CHESSWOOD GROUP LIMITED

THIRD QUARTER REPORT TO SHAREHOLDERS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2016

CHESSWOOD GROUP LIMITED

NOTICE TO READERS

Accompanying this notice are the unaudited condensed consolidated interim financial statements of Chesswood Group Limited for the three and nine months ended September 30, 2016. These statements have been prepared by, and are the responsibility of, the Company's management.

Following consultation with management and with the Company's independent auditors, the Company's board of directors concluded that the auditors would not be engaged to perform a review of these financial statements. Under applicable securities legislation, there is no requirement that auditors be engaged to review these statements, but the Company must advise you if (as noted above) no review engagement is made.

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

	Note	September 30, 2016 (unaudited)	December 31, 2015 (audited)
ASSETS			
Cash		**$ 5,423**	$ 15,229
Assets held for sale	*5*	**6,402**	107,840
Prepaid expenses and other assets	*6*	**15,569**	10,261
Finance receivables	*7*	**407,949**	365,559
Deferred tax assets		**943**	1,141
Property and equipment		**1,430**	895
Intangible assets		**22,014**	23,335
Goodwill		**40,472**	41,250
TOTAL ASSETS		**$ 500,202**	$ 565,510
LIABILITIES			
Accounts payable and other liabilities	*8*	**$ 16,741**	$ 11,557
Liabilities held for sale		**732**	73,808
Contingent consideration		**1,589**	7,215
Borrowings	*9*	**273,460**	255,173
Customer security deposits		**13,234**	13,895
Convertible debentures		**20,400**	19,900
Interest rate swaps		**2,574**	892
Deferred tax liabilities		**19,211**	26,515
		347,941	408,955
SHAREHOLDERS' EQUITY			
Common shares		**102,976**	101,726
Non-controlling interest		**12,714**	13,194
Share-based compensation reserve		**4,803**	4,434
Accumulated other comprehensive income		**15,790**	20,987
Retained earnings		**15,978**	16,214
		152,261	156,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 500,202**	$ 565,510

Please see notes to the condensed consolidated interim financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands of dollars, except per share amounts, unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2016**	2015	**2016**	2015
Finance revenue					
Interest revenue on finance leases and loans		**$ 19,520**	$ 18,180	**$ 57,651**	$ 47,758
Ancillary finance and other fee income		**3,675**	2,569	**10,261**	7,047
		23,195	20,749	**67,912**	54,805
Finance expenses					
Interest expense		**2,522**	2,187	**7,066**	5,503
Provision for credit losses	*7*	**6,975**	6,298	**17,880**	12,916
		9,497	8,485	**24,946**	18,419
Finance margin		**13,698**	12,264	**42,966**	36,386
Expenses					
Personnel expenses		**3,467**	3,104	**10,072**	8,515
Other expenses		**2,925**	2,291	**8,342**	6,445
Amortization - property and equipment		**86**	58	**221**	189
		6,478	5,453	**18,635**	15,149
Income before undernoted items		**7,220**	6,811	**24,331**	21,237
Acquisition related items		**(41)**	(173)	**(374)**	(1,468)
Amortization - intangible assets		**(333)**	(163)	**(998)**	(583)
Fair value adjustment to investments held		**363**	—	**(178)**	—
Financing costs - convertible debentures		**(300)**	(276)	**(1,150)**	(330)
Unrealized gain (loss) on interest rate swaps		**444**	(1,300)	**(1,742)**	(1,300)
Unrealized gain on foreign exchange		**241**	12	**500**	152
Income before taxes		**7,594**	4,911	**20,389**	17,708
Tax expense		**(2,375)**	(2,754)	**(8,258)**	(8,977)
Income from continuing operations		**5,219**	2,157	**12,131**	8,731
Income from discontinued operations	*5*	**(136)**	983	**7,044**	3,021
Net income		**$ 5,083**	$ 3,140	**$ 19,175**	$ 11,752
Attributable to:					
Common shareholders		**$ 4,662**	$ 2,894	**$ 17,581**	$ 10,679
Non-controlling interest		**$ 421**	$ 246	**$ 1,594**	$ 1,073
Basic earnings per share	*14*	**$ 0.29**	$ 0.17	**$ 1.08**	$ 0.73
Diluted earnings per share	*14*	**$ 0.27**	$ 0.16	**$ 1.05**	$ 0.70

Please see notes to the condensed consolidated interim financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands of dollars, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Net income	**$ 5,083**	$ 3,140	**$ 19,175**	$ 11,752
Other comprehensive income:				
Unrealized gain (loss) on translation of foreign operations	**566**	7,117	**(5,667)**	13,097
Comprehensive income	**$ 5,649**	$ 10,257	**$ 13,508**	$ 24,849
Attributable to:				
Common shareholders	**$ 5,181**	$ 9,389	**$ 12,385**	$ 22,580
Non-controlling interest	**$ 468**	$ 868	**$ 1,123**	$ 2,269

Please see notes to the condensed consolidated interim financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands of dollars, unaudited)

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	2016 Total
		(# '000s)						
Shareholders' equity - December 31, 2015		**16,264**	**$ 101,726**	**$ 13,194**	**$ 4,434**	**$ 20,987**	**$ 16,214**	**$ 156,555**
Net income		**—**	**—**	**1,594**	**—**	**—**	**17,581**	**19,175**
Dividends declared		**—**	**—**	**(1,604)**	**—**	**—**	**(17,681)**	**(19,285)**
Share-based compensation	12	**—**	**—**	**—**	**1,101**	**—**	**—**	**1,101**
Exercise of restricted share units	12	**38**	**466**	**—**	**(466)**	**—**	**—**	**—**
Exercise of options	12	**106**	**982**	**—**	**(266)**	**—**	**—**	**716**
Repurchase of common shares under issuer bid	11	**(32)**	**(198)**	**—**	**—**	**—**	**(136)**	**(334)**
Unrealized loss on translation of foreign operations		**—**	**—**	**(470)**	**—**	**(5,197)**	**—**	**(5,667)**
Shareholders' equity - September 30, 2016		**16,376**	**$ 102,976**	**$ 12,714**	**$ 4,803**	**$ 15,790**	**$ 15,978**	**$ 152,261**

	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		5,734	49,521	—	—	—	—	49,521
Net income				1,073	—	—	10,679	11,752
Dividends declared		—	—	(865)	—	—	(8,737)	(9,602)
Share-based compensation	12	—	—	—	1,252	—	—	1,252
Exercise of restricted share units	12	38	535	—	(535)	—	—	—
Exercise of options	12	72	593	—	(194)	—	—	399
Unrealized gain on translation of foreign operations		—	—	1,196	—	11,901	—	13,097
Shareholders' equity - September 30, 2015		16,264	99,688	12,528	4,027	17,993	12,027	146,263
Shares issued		—	2,038	—	—	—	—	2,038
Net income		—	—	693	—	—	7,359	8,052
Dividends declared		—	—	(288)	—	—	(3,172)	(3,460)
Share-based compensation		—	—	—	407	—	—	407
Exercise of options		—	—	—	—	—	—	—
Unrealized gain on translation of foreign operations		—	—	261	—	2,994	—	3,255
Shareholders' equity - December 31, 2015		**16,264**	**$ 101,726**	**$ 13,194**	**$ 4,434**	**$ 20,987**	**$ 16,214**	**$ 156,555**

Please see notes to the condensed consolidated interim financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(in thousands of dollars, unaudited)	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
OPERATING ACTIVITIES					
Income from continuing operations		**$ 5,219**	$ 2,157	**$ 12,131**	$ 8,731
Costs associated with investing activities included in net income		**—**	10	**—**	1,125
		5,219	2,167	**12,131**	9,856
Non-cash items included in net income					
Amortization		**419**	221	**1,219**	772
Provision for credit losses		**8,698**	7,515	**22,474**	16,252
Amortization of origination costs		**4,919**	4,652	**14,702**	11,767
Tax expense		**2,375**	2,754	**8,258**	8,977
Other non-cash items	*15*	**(280)**	2,363	**4,319**	3,651
		16,131	17,505	**50,972**	41,419
Cash from operating activities before change in net operating assets		**21,350**	19,672	**63,103**	51,275
Funds advanced on origination of finance receivables		**(80,551)**	(63,510)	**(222,119)**	(169,879)
Origination costs paid on finance receivables		**(7,682)**	(6,612)	**(22,568)**	(17,656)
Principal collections of finance receivables		**50,116**	46,048	**151,590**	112,270
Change in other net operating assets	*15*	**(175)**	1,260	**1,534**	(380)
Cash used in operating activities before undernoted		**(16,942)**	(3,142)	**(28,460)**	(24,370)
Interest paid on convertible debentures		**—**	—	**(650)**	(650)
Income taxes (paid) refunded - net		**(5,153)**	(4,693)	**(4,664)**	(13,609)
Cash used in operating activities - continuing operations		**(22,095)**	(7,835)	**(33,774)**	(38,629)
Cash from (used in) operating activities - discontinued operations		**233**	(4,293)	**(2,574)**	(1,466)
Cash used in operating activities		**(21,862)**	(12,128)	**(36,348)**	(40,095)
INVESTING ACTIVITIES					
Acquisition, net of cash acquired		**—**	(10)	**(6,000)**	(41,481)
Proceeds from sale of discontinued operations, net of costs		**2,468**	(62)	**27,432**	6,127
Purchase of property and equipment		**(66)**	(90)	**(767)**	(239)
Cash from (used in) investing activities - continuing operations		**2,402**	(162)	**20,665**	(35,593)
Cash used in investing activities - discontinued operations		**—**	—	**—**	(14)
Cash from (used in) investing activities		**2,402**	(162)	**20,665**	(35,607)
FINANCING ACTIVITIES					
Borrowings, net	*15*	**25,927**	13,209	**26,251**	51,135
Payment of financing costs		**—**	(166)	**—**	(818)
Proceeds from issue of shares, net of costs		**—**	(8)	**—**	34,043
Proceeds from exercise of options		**417**	13	**716**	399
Repurchase of common shares under issuer bid		**(335)**	—	**(335)**	—
Cash dividends paid	*13*	**(3,477)**	(3,457)	**(19,278)**	(9,222)
Cash from financing activities - continuing operations		**22,532**	9,591	**7,354**	75,537
Cash from (used in) financing activities - discontinued operations		**—**	2,791	**(1,703)**	3,118
Cash from financing activities		**22,532**	12,382	**5,651**	78,655
Unrealized foreign exchange gain (loss) on cash		**(45)**	375	**(465)**	893
Net increase (decrease) in cash		**3,027**	467	**(10,497)**	3,846
Cash, beginning of the period		**2,396**	13,599	**15,920**	10,220
Cash, end of the period		**5,423**	14,066	**5,423**	14,066
Cash held by discontinued operations		**—**	(224)	**—**	(224)
Cash held by continuing operations		**$ 5,423**	$ 14,290	**$ 5,423**	$ 14,290

Please see notes to the condensed consolidated interim 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, Unit 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"), Lease-Win Limited, Case Funding Inc. ("Case Funding"), as well as 100% of the shares of Chesswood U.S. Acquisition Co Ltd. ("U.S. Acquisitionco"), a corporation which owns 100% of the shares of the operating company Pawnee Leasing Corporation ("Pawnee"), incorporated in Colorado, United States, and Windset Capital Corporation ("Windset"), incorporated in Delaware, United States.

As partial consideration for the acquisition of Pawnee in May 2006, 1,274,601 Class B shares and 203,936 Class C shares of 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 International Financial Reporting Standards ("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 United States.
- Windset - provided 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.
- Case Funding - holds a portfolio of legal finance receivables in the United States.

The condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with 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 condensed consolidated interim 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, 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 condensed consolidated interim financial statements were authorized for issue on November 8, 2016 by the Board of Directors.

2. CONSOLIDATION

The condensed consolidated interim 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

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2015.

The condensed consolidated interim financial statements should be read in conjunction with the Company's most recently issued Annual Report which includes information necessary, or useful, to understanding the Company's businesses and financial reporting.

The condensed consolidated interim financial statements are unaudited. Financial information in this report reflects adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair statement of results for the interim periods in accordance with IFRS.

The results reported in these condensed consolidated interim financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The Company's significant accounting policies were presented as Note 3 - *Significant Accounting Policies* to the Consolidated Financial Statements for the fiscal year ended December 31, 2015 included in the Company's most recently issued Annual Report, and have been consistently applied in the preparation of these interim financial statements.

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 ending 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 ending December 31, 2018.

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 and is effective for periods beginning on or after 1 January 2019. 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. The Company plans to adopt the standard for the year ending December 31, 2019.

5. DISCONTINUED OPERATIONS

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 Sherway in November 2015, the sale of EcoHome Financial Inc. ("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 condensed consolidated interim statements of income and cash flows have been reclassified as if the operations had been discontinued from the start of the comparative year.

a) 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. In the comparative interim consolidated financial statements, included in income from discontinued operations, Sherway contributed net income of \$568,000 for the three months ended September 30, 2015 and \$1.3 million for the nine months ended September 30, 2015.

b) 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 and is included in income from discontinued operations for the nine months ended September 30, 2015. Case Funding's net income, included in income from discontinued operations, for the nine months ended September 30, 2016 totaled \$192,000 compared to \$1.2 million recorded in the same period in the prior year. Case Funding's net loss, included in income from discontinued operations, for the three months ended September 30, 2016 totaled \$135,600 compared to net income of \$124,000 recorded in the same period in the prior year.

Attorney loans totaling U.S.\$525,000 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 December 2015, the Company made a strategic decision to dispose of the retained legal finance receivables in the following 12 months. A search is underway for a buyer.

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

	September 30, 2016	December 31, 2015
	($ thousands)	
Attorney loans and medical liens	**$ 454**	$ 3,559
Plaintiff advances	**5,948**	7,031
Legal finance receivables	**6,402**	10,590
Current portion	**2,948**	6,455
Legal finance receivables – long-term portion	**$ 3,454**	$ 4,135

At Case Funding, management reviews each attorney loan receivable on an individual basis for collectability and for reserve requirements, if any. At September 30, 2016, it was determined an allowance of \$556,000 (December 31, 2015 - \$486,000) was required.

c) 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").

On February 18, 2016, the Company sold EcoHome for approximately $35.0 million, of which $29.0 million was paid in cash. Chesswood also received 6,039,689 common shares of Dealnet Capital Corp. ("Dealnet") with a value of $3.5 million and a $2.5 million convertible note which will mature in two years, bears interest at 6% per annum and is convertible (at the Company's option), in whole or in part at any time, into common shares of Dealnet at a conversion price of $0.64 per share. Of the proceeds, $1.75 million held in escrow and will be released on August 18, 2017.

No impairment loss was recognized on reclassification as held-for-sale at December 31, 2015 because the fair value less costs to sell exceeded the carrying amount. The net gain, after $1.3 million in costs and $3.4 million in taxes, is approximately $6.8 million and is included in income from discontinued operations for the nine months ended September 30, 2016.

EcoHome's net income, included in income from discontinued operations, for the nine months ended September 30, 2016 totaled $6.9 million compared to $476,000 recorded in the same period in the prior year. EcoHome's net income, included in income from discontinued operations, for the three months ended September 30, 2016 totaled $nil compared to $291,000 recorded in the same period in the prior year.

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise:

		September 30, 2016	December 31, 2015
		($ thousands)	
Property tax receivable		**$ 570**	$ 741
Tax receivable		**—**	8,358
Sales tax receivable		**190**	648
Other prepaid expenses and current assets		**776**	514
Loan receivable - EcoHome	*a*	**6,532**	—
Common shares - Dealnet	*b*	**3,322**	—
Escrow funds - Dealnet	*c*	**1,679**	—
Convertible note - Dealnet	*d*	**2,500**	—
Prepaid expenses and other assets		**15,569**	10,261
Current portion		**13,069**	10,261
Long-term portion		**$ 2,500**	$ —

(a) Loan receivable - The original loan receivable of $8.0 million had a maturity date of April 28, 2016, bore interest at 4.0% per annum and represented the inter-company warehouse funding to EcoHome of leases and loans that had not yet been securitized with EcoHome funders prior to the sale of EcoHome. The secured note was restated to extend the maturity date to September 30, 2017, with interest at 5.5% per annum for the first 12 months. The note provides for monthly cash flow sweeps from a designated portfolio of leases and loans as well as specific quarterly payment provisions. The value represents the net present value of the expected cash flows from the loan receivable.

(b) Common shares - as partial consideration for the sale of EcoHome, Chesswood received 6,039,689 common shares of Dealnet. The Dealnet shares are measured at fair value through profit or loss. The fair value represents the trading price at each reporting date. Dealnet shares trade on the TSX Venture Exchange under the stock symbol "DLS".

(c) Escrow funds - $1.75 million of the proceeds were held back as escrow and will be released by August 18, 2017. The value represents the net present value of the escrowed funds.

(d) Convertible note - as partial consideration for the sale of EcoHome, Chesswood received a $2.5 million convertible note of Dealnet, bearing interest at 6% per annum, which matures in February 2018 and is convertible into common shares of Dealnet at a conversion price of $0.64 per share.

7. FINANCE RECEIVABLES

Finance receivables comprise:

	September 30, 2016	December 31, 2015
	($ thousands)	
Net investment in leases	**$ 305,831**	$ 273,667
Loan receivables	**102,118**	91,892
	$ 407,949	$ 365,559

The Company finances its finance lease and loan receivables by pledging such receivables as security for amounts borrowed from lenders under bulk lease facilities and the general corporate credit facility. The Company retains ownership and servicing responsibilities of the pledged lease and loan receivables; however, the lenders have the right to enforce their security interest in the pledged lease and loan receivables if the Company defaults under these facilities.

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

	September 30, 2016	December 31, 2015
	($ thousands)	
Total minimum payments	**$ 507,046**	$ 454,531
Residual values of leased equipment	**20,711**	21,249
	527,757	475,780
Unearned income, net of initial direct costs of acquisition	**(110,832)**	(101,198)
Net investment in finance receivables before allowance for doubtful accounts	**416,925**	374,582
Allowance for doubtful accounts *(b)*	**(10,357)**	(10,647)
	406,568	363,935
Reserve receivable on securitized financial contracts	**1,381**	1,624
Net investment in finance receivables	**407,949**	365,559
Current portion (*)	**162,675**	170,429
Net investment in finance receivables - long-term portion	**$ 245,274**	$ 195,130

(*) 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 current portion of net investment in finance receivables shown above should not be regarded as a forecast of future cash payments.

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

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
	($ thousands)			
Balance, beginning of period	**$ 8,607**	$ 7,471	**$ 10,647**	$ 6,558
Provision for credit losses	**6,975**	6,298	**17,880**	12,916
Impact of change in foreign exchange rates	**41**	588	**(509)**	1,057
Allowance of acquired companies	**—**	—	—	942
Charge-offs	**(6,916)**	(5,679)	**(22,254)**	(14,915)
Recoveries	**1,650**	1,230	**4,593**	3,350
Balance, end of period	**$ 10,357**	$ 9,908	**$ 10,357**	$ 9,908

(c) 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 $13.2 million (December 31, 2015 - $13.9 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 September 30, 2016

($ thousands)	**Current**	**1-30 days**	**31 - 60 days**	**61 - 90 days**	**Over 90 days**	**Total**
Equipment lease receivables	**$ 301,253**	**$ 4,929**	**$ 2,758**	**$ 1,108**	**$ 2,063**	**$ 312,111**
Loan receivables	**101,429**	**1,584**	**997**	**227**	**577**	**104,814**
	$ 402,682	**$ 6,513**	**$ 3,755**	**$ 1,335**	**$ 2,640**	**$ 416,925**
Impaired	**521**	**777**	**2,805**	**1,157**	**2,570**	**7,830**
Past due but not impaired	**$ —**	**$ 5,736**	**$ 950**	**$ 178**	**$ 70**	**$ 6,934**

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

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprise:

	September 30, 2016	December 31, 2015
	($ thousands)	
Dividends payable	**$ 1,161**	$ 1,153
Accounts payable	**676**	927
Sales tax payable	**57**	672
Customer deposits and prepayments	**664**	899
Unfunded finance receivables	**3,453**	2,634
Taxes payable	**7,508**	2,744
Payroll related payables and accruals	**1,427**	783
Accrued expenses and other liabilities	**1,795**	1,745
	$ 16,741	$ 11,557

9. BORROWINGS

Borrowings are comprised of:

		September 30, 2016	December 31, 2015
		($ thousands)	
Chesswood credit facility	*(a)*	**$ 170,259**	$ 164,250
Deferred financing costs		**(815)**	(1,524)
		169,444	162,726
Securitization and bulk lease financing facilities	*(b)*	**104,016**	92,447
		$ 273,460	$ 255,173

(a) On December 8, 2014, Chesswood entered into a 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 September 30, 2016 and December 31, 2015, and throughout the periods presented, Chesswood was in compliance with all covenants. Based on average debt levels, the effective interest rate paid during nine months ended September 30, 2016 was 3.85% (year-ended December 31, 2015 - 3.79%).

(b) Blue Chip has 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 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 provides 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:

- $40.0 million annual limit from one life insurance company;
- $80.0 million rolling limit from one financial institution; and
- Approved funding from one financial institution with no annual or rolling limit.

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 nine months ended September 30, 2016 was 3.04% (for the period ended December 31, 2015 - 3.38%). As at September 30, 2016, Blue Chip has provided $5.6 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 September 30, 2016, and throughout the periods presented, Blue Chip was in compliance with all covenants.

10. 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		$ 14,330	$ 2,411	$ —	$ —	$ —	$ —	**$ 16,741**
Contingent consideration		—	—	1,589	—	—	—	**1,589**
Borrowings	*(i)*	11,822	209,102	27,899	16,899	7,388	350	**273,460**
Customer security deposits	*(ii)*	1,334	3,550	3,718	2,948	1,761	902	**14,213**
Convertible debentures		—	—	20,000	—	—	—	**20,000**
Interest rate swaps		—	—	—	—	1,107	1,467	**2,574**
		27,486	215,063	53,206	19,847	10,256	2,719	**328,577**
Other financial commitments	*(iii)*	336	601	209	214	217	411	**1,988**
Total commitments		$ 27,822	$ 215,664	$ 53,415	$ 20,061	$ 10,473	$ 3,130	**$ 330,565**

i. Borrowings are described in Note 9, 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.

For contingent liabilities and other commitments, refer to Note 24 - *Contingent Liabilities and Other Financial Commitments* of the 2015 annual consolidated financial statements. Refer to Note 5 - *Business Acquisitions* of the 2015 annual consolidated financial statements for description of contingent consideration.

11. COMMON SHARES

Normal course issuer bids

In August 2016, the Board of Directors approved the repurchase and cancellation of up to 1,078,096 of the Company's outstanding Common Shares for the period commencing August 25, 2016 and ending on August 24, 2017. From August 25, 2016 to September 30, 2016, 3,200 Common Shares were repurchased under this normal course issuer bid at an average cost of $10.9822. The excess of the purchase price over the average stated value of Common Shares purchased for cancellation is charged to retained earnings.

Additionally, the Company has entered into an automatic share purchase plan with a broker for the purpose of permitting the Company to purchase its Common Shares under the normal course issuer bid at such times when the Company would not be permitted to trade in its own shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases will be determined by the broker in its sole discretion based on parameters the Company has established.

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. During August 2016, 28,356 Common Shares were repurchased under this normal course issuer bid at an average cost of $10.5710.

12. COMPENSATION PLANS

(a) Share options

During the nine months ended September 30, 2016, personnel expenses and the share-based compensation reserve included $735,600 (2015 - $821,400) relating to option expense. An additional $148,000 in share-based compensation expense is included in income from discontinued operations during the nine months ended September 30, 2016.

As of September 30, 2016, unrecognized non-cash compensation expense related to the outstanding options was $769,400 (2015 - $1.4 million), which is expected to be recognized over the remaining vesting period.

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

	For the three months ended **September 30,**		For the nine months ended **September 30,**	
	2016	2015	**2016**	2015
Balance, beginning of period	**1,779,917**	1,868,167	**1,853,917**	1,325,156
Granted	**395,000**	—	**395,000**	615,000
Exercised	**(61,928)**	(1,750)	**(105,928)**	(71,989)
Forfeited	**(145,000)**	—	**(175,000)**	(1,750)
Balance, end of period	**1,967,989**	1,866,417	**1,967,989**	1,866,417

During the nine months ended September 30, 2016, 105,928 options were exercised (2015 - 71,989) for total cash consideration of $716,300 (2015 - $398,800). On exercise, the fair value of options that had been expensed to date during the vesting period of $266,000 (2015 - $193,600) 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 nine months ended September 30, 2016, the weighted average share price at the date of exercise was $10.29 (2015 - $12.33).

At September 30, 2016, the weighted average exercise price is $9.81 (2015 - $9.78) and the weighted average remaining contractual life for all options outstanding is 6.8 years (2015 - 7.3 years). The 1,242,239 options exercisable at September 30, 2016 have a weighted average exercise price of $8.88 (2015 - 1,059,167 options at $7.86).

An analysis of the options outstanding at September 30, 2016 is as follows:

Grant date	Number of options outstanding	Vested	Expiry date	Exercise price
June 23, 2009	10,000	10,000	June 22, 2019	$ 2.06
April 13, 2010	80,000	80,000	April 13, 2020	$ 4.49
April 25, 2011	206,500	206,500	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	186,489	186,489	June 24, 2022	$ 7.45
December 6, 2012	125,000	125,000	December 6, 2022	$ 8.86
April 29, 2014	265,000	179,250	April 29, 2024	$ 14.12
March 17, 2015	100,000	100,000	March 17, 2025	$ 11.00
April 16, 2015	200,000	60,000	April 16, 2025	$ 12.53
April 29, 2015	150,000	45,000	April 29, 2025	$ 12.24
August 15, 2016	395,000	—	August 15, 2026	$ 10.17
	1,967,989	1,242,239		

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:

	August 15, 2016
Number of options granted	395,000
Weighted average share price at date	$10.17
Expected volatility	30% - 32%
Expected life (years)	5 - 7
Expected dividend yield	7.41%
Risk-free interest rates	0.62% - 0.86%
Weighted average fair value of options granted	$1.09

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 three months ended **September 30,**		For the nine months ended **September 30,**	
	2016	2015	**2016**	2015
Balance, beginning of period	**34,000**	66,000	**66,000**	60,000
Granted	**42,000**	—	**42,000**	44,000
Exercised	**(6,000)**	—	**(38,000)**	(38,000)
Balance, end of period	**70,000**	66,000	**70,000**	66,000

During the nine months ended September 30, 2016, personnel expenses and share-based compensation reserve included $364,300 (2015 - $430,200) relating to RSUs. As of September 30, 2016, unrecognized non-cash compensation expense related to non-vested RSUs was $277,300 (2015 - $350,600).

The weighted average remaining contractual life for all RSUs outstanding is 8.6 years (2015 - 8.9 years).

An analysis of the RSUs outstanding at September 30, 2016 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, 2015	$ 14.07
May 25, 2015	6,000	6,000	May 21, 2025	$ 12.27
August 15, 2016	42,000	—	August 15, 2026	$ 10.17
	70,000	28,000		

13. DIVIDENDS

Under the Chesswood credit facility (see Note 9 - *Borrowings*), the maximum cash dividends (or cost of any repurchases under normal course issuer bids) that the Company can pay in respect of a month is 1/12 of 90% (prior to January 25, 2016 - 1/12 of 80%) 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 acquired companies for the corresponding period for periods prior to acquisition dates (See Note 5 - *Business Acquisitions* in the 2015 Annual Report for further details).

In conjunction with the sale of EcoHome, the Company declared a special dividend of $0.50 per share on February 18, 2016 for shareholders of record on February 29, 2016 and was paid on March 15, 2016, totaling $8.9 million.

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 nine months ended September 30, 2016:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount ($ thousands)
December 31, 2015	January 15, 2016	$ 0.065	$ 1,153
January 29, 2016	February 16, 2016	$ 0.065	1,154
February 29, 2016 - special	March 15, 2016	$ 0.500	8,874
February 29, 2016	March 15, 2016	$ 0.065	1,154
March 31, 2016	April 15, 2016	$ 0.065	1,154
April 29, 2016	May 16, 2016	$ 0.065	1,154
May 31, 2016	June 15, 2016	$ 0.065	1,158
June 30, 2016	July 15, 2016	$ 0.065	1,158
July 31, 2016	August 17, 2016	$ 0.065	1,158
August 31, 2016	September 15, 2016	$ 0.065	1,161
			$ 19,278

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during nine months ended September 30, 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	1,152
August 31, 2015	September 15, 2015	$ 0.065	1,153
			$ 9,222

14. EARNINGS PER SHARE

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

	For the three months ended September 30, **2016**	For the three months ended September 30, 2015	For the nine months ended September 30, **2016**	For the nine months ended September 30, 2015
Weighted average number of common shares outstanding	**16,415,751**	16,239,097	**16,311,248**	14,710,565
Dilutive effect of options	**345,282**	377,144	**340,566**	376,028
Dilutive effect of restricted share units	**52,000**	66,000	**57,095**	62,813
Weighted average common shares outstanding for diluted earnings per share	**16,813,033**	16,682,241	**16,708,909**	15,149,406
Options and convertible debentures excluded from calculation of diluted shares for the period due to their anti-dilutive effect	**1,656,176**	1,666,176	**1,656,176**	1,666,176

15. CASH FLOW SUPPLEMENTARY DISCLOSURE

($ thousands)	For the three months ended September 30, **2016**	For the three months ended September 30, 2015	For the nine months ended September 30, **2016**	For the nine months ended September 30, 2015
Other non-cash items included in net income				
Share-based compensation expense	**$ 326**	$ 431	**$ 953**	$ 1,097
Amortization of deferred financing costs	**171**	205	**531**	557
Financing costs - convertible debentures	**300**	276	**1,150**	330
Unrealized (gain) loss on investments	**(363)**	—	**178**	—
Escrow receivable fair value accretion	**(70)**	—	**(109)**	—
Contingent consideration accretion	**41**	163	**374**	519
Unrealized (gain) loss on interest rate swaps	**(444)**	1,300	**1,742**	1,300
Unrealized gain on foreign exchange	**(241)**	(12)	**(500)**	(152)
	$ (280)	$ 2,363	**$ 4,319**	$ 3,651
Change in other net operating assets				
Prepaid expenses and other assets	**$ 980**	$ (580)	**$ 192**	$ 2,176
Accounts payable and other liabilities	**(1,108)**	1,901	**1,299**	(2,176)
Customer security deposits	**(47)**	(61)	**43**	(380)
	$ (175)	$ 1,260	**$ 1,534**	$ (380)
Borrowings – continuing operations				
Chesswood credit facilities - proceeds	**$ 35,914**	$ 37,303	**$ 110,244**	$ 89,382
Chesswood credit facilities - payments	**(17,046)**	(28,525)	**(95,562)**	(56,483)
Proceeds from securitization and bulk lease financing facilities	**19,685**	11,903	**49,205**	36,445
Payments under securitization & bulk lease financing facilities	**(12,626)**	(7,472)	**(37,636)**	(18,209)
	$ 25,927	$ 13,209	**$ 26,251**	$ 51,135
Non-cash transactions				
Common shares issued for business acquisition	**$ —**	$ —	**$ —**	$ 16,583
Common shares issued on exercise of restricted shares	**$ 73**	$ 535	**$ 466**	$ 535

16. FINANCIAL INSTRUMENTS

(a) Categories and measurement hierarchy

There were no transfers between levels during the current period or prior year.

(b) 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 three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
	($ thousands)			
Loans and receivables:				
Provision for credit losses	**$ (6,975)**	$ (6,298)	**$ (17,880)**	$ (12,916)
Designated as at fair value through net income or loss:				
Convertible debentures	**(300)**	(276)	**(1,150)**	(330)
Investment in Dealnet common shares	**363**	—	**(178)**	—
Fair value through net income or loss:				
Interest rate swaps	**444**	(1,300)	**(1,742)**	(1,300)
Net loss	**$ (6,468)**	$ (7,874)	**$ (20,950)**	$ (14,546)

(c) 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.

17. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity, which at September 30, 2016 amounted to $152.3 million (December 31, 2015 - $156.6 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 three-year revolving senior secured U.S.$150 million 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 the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient.

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

18. RELATED PARTY TRANSACTIONS

The Company has no parent or other ultimate controlling party.

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 three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
		($ thousands)		
Salaries, fees and other short-term employee benefits	**$ 247**	$ 288	**$ 893**	$ 878
Share-based compensation	**265**	283	**757**	809
Compensation expense of key management	**$ 512**	$ 571	**$ 1,650**	$ 1,687

19. 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.

20. 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 September 30, 2016, 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.

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. Selected information by segment and geographically is as follows:

($ thousands)	Equipment Financing - U.S.	Equipment Financing - Canada	Discontinued Operations	Corporate Overhead - Canada	Total
	Nine months ended September 30, 2016				
Interest revenue on leases and loans	$ 49,917	$ 7,734		$ —	$ 57,651
Ancillary finance and other fee income	6,931	3,014		316	10,261
Interest expense	(4,344)	(2,722)		—	(7,066)
Provision for credit losses	(16,573)	(1,307)		—	(17,880)
Finance margin	**35,931**	**6,719**		**316**	**42,966**
Personnel expenses	6,018	2,055		1,046	9,119
Share-based compensation expense	146	47		760	953
Other expenses	5,963	1,135		1,244	8,342
Amortization - property and equipment	206	15		—	221
Income before undernoted items	**23,598**	**3,467**		**(2,734)**	**24,331**
Amortization - intangible assets, contingent consideration accretion (non-cash)	—	(998)		(374)	(1,372)
Fair value adjustments - convertible debentures and investments	—	—		(1,328)	(1,328)
Unrealized loss on interest rate swaps	—	—		(1,742)	(1,742)
Unrealized gain on foreign exchange	—	—		500	500
Income before taxes	**23,598**	**2,469**		**(5,678)**	**20,389**
Tax expense	7,350	624		284	8,258
Income from continuing operations	**16,248**	**1,845**		**(5,962)**	**12,131**
Income from discontinued operations	—	—	$ 7,044	—	7,044
Net income	**$ 16,248**	**$ 1,845**	**$ 7,044**	**$ (5,962)**	**$ 19,175**
Net cash used in operating activities	$ (17,781)	$ (11,320)	$ (2,574)	$ (4,673)	$ (36,348)
Net cash from investing activities	$ (767)	$ —	$ —	$ 21,432	$ 20,665
Net cash from financing activities	$ —	$ 11,569	$ (1,703)	$ (4,215)	$ 5,651
Total assets	$ 305,988	$ 169,763	$ 6,402	$ 18,049	$ 500,202
Total liabilities	$ 35,129	$ 114,208	$ 732	$ 197,872	$ 347,941
Finance receivables	$ 280,117	$ 127,832	$ —	$ —	$ 407,949
Goodwill and intangible assets	$ 21,190	$ 41,296	$ —	$ —	$ 62,486
Property and equipment expenditures	$ 767	$ —	$ —	$ —	$ 767

	Nine months ended September 30, 2015				
($ thousands)	**Equipment Financing - U.S.**	**Equipment Financing - Canada**	**Discontinued Operations**	**Corporate overhead - Canada**	**Total**
Interest revenue on leases and loans	$ 42,221	$ 5,537		$ —	$ 47,758
Ancillary finance and other fee income	5,120	1,927		—	7,047
Interest expense	(3,688)	(1,815)		—	(5,503)
Provision for credit losses	(12,281)	(635)		—	(12,916)
Finance margin	**31,372**	**5,014**		**—**	**36,386**
Personnel expenses	4,913	1,522		983	7,418
Share-based compensation expense	181	43		873	1,097
Other expenses	4,384	981		1,080	6,445
Amortization - property and equipment	155	19		15	189
Income before undernoted items	**21,739**	**2,449**		**(2,951)**	**21,237**
Acquisition related items	—	—		(949)	(949)
Amortization - intangible assets, contingent consideration accretion (non-cash)	—	(583)		(519)	(1,102)
Fair value adjustments - convertible debentures	—	—		(330)	(330)
Unrealized loss on interest rate swaps	—			(1,300)	(1,300)
Unrealized gain on foreign exchange	—	—		152	152
Income before taxes	**21,739**	**1,866**		**(5,897)**	**17,708**
Tax expense	7,389	444		1,144	8,977
Income from continuing operations	14,350	1,422		(7,041)	8,731
Income from discontinued operations	—	—	3,021	—	3,021
Net income	**$ 14,350**	**$ 1,422**	**$ 3,021**	**$ (7,041)**	**$ 11,752**
Net cash used in operating activities	$ (22,706)	$ (12,057)	$ (1,466)	$ (3,866)	$ (40,095)
Net cash used in investing activities	$ (189)	$ 2,564	$ (14)	$ (37,968)	$ (35,607)
Net cash from financing activities	$ —	$ 18,236	$ 3,118	$ 57,301	$ 78,655
Total assets	$ 262,065	$ 150,030	$ 99,770	$ 28,832	$ 540,697
Total liabilities	$ 34,127	$ 105,036	$ 64,683	$ 190,588	$ 394,434
Finance receivables	$ 235,217	$ 107,764	$ 70,455	$ —	$ 413,436
Goodwill and intangible assets	$ 21,960	$ 40,419	$ 26,757	$ —	$ 89,136
Property and equipment expenditures	$ 189	$ 50	$ 14	$ —	$ 253

($ thousands)	Three months ended September 30, 2016				
	Equipment Financing - U.S.	Equipment Financing - Canada	Discontinued Operations	Corporate overhead - Canada	Total
Interest revenue on leases and loans	$ 16,915	$ 2,605		$ —	$ 19,520
Ancillary finance and other fee income	2,501	1,041		133	3,675
Interest expense	(1,580)	(942)		—	(2,522)
Provision for credit losses	(6,325)	(650)		—	(6,975)
Finance margin	**11,511**	**2,054**		**133**	**13,698**
Personnel expenses	2,126	681		334	3,141
Share-based compensation expense	46	14		266	326
Other expenses	2,136	384		405	2,925
Amortization - property and equipment	80	6		—	86
Income before undernoted items	**7,123**	**969**		**(872)**	**7,220**
Acquisition related items	—	—		(41)	(41)
Amortization - intangible assets	—	(333)		—	(333)
Fair value adjustments - convertible debentures and investments	—	—		63	63
Unrealized loss on interest rate swaps	—	—		444	444
Unrealized loss on foreign exchange	—	—		241	241
Income before taxes	**7,123**	**636**		**(165)**	**7,594**
Tax expense	2,002	148		225	2,375
Income from continuing operations	5,121	488		(390)	5,219
Income from discontinued operations	—	—	(136)	—	(136)
Net income	**$ 5,121**	**$ 488**	**$ (136)**	**$ (390)**	**$ 5,083**
Net cash used in operating activities	$ (17,292)	$ (3,333)	$ 233	$ (1,470)	$ (21,862)
Net cash from investing activities	$ (66)	$ —	$ —	$ 2,468	$ 2,402
Net cash from financing activities	$ —	$ 7,059	$ —	$ 15,473	$ 22,532
Property and equipment expenditures	$ 66	$ —	$ —	$ —	$ 66

($ thousands)	Three months ended September 30, 2015 Equipment Financing - U.S.	Equipment Financing - Canada	Discontinued Operations	Corporate overhead - Canada	Total
Interest revenue on leases and loans	$ 15,490	$ 2,690		$ —	$ 18,180
Ancillary finance and other fee income	1,886	683			2,569
Interest expense	(1,352)	(835)		—	(2,187)
Provision for credit losses	(6,006)	(292)		—	(6,298)
Finance margin	**10,018**	**2,246**		**—**	**12,264**
Personnel expenses	1,738	602		333	2,673
Share-based compensation expense	61	24		346	431
Other expenses	1,466	407		418	2,291
Amortization - property and equipment	56	2		0	58
Income before undernoted items	**6,697**	**1,211**		**(1,097)**	**6,811**
Acquisition related items	—	—		(10)	(10)
Amortization - intangible assets, contingent consideration accretion (non-cash)	—	(163)		(163)	(326)
Fair value adjustments - convertible debentures	—	—		(276)	(276)
Unrealized loss on interest rate swaps	—			(1,300)	(1,300)
Unrealized gain on foreign exchange	—	—		12	12
Income before taxes	**6,697**	**1,048**		**(2,834)**	**4,911**
Tax expense	1,912	273		569	2,754
Income from continuing operations	4,785	775		(3,403)	2,157
Income from discontinued operations	—	—	983	—	983
Net income	**$ 4,785**	**$ 775**	**$ 983**	**$ (3,403)**	**$ 3,140**
Net cash used in operating activities	$ (5,233)	$ (1,826)	$ (4,293)	$ (776)	$ (12,128)
Net cash used in investing activities	$ (40)	$ (50)	$ —	$ (72)	$ (162)
Net cash from financing activities	$ —	$ 4,431	$ 2,791	$ 5,160	$ 12,382
Property and equipment expenditures	$ 40	$ 50	$ —	$ —	$ 90

Directors, Officers and Other Information

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

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 , Chairman, Audit and Governance Committee
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

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