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
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
Consideration			
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

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**

	For the year ended December 31, 2014			
($ thousands, except per share amounts)	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				
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	For the years ended December 31, 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	For the years ended December 31, 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	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 - *Borrowings*. 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

Website
www.chesswoodgroup.com

Toronto Stock Exchange Symbols
CHW
CHW.DB