		**26.5%**		26.5%
Theoretical tax expense		**6,398**		4,588
Tax cost of non-deductible items		**1,208**		324
Withholding tax on inter-company dividends		**545**		600
Higher effective tax rates in foreign jurisdictions		**3,221**		2,657
Income in discontinued operations that offset expenses in continued operations		**489**		455
Other		**(80)**		263
Tax expense	**$**	**11,781**	$	8,887

Non-deductible items include the effects of costs incurred to acquire companies and raise debt and equity, share-based compensation expense, interest rate swap and convertible debenture mark-to market adjustments, and contingent consideration accretion.

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

	December 31, 2015		December 31, 2014	
	($ thousands)			
Deferred tax assets:				
Intangible assets	**$**	**48**	$	524
Financing costs		**1,089**		347
Allowance for doubtful accounts		**—**		17
Finance receivables		**—**		77
Tax losses carried forward		**4**		2,019
		1,141		2,984
Deferred tax liabilities:				
Leased assets		**—**		136
Unrealized fair value accretion on plaintiff advances		**—**		1,251
		—		1,387
Deferred tax assets, net	**$**	**1,141**	$	1,597
Deferred tax assets not recognized		**—**		(782)
	$	**1,141**	$	815

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

At December 31, 2015, Sherway had $nil (2014 - $1.4 million) in deductible temporary differences related to intangible assets for which deferred tax assets have not been recognized. At December 31, 2015, Case Funding had U.S.$1.2 million (2014 - U.S.$3.5 million) in tax losses carried forward and taxable timing differences of U.S.$1.2 million (2014 - $2.6 million). The tax benefit of U.S.$nil (2014 - U.S.$936,700) in excess of taxable timing differences has not been recognized.

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, 2015	December 31, 2014
	($ thousands)	
Deferred tax assets:		
Leased assets	**$ 63,346**	$ 28,157
Allowance for doubtful accounts	**4,023**	2,589
Tax losses carried forward	**353**	13
Accrued liabilities	**265**	589
	$ 67,987	$ 31,348
Deferred tax liabilities:		
Finance receivables	**$ 90,398**	$ 51,335
Difference in goodwill and intangible asset base	**4,104**	—
	$ 94,502	$ 51,335
Deferred taxes liabilities, net	**$ 26,515**	$ 19,987
Deferred taxes liabilities to be realized in the next 12 months	**$ 5,152**	$ 6,186

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 $1.9 million (2014 - $6.1 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, 2015	December 31, 2014
	($ thousands)	
Deferred tax assets *(c)*	**$ 1,141**	$ 815
Deferred taxes liabilities *(d)*	**(26,515)**	(19,987)
Net deferred taxes liabilities	**$ (25,374)**	$ (19,172)

Reconciliation of net deferred tax liabilities:

	For the years ended December 31, 2015	2014
	($ thousands)	
Balance, beginning of year	**$ (19,172)**	$ (23,051)
Deferred tax recovery in the statements of income *(a)*	**2,932**	5,760
Acquisition *(Note 5(a))*	**(9,130)**	(30)
Reallocated to held-for-sale	**2,341**	—
Netted against common shares	**1,163**	—
Translation	**(3,508)**	(1,851)
Net change in net deferred tax liabilities during the year	**(6,202)**	3,879
Balance, end of year	**$ (25,374)**	$ (19,172)

19. COMMON SHARES

		Common shares	Amount
		(# '000s)	($ thousands)
Balance, December 31, 2013		9,970	$ 45,169
Exercise of restricted share units		59	575
Exercise of options		391	3,295
Balance, December 31, 2014		10,420	49,039
Public offering, net of costs	(a)	3,303	29,051
Private placement	(b)	615	5,925
Business acquisition	(c)	1,816	16,583
Exercise of restricted share units		38	535
Exercise of options		72	593
Balance, end of period		**16,264**	**$ 101,726**

(a) 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. Costs of $3.2 million (net of $1.2 million tax impact) were deducted from the $32.2 million of proceeds raised.

(b) 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 17, 2015, the Company completed its acquisition of Blue Chip and EcoHome. On March 18, 2015, the Subscription Receipts were exchanged for Common Shares.

(c) As partial consideration for the acquisition of Blue Chip and EcoHome, 1,806,384 Common Shares were issued. The vendor's shares are subject to an escrow agreement that provides for, amongst other things, a staged release of these shares, from escrow, over a three year period. For valuation purposes, the discount on these restricted shares was calculated based on the theoretical price of a put option on the shares with an expiry date equal to the trading restriction period. A value of approximately $9.14 per Common Share was calculated.

Normal course issuer bids
In August 2015, the Board of Directors approved the repurchase and cancellation of up to 1,078,741 of the Company's outstanding Common Shares for the period commencing August 25, 2015 and ending on August 24, 2016. 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.

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 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.

20. COMPENSATION PLANS

(a) Share options

During the year ended December 31, 2015, personnel expenses and the share-based compensation reserve included $1.1 million (2014 - $665,800) relating to option expense. As of December 31, 2015, unrecognized non-cash compensation expense related to the outstanding options was $1.1 million (2014 - $763,500), which is expected to be recognized over the remaining vesting period.

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

	For the years ended **December 31,**	
	2015	2014
Balance, beginning of period	**1,325,156**	1,431,628
Granted	**615,000**	285,000
Exercised	**(71,989)**	(391,472)
Forfeited	**(14,250)**	—
Balance, end of period	**1,853,917**	1,325,156

During the year ended December 31, 2015, 71,989 options were exercised (2014 - 391,472) for total cash consideration of $398,800 (2014 - $2.2 million). On exercise, the fair value of options that had been expensed to date during the vesting period of $193,600 (2014 - $1.1 million) was transferred from reserve to Common Share capital (Common Share capital was also increased by the cash consideration received upon exercise). For the options exercised in year ended December 31, 2015, the weighted average share price at the date of exercise was $12.33 (2014 - $15.52).

At December 31, 2015, the weighted average exercise price is $9.76 (2014 - $8.51) and the weighted average remaining contractual life for all options outstanding is 7.06 years (2014 - 7.12 years). The 1,097,417 options exercisable at December 31, 2015 have a weighted average exercise price of $7.89 (2014 - 913,281 options at $6.83).

An analysis of the options outstanding at December 31, 2015 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	38,900	38,900	June 22, 2019	$	2.06
April 13, 2010	85,028	85,028	April 13, 2020	$	4.49
April 25, 2011	231,500	231,500	April 24, 2021	$	7.79
June 10, 2011	50,000	50,000	June 9, 2021	$	7.73
December 6, 2011	200,000	200,000	December 6, 2021	$	6.14
June 25, 2012	198,489	198,489	June 24, 2022	$	7.45
December 6, 2012	125,000	125,000	December 6, 2022	$	8.86
April 29, 2014	275,000	103,500	April 29, 2024	$	14.12
March 17, 2015	175,000	—	March 17, 2025	$	11.00
April 16, 2015	290,000	30,000	April 16, 2025	$	12.53
April 29, 2015	150,000	—	April 29, 2025	$	12.24
	1,853,917	1,097,417			

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 period was determined using the Black-Scholes option pricing model with the following assumptions:

	April 29, 2015	April 16, 2015	March 17, 2015	April 29, 2014
Number of options granted	150,000	290,000	175,000	285,000
Weighted average share price at date	$12.24	$12.53	$11.00	$14.12
Expected volatility	31% - 57%	31% - 57%	31% - 58%	34% - 62%
Expected life (years)	5 - 7	5 - 7	5 - 7	5 - 7
Expected dividend yield	6.42%	6.46%	6.95%	5.73%
Risk-free interest rates	0.59% - 0.95%	0.59% - 0.95%	0.53% - 0.95%	1.47% - 2.01%
Weighted average fair value of options granted	$2.40	$2.31	$2.22	$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,	
	2015	2014
Balance, beginning of period	**60,000**	75,000
Granted	**44,000**	44,000
Exercised	**(38,000)**	(59,000)
Balance, end of period	**66,000**	60,000

During the year ended December 31, 2015, personnel expenses and share-based compensation reserve included $566,300 (2014 - $577,700) relating to RSUs. As of December 31, 2015, unrecognized non-cash compensation expense related to non-vested RSUs was $214,500 (2014 - $240,800).

During the year ended December 31, 2015, an aggregate of 44,000 (2014 - 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 $12.27 (2014 - $14.07).

On exercise of the 38,000 RSUs during the year ended December 31, 2015 (2014 - 59,000), the value of the RSUs of $534,700 (2014 - $574,500) that had been expensed during the vesting period was transferred from reserve to Common Share capital.

The weighted average remaining contractual life for all RSUs outstanding is 8.61 years (December 31, 2014 - 8.9 years).

An analysis of the RSUs outstanding at December 31, 2015 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	6,000	6,000	May 23, 2024	$ 14.07
May 25, 2015	44,000	—	May 21, 2025	$ 12.27
	66,000	22,000		

21. DIVIDENDS

Under the Chesswood credit facility (see Note 13 - *Borrowings*), the maximum cash dividends that the Company can pay in respect of a month is 1/12 of 80% (amended to 90% subsequent to year end, see Note 31(a) - *Subsequent Events*) of free cash flow for the most recently completed four financial quarters in which Chesswood has publicly filed its condensed consolidated interim financial statements (including its annual financial statements in respect of a fourth quarter), including the free cash flow of the Acquired Companies for the corresponding period for periods prior to the Acquisition Date.

The maximum permitted cash dividend allowed under Chesswood's credit facility has been increased up to $3.4 million until November 2017 in relation to the gain realized on the sale of Sherway.

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during year ended December 31, 2015:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2014	January 15, 2015	$ 0.065	$ 773
January 30, 2015	February 17, 2015	$ 0.065	773
February 27, 2015	March 16, 2015	$ 0.065	774
March 31, 2015	April 15, 2015	$ 0.065	1,146
April 30, 2015	May 15, 2015	$ 0.065	1,147
May 29, 2015	June 15, 2015	$ 0.065	1,152
June 30, 2015	July 15, 2015	$ 0.065	1,152
July 31, 2015	August 17, 2015	$ 0.065	1,153
August 31, 2015	September 15, 2015	$ 0.065	1,153
September 30, 2015	October 15, 2015	$ 0.065	1,153
October 30, 2015	November 16, 2015	$ 0.065	1,153
November 30, 2015	December 15, 2015	$ 0.065	1,153
			$ 12,682

The following dividends were declared but not paid to Common Shareholders and Exchangeable Securities holders during the year-ended December 31, 2015 and are included in accounts payable and other liabilities:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2015	January 15, 2016	$ 0.065	$ 1,153

The following dividends were declared before the financial statements were authorized for issue but not recognized during the year-ended December 31, 2015:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
January 29, 2016	February 15, 2016	$ 0.065	$ 1,153
February 29, 2016	March 15, 2016	$ 0.500	8,875
February 29, 2016	March 15, 2016	$ 0.065	1,153
			$ 11,181

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 15, 2014	$ 0.065	763
April 30, 2014	May 15, 2014	$ 0.065	763
May 30, 2014	June 16, 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
			$ 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	774
March 31, 2015	April 15, 2015	$ 0.065	1,146
			$ 2,693

22. EARNINGS PER SHARE

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

	For the years ended December 31,	
	2015	2014
Weighted average number of common shares outstanding	**15,102,043**	10,261,882
Dilutive effect of options	**356,639**	585,538
Dilutive effect of RSUs	**63,616**	65,378
Weighted average common shares outstanding for diluted earnings per share	**15,522,298**	10,912,798
Options and convertible debentures excluded from calculation of diluted shares for the period due to their anti-dilutive effect	**1,666,176**	941,176

23. CASH FLOW SUPPLEMENTARY DISCLOSURE

	For the years ended December 31,	
	2015	2014
	($ thousands)	
Other non-cash items included in net income		
Share-based compensation expense	**$ 1,463**	$ 1,139
Amortization of deferred financing costs	**746**	929
Financing costs - convertible debentures	**602**	1,266
Contingent consideration accretion	**1,055**	—
Unrealized loss on interest rate swaps	**846**	439
Unrealized loss/(gain) on foreign exchange	**57**	(223)
	$ 4,769	$ 3,550
Change in other net operating assets		
Prepaid expenses and other assets	**(80)**	(432)
Accounts payable and other liabilities	**(562)**	(972)
Customer security deposits	**(774)**	(971)
	$ (1,416)	$ (2,375)

	For the years ended December 31, 2015		For the years ended December 31, 2014	
	($ thousands)			
Borrowings – continuing operations				
Chesswood credit facilities - proceeds	**$**	**137,770**	$	97,192
Chesswood credit facilities - payments		**(102,061)**		(81,317)
Proceeds from securitization and bulk lease financing facilities		**47,454**		2,705
Payments under securitization & bulk lease financing facilities		**(32,892)**		(4,084)
	$	**50,271**	$	14,496
Non-cash transactions				
Common shares issued for business acquisition	**$**	**16,583**	$	—
Common shares issued on exercise of restricted shares	**$**	**535**	$	575

24. 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. The individual value of each claim and the total value of all claims as at December 31, 2015 and 2014 were not material or a possible outflow is considered remote, 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.

25. 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, 2015
	Category	Level 1	Level 2	Level 3	Carrying Value
					($ thousands)
ASSETS					
Cash *(iii)*	L&R	$ 15,229	$ —	$ —	$ 15,229
Loan receivables *(i)*	L&R	—	91,892	—	91,892
LIABILITIES					
Accounts payable *(iii)*	L&B		(11,557)	—	(11,557)
Contingent consideration	FVTP	—	—	(7,215)	(7,215)
Borrowings *(ii)*	L&B		(255,173)	—	(255,173)
Customer security deposits	L&B		(13,895)		(13,895)
Convertible debentures *(iv)*	FVTP	(19,900)	—	—	(19,900)
Interest rate swaps *(v)*	HFT	—	(892)	—	(892)
Total net assets (liabilities) classified as financial instruments		$ (4,671)	$ (189,625)	$ (7,215)	$ (201,511)

					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
Loan receivables *(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 *(iv)*	FVTP	(20,598)	—	—	(20,598)
Total net assets (liabilities) classified as financial instruments		$ (10,378)	$ (84,511)	$ 7,776	$ (87,113)

(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 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.

(v) 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 of the significant inputs are directly or indirectly observable. For the rates on the interest rate swaps, see Note 16 - *Interest Rate Swaps*.

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 period 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,**	
	2015	2014
	($ thousands)	
Balance, beginning of period	**$ 7,776**	$ 6,319
Originations	**136**	2,639
Fair value accretion *(i)*	**1,679**	3,176
Losses and provision for losses	**(979)**	(567)
Collections	**(2,874)**	(4,389)
Foreign exchange impact *(ii)*	**1,293**	598
Balance, end of period	**$ 7,031**	$ 7,776

(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 period-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. 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, 2015	2014
	($ thousands)	
Loans and receivables:		
Provision for credit losses - continuing operations	**$ (18,929)**	$ (10,639)
Designated as at fair value through net income or loss:		
Convertible debentures	**(602)**	(1,266)
Fair value through profit or loss:		
Interest rate swaps	**(846)**	(439)
Net loss	**$ (20,377)**	$ (12,344)

(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.

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.

Pawnee, Blue Chip 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 either 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 Blue Chip borrower is a tenured small business with a strong credit profile. 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 Blue Chip 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 8 - *Finance Receivables*, for a further discussion on the repossession of collateral.

The finance 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 are considered to be impaired is provided in Note 8 - *Finance Receivables*.

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.

Blue Chip, 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.

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, 2015, the Company's continuing operations has $83.7 million (2014 - $45.7 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 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.$125.0 million was utilized at December 31, 2015 (2014 - U.S.$88.0 million). See Note 13 - *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.

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). Commencing in January 2016, the maximum cash dividends that the Company can pay in respect of a month is 1/12 of 90% of free cash flow for the most recently completed four financial quarters in which the Company has publicly filed its consolidated financial statements less cost of any repurchases under normal course issuer bid. See Note 31(a) - *Subsequent Events*.

The maturity structure for undiscounted contractual cash flows is presented in Note 17 - *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 and the effect on the Company for the year-ended December 31, 2015 and 2014:

	For the years ended			
	December 31, 2015		December 31, 2014	
	+100 bps	-100 bps	+100 bps	-100 bps
	($ thousands)			
Increase (decrease) in interest expense	**$ 863**	**$ (863)**	$ 556	$ (556)
Increase (decrease) in net income and equity	**$ (561)**	**$ 561**	$ (368)	$ 368

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, 2015 dividends paid totaled $12.7 million (2014 - $9.2 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, 2015 and 2014:

U.S. Denominated Balances	**December 31, 2015**	December 31, 2014
	($ thousands)	
Year-end exchange rate	**1.3840**	1.1601
U.S. denominated net assets in U.S.$ held in Canada	**$ 1,709**	$ 2,136
Effect of a 10% increase or decrease in the Canadian/U.S. dollar on U.S. denominated net assets	**$ 237**	$ 248

26. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity, which at December 31, 2015 comprised $156.6 million (2014 - $79.8 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 United States, 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. This credit facility supports growth in finance receivables, provides for Chesswood's working capital needs and for general corporate purposes. The 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 more efficient.

Financing 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\loans or to acquire vehicle inventory and support working capital). The financing facilities are not intended to directly fund dividends by the Company.

27. 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) See Note 19 - *Common Shares* relating to private placement in March 2015.

(b) 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,** **2015**	**2014**
	($ thousands)	
Salaries, fees and other short-term employee benefits	**$ 1,314**	$ 1,198
Share-based compensation	**1,084**	944
Compensation expense of key management	**$ 2,398**	$ 2,142

28. SEASONAL OPERATIONS

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.

29. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

In the second quarter of 2015, the Company moved the change in finance receivables and security deposits to operating activities for cash flow purposes. Per IFRS, finance receivables are deemed to be operating assets for financial institutions and the Company has adopted this same presentation.

It was determined that Sherway meets the criteria of a discontinued operation at September 30, 2015. It was determined that EcoHome and Case Funding meets the criteria of a discontinued operation at December 31, 2015. The comparative figures have been reclassified as if the operation had been discontinued from the start of the comparative year. See Note 6 - *Discontinued Operations* for further information.

30. 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 the following reportable segments: Equipment Financing - U.S. and Equipment Financing - Canada.

Chesswood's U.S. Equipment Financing business is located in the United States and is involved in small-ticket equipment leasing and lending to small businesses primarily in the start-up and "B" credit markets. At December 31, 2015, Windset's information is aggregated with Chesswood's U.S. Equipment Financing segment as both Pawnee and Windset offer lending solutions to small businesses in the United States and Windset continues to leverage off Pawnee's experience, processes, broker channel and "back-office" support for collections and documentation. The Canadian Equipment Financing segment provides commercial equipment financing to small businesses in Canada and includes Blue Chip.

At September 30, 2015, our Automotive Operations segment which sells and services predominantly Acura automobiles and leases Acura and other brand automobiles in the province of Ontario, Canada, was classified as a discontinued operation. It was determined that EcoHome and Case Funding meets the criteria of a discontinued operation at December 31, 2015. The assets and liabilities held-for-sale are grouped in the Corporate Overhead - Canada column. See Note 6 - *Discontinued Operations* for more details.

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 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, except Northstar's results for the eleven months ended 2014 are grouped with Equipment Finance, which were not significant enough to be disclosed separately.

Selected information by segment and geographically is as follows:

($ thousands)	Year ended December 31, 2015 Equipment Financing - U.S.	Equipment Financing - Canada	Corporate Overhead - Canada	Total
Interest revenue on leases and loans	$ 58,624	$ 8,025	$ —	$ 66,649
Ancillary finance and other fee income	7,148	2,780	—	9,928
Interest expense	(5,067)	(2,696)	—	(7,763)
Provision for credit losses	(18,371)	(558)	—	(18,929)
Finance margin	**42,334**	**7,551**	**—**	**49,885**
Personnel expenses	6,828	2,148	1,231	10,207
Share-based compensation expense	243	66	1,155	1,464
Other expenses	6,060	1,531	1,586	9,177
Amortization - property and equipment	216	22	15	253
Income before undernoted items	**28,987**	**3,784**	**(3,987)**	**28,784**
Acquisition related items	—	—	(897)	(897)
Amortization - intangible assets, contingent consideration accretion (non-cash)	—	(1,180)	(1,058)	(2,238)
Financing costs - convertible debentures	—	—	(602)	(602)
Unrealized loss on interest rate swaps	—	—	(846)	(846)
Unrealized loss on foreign exchange	—	—	(57)	(57)
Income before taxes	**28,987**	**2,604**	**(7,447)**	**24,144**
Tax expense	9,420	801	1,560	11,781
Income from continuing operations	**19,567**	**1,803**	**(9,007)**	**12,363**
Income from discontinued operations *(Note 6)*	—	—	7,441	7,441
Net income	**$ 19,567**	**$ 1,803**	**$ (1,566)**	**$ 19,804**
Net cash used in operating activities	$ (31,302)	$ (13,304)	$ (5,142)	$ (49,748)
Net cash from (used in) investing activities	$ (201)	$ 2,561	$ (25,830)	$ (23,470)
Net cash from financing activities	$ —	$ 14,562	$ 56,415	$ 70,977
Total Assets	$ 290,580	$ 155,558	$ 119,372	$ 565,510
Total Liabilities	$ 38,372	$ 101,893	$ 268,690	$ 408,955
Finance receivables	$ 253,083	$ 112,476	$ —	$ 365,559
Goodwill and intangible assets	$ 22,359	$ 42,226	$ —	$ 64,585
Property and equipment expenditures	$ 201	$ 53	$ —	$ 254

($ thousands)	Year Ended December 31, 2014 Equipment Financing	Corporate overhead - Canada	Total
Interest revenue on finance leases and loans	$ 44,235	$ —	$ 44,235
Ancillary finance and other fee income	5,581	—	5,581
Interest expense	(4,973)	35	(4,938)
Provision for credit losses	(10,639)	—	(10,639)
Finance margin	**34,204**	**35**	**34,239**
Personnel expenses	5,938	1,343	7,281
Share-based compensation expense	195	944	1,139
Other expenses	4,776	1,259	6,035
Amortization - property and equipment	150	2	152
Income before undernoted items	**23,145**	**(3,513)**	**19,632**
Acquisition related items	(607)	(167)	(774)
Amortization - intangible assets	(63)	—	(63)
Finance costs - convertible debentures	—	(1,266)	(1,266)
Unrealized gain on interest rate swaps	(439)	—	(439)
Unrealized gain on foreign exchange	—	223	223
Income before taxes	**22,036**	**(4,723)**	**17,313**
Tax expense	8,192	695	8,887
Income from continuing operations	13,844	(5,418)	8,426
Income from discontinued operations *(Note 6)*	—	3,113	3,113
Net income	**$ 13,844**	**$ (2,305)**	**$ 11,539**
Net cash used in operating activities	$ (3,367)	$ (4,567)	$ (7,934)
Net cash used in investing activities	$ (342)	$ (10,567)	$ (10,909)
Net cash from (used in) financing activities	$ (84,676)	$ 88,632	$ 3,956
Total Assets	$ 217,379	$ 38,060	$ 255,439
Total Liabilities	$ 41,166	$ 134,429	$ 175,595
Finance receivables	$ 184,903	$ 12,654	$ 197,557
Goodwill and intangible assets	$ 23,473	$ 4,595	$ 28,068
Property and equipment expenditures	$ 342	$ —	$ 342

31. SUBSEQUENT EVENTS

a) On January 25, 2016, the maximum cash dividends that the Company can pay in respect of a month, including cost of any repurchases under normal course issuer bids, was amended to be 1/12 of 90% (previously 80%) of the Free Cash Flow for the most recently completed four financial quarters in which Chesswood has publicly filed its condensed consolidated interim financial statements (including its annual financial statements in respect of a fourth quarter). In addition, the Company can also declare a special dividend or make repurchases under normal course issuer bids to an aggregate of $17.7 million in conjunction to the EcoHome sale (see below).

b) The Company sold EcoHome in February 2016 - see Note 6(e) - *Discontinued Operations* for details. In conjunction with the sale of EcoHome, the Company declared a special dividend of $0.50 per share on February 18, 2016 and paid $6.0 million in contingent consideration payable. As a result of the special dividend declared, subsequent to December 31, 2015, the conversion price of the convertible debentures was adjusted to $20.19.

Chesswood Group Limited

Directors and Officers

Directors

Frederick W. Steiner
Director, Chairman of Chesswood Group Limited
C.E.O., Imperial Coffee and Services Inc.

Clare Copeland
Director, Chairman, Compensation Committee
Vice-Chair, Falls Management Company

Jeffrey Wortsman
Director, Chairman, Audit and Governance Committee
President & C.E.O., Danier Leather Inc.

Barry Shafran
Director
President & C.E.O., Chesswood Group Limited

David Obront
Director
President, Carpool Two Ltd.

Robert Day
Director
Former Chairman, Pawnee Leasing Corporation

Samuel Leeper
Director
Former C.E.O., Pawnee Leasing Corporation

Daniel Wittlin
Director
Former President & C.E.O. of Blue Chip Leasing

Executive Team

Barry Shafran
President & C.E.O.

Lisa Stevenson
Chief Financial Officer

Other Information

Auditors
BDO Canada LLP

Transfer Agent
Equity Financial Trust Company

Corporate Counsel
McCarthy Tétrault LLP

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