ECN CAPITAL

Consolidated Financial Statements

DECEMBER 31, 2020

Independent auditor's report

To the Shareholders of
ECN Capital Corp.

Opinion

We have audited the consolidated financial statements of ECN Capital Corp and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in *the Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How We Addressed the Matter in Our Audit
Valuation of assets held for sale As at December 31, 2020, the carrying value of the Rail Finance and Aviation Finance assets held for sale subject to fair value measurement was $107 million. As disclosed in Note 5 to the consolidated financial statements, Management recognized a provision of $37 million on the Aviation Finance assets. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on the consolidated financial statements. Management estimates the fair value less costs to sell using various valuation techniques, such as external pricing information, future cash flow analysis, and comparable market transactions for similar assets. The Company discloses significant judgments and estimates and the result of their analysis in respect of impairment in Note 5 to the consolidated financial statements. Auditing management's valuation of assets held for sale was complex, given the degree of judgement and subjectivity involved in evaluating management's assumptions and estimates inherent in these evaluations. In particular, management's assumptions and estimates included cash flow projections, discount rates and future sales prices, particularly given the future sales prices are sensitive to expectations about future demand and economic factors.	To test the fair value of assets held for sale, our audit procedures included, among others, • With the support of our valuation specialists, we evaluated management's model, valuation methodology and certain significant assumptions including the discount rate, when applicable. • Specifically related to rail assets, with the assistance of our valuation specialists, we assessed the selection and application of the discount rate by evaluating the inputs and mathematical accuracy of the calculation. We corroborated the underlying inputs, including the lease rates used in management's cash flow analysis to the underlying agreements. • With the support of our valuation specialists, we also compared management's fair value estimates to external aviation and rail pricing information, comparable market transactions and other supporting documentation, where available. • We assessed the historical accuracy of management's estimates of fair value by comparing management's past estimates to actual sales transactions of the Company. • We assessed the adequacy of the Company's disclosures in the accompanying consolidated financial statements in relation to this matter.
Goodwill impairment related to Kessler Financial Services LLC ("Kessler") As at December 31, 2020, the Company has a goodwill balance related to the Kessler cash-generating unit ("CGU") of $138 million. Management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. Impairment is recognized if the recoverable amount is less than the carrying value of the CGU. Management estimates the recoverable amount using a discounted cash flow model. The Company discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in Note 10 to the consolidated financial statements. Auditing management's annual goodwill impairment test for the Kessler CGU was complex, given the degree of judgment and subjectivity in evaluating	To test the estimated recoverable amount of the Kessler CGU, our audit procedures included, among others: • With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodology and certain significant assumptions, including the terminal growth rate and the discount rate. • With the assistance of our valuation specialists, we assessed the selection and application of the discount rate by evaluating the inputs and mathematical accuracy of the calculation.

management's estimates and assumptions in determining the recoverable amount of the CGU. Significant assumptions included cash flow projections, revenue growth rate, terminal growth rate and discount rate which are affected by expectations about future market and economic conditions.

- We assessed the historical accuracy of management's estimates on cash flow projections and revenue growth rate by comparing management's past projections to actual and historical performance. We also compared the revenue growth rate to current industry, market and economic trends.
- With the assistance of our valuation specialists, we performed sensitivity analysis on significant assumptions, including revenue growth rates, terminal growth rate and the discount rate, to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions.
- We assessed the adequacy of the Company's disclosures in the accompanying consolidated financial statements in relation to this matter.

Impairment related to investment in Seraph Aviation Group

As at December 31, 2020, the Company has corporate investments in non-consolidated entities accounted for using the equity method including the Company's investment in the Seraph Aviation Group, LLC ("Seraph") which has a carrying value of $18 million. Management recorded an impairment loss on the investment of $13 million during the year. The net investment in Seraph is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment and that loss event has an impact on the estimated future cash flows from the net investment that can be reliably estimated. Management estimates the recoverable amount using a value in use model whereby the value in use is estimated as the present value of the estimated future cash flows expected to be generated by Seraph. The Company discloses its estimates and assumptions in respect of the impairment in Note 7 to the consolidated financial statements.

Auditing management's impairment assessment of Seraph was complex given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the corporate investment. Significant assumptions included cash flow projections, terminal growth rate and discount rate which are affected by expectations about future market and economic conditions.

To test the estimated recoverable amount of the investment in Seraph, our audit procedures included, among others:

- With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodology and certain significant assumptions, including the terminal growth rate and the discount rate.
- With the assistance of our valuation specialists, we assessed the selection and application of the discount rate by evaluating the inputs and mathematical accuracy of the calculation.
- We assessed the reasonableness of management's cash flow projections by comparing to Seraph' historical performance. We compared the forecasted revenue and expenses on a sample basis against contractual terms, where available.
- With the assistance of our valuation specialists, we performed sensitivity analysis on significant assumptions, including terminal growth rate and the discount rate, to evaluate the change in value that would result from changes in the assumptions.
- We assessed the adequacy of the Company's disclosures in the accompanying consolidated financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Blake Langill.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 25, 2021

Consolidated statements of financial position

[in thousands of United States dollars]

	December 31, 2020	December 31, 2019
	$	$
Assets		
Cash	**37,977**	51,720
Restricted funds *[note 12]*	**9,226**	6,409
Finance receivables *[note 6]*	**374,025**	313,227
Accounts receivable	**78,779**	88,160
Other assets *[note 7]*	**99,891**	124,983
Retained reserve interest *[note 11]*	**29,390**	25,558
Continuing involvement asset *[note 11]*	**164,188**	126,689
Notes receivable *[note 17]*	**35,933**	31,966
Derivative financial instruments *[note 19]*	**10,406**	3,626
Leasehold improvements and other equipment *[note 8]*	**18,893**	63,297
Intangible assets *[note 9]*	**257,931**	252,653
Deferred tax assets *[note 16]*	**60,445**	44,461
Goodwill *[note 10]*	**422,353**	421,445
Total assets excluding assets held-for-sale	**1,599,437**	1,554,194
Assets held-for-sale *[note 5]*	**106,768**	142,972
Total assets	**1,706,205**	1,697,166
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities *[note 7]*	**151,953**	207,627
Continuing involvement liability *[note 11]*	**164,188**	126,689
Derivative financial instruments *[note 19]*	**8,868**	3,061
Borrowings on term senior credit facility *[note 12]*	**462,083**	430,478
Senior unsecured debentures *[note 12]*	**55,109**	—
Other liabilities *[note 20]*	**41,443**	50,285
Total liabilities	**883,644**	818,140
Shareholders' equity	**822,561**	879,026
	1,706,205	1,697,166

See accompanying notes

Consolidated statements of operations

[in thousands of United States dollars, except for per share amounts]

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Revenues		
Portfolio origination services	**105,918**	87,227
Portfolio management services	**116,867**	100,612
Portfolio advisory services	**8,525**	23,875
Marketing services	**7,203**	13,336
Total portfolio revenue	**238,513**	225,050
Interest income	**26,818**	21,772
Other revenue *[note 15]*	**(1,722)**	1,134
	263,609	247,956
Operating expenses and other		
Compensation and benefits	**76,443**	76,778
General and administrative expenses	**60,342**	43,220
Interest expense	**22,840**	24,645
Depreciation and amortization	**6,799**	5,808
Share-based compensation *[note 14]*	**21,556**	17,447
Other expenses *[note 15]*	**53,156**	74,368
	241,136	242,266
Income before income taxes from continuing operations	**22,473**	5,690
Provision for (recovery of) income taxes *[note 16]*	**6,649**	(4,692)
Net income from continuing operations	**15,824**	10,382
Net loss from discontinued operations *[note 5]*	**(29,365)**	(25,131)
Net loss for the year	**(13,541)**	(14,749)
Earnings (loss) per common share - Basic		
Continuing operations *[note 18]*	**0.03**	—
Discontinued operations *[note 18]*	**(0.12)**	(0.10)
Total basic loss per share *[note 18]*	**(0.09)**	(0.10)
Earnings (loss) per common share - Diluted		
Continuing operations *[note 18]*	**0.03**	—
Discontinued operations *[note 18]*	**(0.12)**	(0.10)
Total diluted loss per share *[note 18]*	**(0.09)**	(0.10)

See accompanying notes

Consolidated statements of comprehensive income (loss)

[in thousands of United States dollars]

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Net loss for the year	**(13,541)**	(14,749)
Other comprehensive income (loss)		
Cash flow hedges *[note 19]*	**(4,576)**	(36)
Net unrealized foreign exchange gain	**918**	5,383
Deferred tax (benefit) expense *[note 16]*	**(103)**	1,485
Total other comprehensive (loss) income	**(3,761)**	6,832
Comprehensive loss for the year	**(17,302)**	(7,917)

See accompanying notes

Consolidated statements of changes in shareholders' equity

[in thousands of United States dollars]

	Common share capital	Preferred share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholders' equity
	$	$	$	$	$	$
Balance, December 31, 2018	817,919	144,918	99,330	65,075	(20,265)	1,106,977
Adjustment to opening retained earnings	—	—	—	(521)	—	(521)
Employee stock options exercised	1,310	—	—	—	—	1,310
Employee stock option expense	—	—	308	—	—	308
Exchange of share consideration for non-controlling interest	—	—	11,060	—	—	11,060
Exchange of consideration for stock option settlement	—	—	(3,562)	—	—	(3,562)
Common share repurchases	(203,699)	—	—	—	—	(203,699)
Comprehensive (loss) income for the period	—	—	—	(14,749)	6,832	(7,917)
Dividends – preferred shares	—	—	—	(9,618)	—	(9,618)
Dividends – common shares	—	—	—	(15,312)	—	(15,312)
Balance, December 31, 2019	**615,530**	**144,918**	**107,136**	**24,875**	**(13,433)**	**879,026**
Balance, December 31, 2019	615,530	144,918	107,136	24,875	(13,433)	879,026
Employee stock options exercised *[note 13]*	**5,457**	**—**	**—**	**—**	**—**	**5,457**
Employee stock options expense	**—**	**—**	**825**	**—**	**—**	**825**
Stock options adjustment *[note 13]*	**(1,177)**	**—**	**—**	**—**	**—**	**(1,177)**
Common share repurchases *[note 13]*	**(11,103)**	**—**	**—**	**—**	**—**	**(11,103)**
Preferred share repurchases *[note 13]*	**—**	**(5,775)**	**—**	**—**	**—**	**(5,775)**
Comprehensive loss for the year	**—**	**—**	**—**	**(13,541)**	**(3,761)**	**(17,302)**
Dividends – preferred shares *[note 13]*	**—**	**—**	**—**	**(9,389)**	**—**	**(9,389)**
Dividends – common shares *[note 13]*	**—**	**—**	**—**	**(18,001)**	**—**	**(18,001)**
Balance, December 31, 2020	**608,707**	**139,143**	**107,961**	**(16,056)**	**(17,194)**	**822,561**

See accompanying notes

Consolidated statements of cash flows

[in thousands of United States dollars]

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Operating activities		
Net income for the period from continuing operations	**15,824**	10,382
Items not affecting cash:		
Depreciation and amortization	**6,799**	5,808
Share-based compensation	**21,556**	17,447
Amortization of intangible assets	**29,863**	25,811
Amortization of deferred financing costs	**2,705**	4,155
Deferred purchase price consideration	**8,807**	5,750
Non-controlling interest expense	**—**	1,600
	85,554	70,953
Changes in operating assets and liabilities:		
Change in finance receivables, net	**(60,798)**	95,373
Other operating assets and liabilities	**(102,366)**	(43,261)
Cash (used in) provided by operating activities - continuing operations	**(77,610)**	123,065
Investing activities		
Increase in restricted funds	**(2,817)**	(14,452)
Acquisition of non-controlling interest	**—**	(89,255)
Acquisition of credit card portfolio platform	**—**	(10,091)
Increase in notes receivable	**(6,204)**	(3,947)
Purchase of property, equipment and leasehold improvements	**(2,664)**	(6,214)
Proceeds from sale of equipment	**8,500**	—
Cash used in investing activities - continuing operations	**(3,185)**	(123,959)
Financing activities		
Option exercises	**5,457**	1,310
Common share repurchases	**(11,103)**	(203,699)
Preferred share repurchases	**(5,775)**	—
Payment for stock option settlement	**—**	(3,562)
Payments of lease liabilities	**(2,832)**	(2,316)
Payments of deferred financing costs	**(4,340)**	(2,703)
Borrowings on term senior credit facility, net of repayments	**29,410**	93,590
Issuance of senior unsecured debentures	**56,311**	—
Dividends paid	**(31,990)**	(22,783)
Cash provided by (used in) financing activities - continuing operations	**35,138**	(140,163)
Net changes in cash provided by discontinued operations	**31,914**	140,785
Net decrease in cash during the period	**(13,743)**	(272)
Cash, beginning of year	**51,720**	51,992
Cash, end of year	**37,977**	51,720
Supplemental cash flow information		
Cash taxes paid (refunded), net	**13,717**	(15,697)
Cash interest paid	**24,657**	25,485

See accompanying notes

Notes to consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

December 31, 2020

1. Corporate Information

ECN Capital Corp. ("ECN Capital" or the "Company") is a leading provider of business services to North American based banks, credit unions, life insurance companies, pension funds and investment funds (collectively its "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Its Partners are seeking high quality assets to match with their deposits or other liabilities. These services are offered through three operating businesses: Service Finance, Triad Financial Services and The Kessler Group. Headquartered in South Florida and Toronto, the registered office is located at 200 Bay Street, Suite 1625, Toronto, Ontario, Canada. ECN Capital has approximately 600 employees and operates principally in the U.S. The Company is a public corporation and trades on the Toronto Stock Exchange ("TSX") under the symbol "ECN".

2. Basis of Presentation and Summary of Significant Accounting Policies

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These consolidated financial statements include all the information and disclosures required in annual financial statements.

These consolidated financial statements are presented in thousands of U.S. dollars, except where otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 25, 2021.

Basis of consolidation

Subsidiaries

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries from the dates of their acquisition. Transactions and balances amongst these entities have been eliminated upon consolidation.

Subsidiaries are entities over which the Company has control. The Company controls an entity when (1) it has the power over the entity; (2) it has exposure, or rights, to variable returns from its involvement with the entity; and (3) it has the ability to use its power over the entity to affect the amount of its returns.

The Company's principal operating subsidiaries are Service Finance LLC ("Service Finance"), Kessler Financial Services LLC ("KG"), and Triad Financial Services, Inc. ("Triad Financial Services").

Equity Accounted Investments

The Company holds equity investments in associates. An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company accounts for equity investments using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and is subsequently increased or decreased to recognize the Company's share of earnings or losses of the associate, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of associates are recognized through net income or loss during the year. Cash distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Significant Accounting Policies

Finance receivables

The Company provides financing to customers through loans which are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest rate method over the term of the related financial asset. These costs are incremental to individual loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Finance receivables are classified as held-for-trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the financial statements at fair value through profit and loss.

Allowance for credit losses

Expected Credit Loss ("ECL") allowances are measured at either: i) 12-month ECL when a loan is performing (Stage 1); or ii) lifetime ECL, when finance receivables have experienced a significant increase in credit risk since inception (Stage 2) or when the asset is not performing (Stage 3). The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase in the credit risk of a finance receivable. The key inputs in the Company's measurement of ECL allowances are: i) probability of default, which estimates the likelihood of default over a given time horizon, and ii) loss given default, which estimates the exposure at a future default date. Forward-looking information is considered when measuring expected credit losses including macroeconomic factors such as unemployment rates.

Upon origination of finance receivables, the Company recognizes a 12-month ECL allowance, which represents the portion of lifetime ECL from default events that are considered possible within the next 12 months (Stage 1). If there has been a significant increase in credit risk, the Company recognizes a lifetime ECL allowance resulting from possible default events over the expected life of the finance receivable (Stage 2). A significant increase in credit risk is determined through changes in the lifetime probability of default since the initial origination of the finance receivable, using a combination of borrower-specific and account-specific attributes, and relevant and supportable forward-looking information. The Company uses the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. Criteria for assessing significant changes in credit risk are defined at the individual finance receivable (i.e., contract) level.

Finance receivables with objective evidence of impairment are considered to be impaired requiring the recognition of lifetime ECL allowances, with interest revenue recognized based on the carrying amount of the asset, net of the allowances, rather than its gross carrying amount (Stage 3). Deterioration in credit quality is considered an objective evidence of impairment and includes observable data that comes to the attention of the Company, such as significant financial difficulty of the borrower. All finance receivables are considered impaired when they are contractually overdue 120 days or immediately if the account is the subject of a bankruptcy, insolvency, reorganization or repossession (voluntary or involuntary). In order to be classified as a satisfactory account after being delinquent, an account must remain current for a period of 90 days.

Finance receivables are charged off (i.e., written off), either partially or in full, against the related allowance for credit losses when the Company believes there are no reasonable or expected recoveries.

Revenue recognition

Portfolio origination services revenue represents the gain on sale recognized on the disposition of consumer loans originated by the Company's Service Finance and Triad Financial Services subsidiaries. See policy on derecognition of financial assets for further information.

Portfolio management services revenue represents the fees earned by Service Finance and Triad Financial Services from providing loan servicing activities to Partners, partnership services revenue earned by KG, which is comprised of annuity and retainer fees earned through its long-term advisory contracts, and asset management services revenue earned by KG, which is comprised of management fees and investment income earned through its card investment management platform.

Portfolio advisory services revenue represents the fees earned by KG from transactional services provided to Partners.

Marketing services revenue represents the net fees earned by KG by providing both fee-based and funded marketing programs to its Partners.

For each of our revenue streams outlined above, revenue is recognized as the related performance obligations are satisfied and services have been transferred to the customer. Under KG's funded marketing programs, KG provides capital to fund marketing initiatives on behalf of its Partners. The fees earned by KG from these campaigns are variable, tied to the success of the programs and are typically earned over a short duration (contract terms are generally three to six months per campaign). The Company has determined that the sole performance obligation related to these contracts occurs upon the delivery of the marketing campaign to the Partner. At that time, the Company recognizes the estimated amount of revenues it expects to realize from the campaign, subject to the constraint that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company accounts for the funding it provides to its Partners as a reduction of revenue, and therefore the amount of revenue recognized from these funded marketing campaigns is a net amount.

Interest income relating to finance receivables is recognized on an accrual basis using the effective interest rate method for loans that are not considered impaired.

Restricted funds

Restricted funds represent cash collected on behalf of certain counterparties where an offsetting liability is recorded in accounts payable and accrued liabilities.

Derivative financial instruments and hedge accounting

The Company utilizes derivatives to manage interest rate risk and foreign currency exposure, as well as equity price risk exposure related to stock compensation plans that are accounted for as liabilities. Derivatives are carried at fair value and are reported as assets if they have a positive fair value and as liabilities if they have a negative fair value.

The Company applies hedge accounting to derivatives that meet the criteria for hedge accounting in IFRS 9, *Financial Instruments* ("IFRS 9").

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented in accordance with IFRS 9. The Company's documentation, in accordance with the requirements, includes the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis, which is at least quarterly. Hedge ineffectiveness is recognized immediately in income.

Cash flow hedges

The effective portion of the change in fair value of the derivative instrument is recognized in other comprehensive income (loss) until the forecasted cash flows being hedged are recognized in income in future accounting periods. When forecasted cash flows are recognized in income, an appropriate amount of fair value changes of the derivative instrument in accumulated other comprehensive income ("AOCI") is reclassified to net income. If a forecast issuance of fixed rate debt or a forecast acquisition of fixed rate assets is no longer expected to occur, the related cumulative gain or loss in AOCI is immediately recognized in income.

The Company uses interest rate swaps and foreign exchange forward agreements to hedge its exposure to changes in future cash flows due to interest rate risk and foreign currency risk in forecasted highly probable transactions. The Company uses total return swaps to hedge its exposure to changes in future cash flows due to changes in the Company's stock price in forecasted obligations related to share-based payments under its stock compensation plans.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to that asset have expired. If substantially all of the risks and rewards of ownership have been transferred, the Company will derecognize the financial asset and recognize separately as assets or liabilities any rights or obligations created or retained in the transfer. If the Company has neither transferred or retained substantially all of the risks and rewards of ownership, then the Company recognizes an asset to the extent of its continuing involvement.

Secured borrowings

Secured borrowings are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability. Transaction costs are applied to the carrying amount of the liability.

Deferred financing costs are presented as a reduction of secured borrowings and relate to costs incurred to obtain funding agreements that result in these arrangements. These amounts are accreted to income over a period matching the repayment terms of the secured borrowing obtained during the initial commitment period.

Leasehold improvements and other equipment

Property, equipment and leasehold improvements are recorded at cost. The Company provides for depreciation using the declining balance method for equipment at annual rates designed to depreciate the cost of the equipment over their estimated useful lives. Leasehold improvements are depreciated on a straight-line basis over the underlying lease terms. Buildings, vehicles, office equipment, computer equipment and computer servers are depreciated using the straight-line method over their estimated useful lives. Land is not depreciated. The rates of depreciation are as follows:

Leasehold improvements	Lease term
Office equipment	5 years
Computer equipment	5 years
Computer software	3 - 5 years
Other	4 - 20 years

Inventories include assets purchased or recovered by the Company that are intended to be sold and are measured at the lower of cost and net realizable value.

Right-of-use assets are recorded at amortized cost less any accumulated depreciation and impairment charges. Right-of-use assets are recognized at the time that the underlying asset is available for use (“lease commencement date”). The related lease liabilities are measured at the discounted present value of lease payments over the term of the lease and are recorded in other liabilities on the consolidated statements of financial position. Following initial recognition at the time of the lease commencement date, the Company increases the lease liability for accretion and reduces the lease liability for any payments made.

Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ("CGU") to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be an impairment. The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

Intangible assets

The Company's intangible assets primarily include assets acquired as a result of business combinations which are initially measured at fair value on the date of the business combination, namely: customer relationships, including the value of dealer and bank funding relationships; trade name; information technology; and retained servicing rights with respect to loans sold by our Service Finance segment. All of the Company's intangible assets have a finite life, are amortized over their useful economic lives, and are assessed for indicators of impairment at each reporting period. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. Impairment and amortization of intangible assets from acquisitions expense is recognized in the consolidated statements of operations.

Share-based payments

Stock options

The Company has established a share option plan for employees and directors whereby the Company's Board of Directors (the "Board") may award options to certain employees and directors. The share option plan is intended to promote an alignment of long-term interests between employees, directors and the shareholders of the Company. The Board determines the amount, timing and vesting conditions associated with each award of share options. Each share option has a value that depends on the fair market value of one common share of the Company at the time of the grant determined using the Black-Scholes option valuation model. The cost of these share options grants is recognized on a proportional basis consistent with the vesting of the underlying share options.

Deferred share unit plan

The Company has established a Deferred Share Unit ("DSU") plan for executives and directors whereby the Company's Board of Directors may award DSUs as compensation for services rendered. The DSU plan is intended to promote an alignment of long-term interests between executives and directors and the shareholders of the Company. The Board determines the amount, timing and vesting conditions associated with each award of DSUs. Additionally, directors may elect to receive up to 100% of the annual remuneration in DSUs. DSUs granted pursuant to such an election are fully vested on the date of grant.

Each DSU has a value that depends on the fair market value of one common share of the Company, and in the event dividends are paid on the Company's common shares, accrued dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a common share. DSUs mature upon termination of employment or directorship, whereupon the holder is entitled to receive a cash payment which reflects the fair market value of the equivalent number of common shares of the Company.

DSUs are recognized on the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of DSUs outstanding, the value of the Company's common shares and, if applicable, the portion of the associated vesting period that has elapsed.

Performance and restricted share unit plans

The Company has established Performance Share Unit ("PSU") and Restricted Share Unit ("RSU") plans for employees and directors of the Company and its subsidiaries, whereby the Board may award PSUs and RSUs as compensation for services rendered. The PSU and RSU plans are intended to promote an alignment of long-term interests between employees and directors and the shareholders of the Company. The Board determines the amount, timing and vesting conditions associated with each award of PSUs and RSUs.

Each PSU and RSU has a value that depends on the fair market value of one common share of the Company, and in the event dividends are paid on the Company's common shares, accrues dividend equivalents in the form of additional PSUs and RSUs based on the amount of the dividend paid on a common share. PSUs and RSUs vest no later than four years from the grant date and PSUs are subject to performance conditions. On the vesting date, the Board has the discretion to settle PSUs or RSUs either through cash payment, issuance of Company common shares or some combination of cash and common shares.

PSUs and RSUs are recognized on the consolidated statements of financial position as a liability in accounts payable and accrued liabilities and are measured at fair value. Fair value is a function of the number of PSUs and RSUs outstanding, the value of the Company's common shares and, if applicable, the portion of the associated vesting period that has elapsed as well as expectations with respect to performance criteria. Until the PSUs and RSUs are settled, the liability is remeasured with a change in the fair value recorded in the consolidated statements of operations as an expense in the relevant financial reporting period.

Earnings per share

Basic earnings per share are calculated by dividing the net income or loss 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 options 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 reported period.

Other financial instruments

Other financial instruments held or issued by the Company include cash, restricted funds, finance receivables, accounts receivable, notes receivable, accounts payable and accrued liabilities and secured borrowings. All of these financial instruments are initially recorded at cost and subsequently measured at amortized cost.

Income taxes

The Company follows the liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or equity in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Discontinued operations and assets held-for-sale

The Company accounts for its discontinued operations in accordance with IFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations* ("IFRS 5").

The Company classifies assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use. For assets and disposal groups to be classified as held-for-sale, their sale must be highly probable to occur within one year, they must be available for immediate sale in their present condition and management must be committed to a sales plan to actively market the sale of the assets or disposal group. Assets and disposal groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on the consolidated statements of financial position.

The Company determines whether a disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of or is classified as held-for-sale and:

- Represents a separate major line of business or geographical area of operations; or
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations for each period and are presented as a single amount as profit or loss after income taxes from discontinued operations in the consolidated statements of operations. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

Business combinations

The Company uses the acquisition method of accounting for business combinations, which requires the allocation of the purchase consideration to identifiable assets and liabilities acquired on a fair value basis at the date of acquisition. Any contingent consideration is also measured at fair value at the date of acquisition. Provisional fair values are finalized as the relevant information becomes available, for a period of up to twelve months from the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill.

3. Critical Accounting Estimates and Use of Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management’s estimates and judgments are discussed below.

As at December 31, 2020, due to the emergence of the novel coronavirus identified as COVID-19, we are subject to a greater degree of uncertainty in making the estimates and judgments required to apply our significant accounting policies. The ultimate impacts of COVID-19 on our business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, which are highly uncertain and cannot be predicted. The uncertainty of future results and cash flows may impact our estimates and judgments underlying the carrying values of our finance receivables, held-for-trading financial assets, goodwill, intangible assets and retained reserve interest asset, the adequacy of our credit loss provisions, the fair value of our assets held-for-sale and the realization of our deferred tax assets. We continue to update the Company's forecasts, assumptions, valuation models and other analyses that support the current carrying value of these assets. Accordingly, actual results may be materially different from those recorded amounts.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, and past experience.

Accounting for income taxes

The Company is subject to income tax laws in the various jurisdictions that it operates in, and the complex tax laws are potentially subject to different interpretations by the Company and the relevant tax authority. Management's judgment is applied in interpreting the relevant tax laws and estimating the expected timing and the amount of the provision for current and deferred income taxes. A deferred tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect in the period that the asset is realized or the liability is settled. Deferred tax assets are recognized for unused income tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable amounts of the Company's CGUs and uses internally developed models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Derecognition of financial assets

Management has exercised judgment in the application of its accounting policy with respect to the derecognition of loans and retail installment contracts, primarily the retail installment contracts that are originated and sold by its Service Finance segment and loans to purchase manufactured homes that are originated and sold by its Triad Financial Services segment.

The Company's Service Finance segment originates retail installment contracts ("finance assets") and subsequently pools and syndicates those financial assets to a network of third-party financial institutions without recourse. The Company retains the exclusive right to service these financial assets. Consequently, the Company has transferred substantially all the risk and rewards, and the Company derecognizes the related financial asset upon completion of the sale to the third party financial institution and separately recognizes a servicing rights asset. In calculating the gain on sale on these transactions, the carrying amount of the financial asset is allocated between the part that is sold and the servicing asset retained based on their relative fair values. Judgment is applied in determining these fair values.

The Company's Triad Financial Services segment originates consumer loans for the purchase of manufactured homes throughout the U.S. and subsequently syndicates and sells these loans to a network of third-party financial institutions. The Company recognizes an asset and a corresponding liability with respect to its continuing involvement, as management has determined that it has not transferred nor retained substantially all of the risks and rewards of ownership and has retained control. The fair value of the retained reserve interest is estimated using a discounted cash flow methodology and is based on the Company's expectations with respect to potential loan loss and prepayment rates. Judgment is applied in determining the estimated fair value of the retained reserve interest. See note 11 for further details on these transactions.

Accounting for litigation

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

4. Business Acquisitions and Disposals

Acquisition of Credit Card Team

In the fourth quarter of 2019, the Company, through the KG, acquired 100% of the equity interests of a credit card platform, including an established team of credit card executives, for cash consideration of $10.3 million. The combined purchase price of these acquisitions is allocated as follows:

	$
Consideration paid:	
Cash	**10,287**
Fair value of identifiable assets and liabilities:	
Goodwill	**9,287**
Intangible assets	**1,000**
Net assets acquired	**10,287**

Costs related to these transactions were $0.9 million, including banking, legal, accounting, due diligence and other transaction-related expenses.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

5. Discontinued operations and assets held-for-sale

In 2017, the Company announced its strategic plan to redeploy capital from sales of the Company's Canada and U.S. C&V Finance, Rail Finance and Aviation Finance business segments (the "Legacy Businesses") into higher yield businesses. The Company has largely executed this strategic plan. Furthermore, in 2018, the Company's Board of Directors approved management's formal proposal to accelerate the wind-down and sale of the remaining Aviation and Rail finance businesses.

The Company has classified its Legacy Businesses as discontinued operations for the years ended December 31, 2020 and December 31, 2019. All remaining assets relating to the Company's Legacy Businesses that are highly probable to be sold within one year have been classified as assets held-for-sale in the Company's consolidated statements of financial position. Any remaining assets that are not highly probable to be sold within one year are classified as inventories in leasehold improvements and other equipment in the Company's consolidated statements of financial position.

The results of operations for the Company's Legacy Businesses are presented as discontinued operations for the years ended December 31, 2020 and December 31, 2019 as shown below:

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Revenues	**1,436**	4,145
Operating expenses and other costs		
Compensation and benefits	**3,619**	5,000
Other operating expenses	**11,203**	11,369
Interest expense	**6,391**	1,119
Share-based compensation	**1**	7
Impairment of assets	**37,107**	19,500
	58,321	36,995
Loss from discontinued operations before income taxes	**(56,885)**	(32,850)
Recovery of income taxes	**(27,520)**	(7,719)
Net loss from discontinued operations	**(29,365)**	(25,131)

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Assets held-for-sale

The following table presents the Company's assets held-for-sale as at December 31:

	December 31, 2020	December 31, 2019
	$	$
Rail Finance	**32,837**	35,581
Aviation Finance	**64,844**	97,480
C&V Finance	**9,087**	9,911
	106,768	142,972

Aviation Finance

Aviation assets held-for-sale consist of secured financing and leasing arrangements for fixed-wing and various types of rotary aircraft in addition to certain off-lease aircraft. These assets have been classified as held-for-sale following the Board of Directors' approval of management's plan to accelerate the sale of assets in the business in 2018. During 2020 and 2019, the Company recognized provisions of $37.1 million and $19.5 million, respectively.

The table below presents the components of Aviation assets held-for-sale as at December 31, 2020 and December 31, 2019:

	December 31, 2020		
	Carrying Value	Valuation Reserve	Fair Value
	$	$	$
Equipment under operating lease	**27,814**	**(2,640)**	**25,174**
Inventories	**148,457**	**(108,787)**	**39,670**
	176,271	**(111,427)**	**64,844**

	December 31, 2019		
	Carrying Value	Valuation Reserve	Fair Value
	$	$	$
Finance receivables	6,052	(285)	5,767
Equipment under operating lease	109,077	(30,043)	79,034
Inventories	47,727	(35,048)	12,679
	162,856	(65,376)	97,480

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

All assets held-for-sale in the Company's Aviation portfolio have been assessed individually to determine their fair value less costs to sell under current market conditions. Fair value less costs to sell is measured using various valuation techniques including third-party appraisals, comparable market transactions, and future cash flow analysis based on the related loan or lease contract. Key inputs used in the Company's fair value models include assumptions regarding fair market values, lease rates, transaction costs, frictional costs, and market discount rates. The Company believes that the valuation assumptions reflect a reasonable estimate of the fair value of each account or asset.

All of the key inputs used in the Company’s fair value estimates of assets held-for-sale were from Level 3 of the fair value hierarchy discussed in note 22 as there is currently no observable current market data for these aircraft.

6. Finance Receivables

The following table presents the Company's finance receivables based on the type of contract:

	December 31, 2020	December 31, 2019
	$	$
Manufactured housing loans	**113,817**	101,548
Dealer advances	**54,584**	52,436
Credit card portfolio structured loans	**56,242**	74,330
Gross finance receivable at amortized cost	**224,643**	228,314
Allowance for credit losses	**(868)**	(508)
Net finance receivables at amortized cost	**223,775**	227,806
Held-for-trading financial assets	**150,250**	85,421
Total finance receivables	**374,025**	313,227

Manufactured housing loans and dealer advances

Manufactured housing loans are primarily comprised of secured floorplan loans issued by Triad Financial Services to finance dealer inventory. Dealer advances consist primarily of staged fundings with respect to committed home improvement loans to key dealers of Service Finance.

Credit card portfolio structured loans

Credit card portfolio structured loans are comprised of secured loans to participate in the acquisition of credit card receivables in partnership with institutional investors as part of the Company's strategy to build a credit card asset management platform. These loans were purchased as part of syndicated arrangements with institutional investors through unconsolidated structured entities.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Held-for-trading financial assets

The loans balance as at December 31, 2020 includes $93.2 million (December 31, 2019 - $61.5 million) in home improvement loans and $57.1 million (December 31, 2019 - $23.9 million) in manufactured housing loans, which are classified as held-for-trading. Finance receivables are classified as held-for-trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the consolidated financial statements at fair value through profit and loss. These loans are considered Level 3 assets and the Company measures the fair value of these loans based on a valuation model using internal inputs. Upon origination, the Company's internal valuation may determine a fair value that is in excess of the origination or transaction value of the loan. In these circumstances, the Company will not recognize such gains until the fair value estimated by the internal model is substantiated by a market-observable event such as an executed sales contract.

The following table presents the delinquency status of the net investment in finance receivables of continuing operations, by contract balance:

	December 31, 2020		December 31, 2019	
	$	%	$	%
31 - 60 days past due	**3**	**—**	—	—
61 - 90 days past due	**—**	**—**	—	—
Greater than 90 days past due	**—**	**—**	115	0.05
Total past due	**3**	**—**	115	0.05
Current	**224,640**	**100.00**	228,199	99.95
Total net investment	**224,643**	**100.00**	228,314	100.00

The following table presents selected characteristics of the finance receivables of continuing operations:

	December 31, 2020	December 31, 2019
	$	$
Net investment, continuing operations	**$224,643**	$228,314
Weighted average floating interest rate	**6.70 %**	7.40 %

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

The following tables provide net investments in finance receivables segregated by Stage:

	December 31, 2020			
	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)	Total
	$	$	$	$
Low risk	**113,901**	**—**	**—**	**113,901**
Medium risk	**110,600**	**—**	**—**	**110,600**
High risk	**—**	**84**	**58**	**142**
Default	**—**	**—**	**—**	**—**
Gross carrying amount	**224,501**	**84**	**58**	**224,643**

	December 31, 2019			
	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)	Total
	$	$	$	$
Low risk	77,648	—	—	77,648
Medium risk	150,349	—	—	150,349
High risk	193	—	124	317
Default	—	—	—	—
Gross carrying amount	228,190	—	124	228,314

Low risk: Loans that have below average probability of default with credit risk that is lower than the Company's risk appetite and risk tolerance levels. While the Company does originate loans under this category, these loans may have lower yield due to high credit quality.

Medium risk: Loans that have an average probability of default with credit risk that is within the Company's risk appetite and risk tolerance. The Company actively originates loans under this category due to higher yields.

High risk: Loans that were originated within the Company's risk appetite but have subsequently experienced an increase in credit risk that is outside of the Company's typical risk appetite and risk tolerance levels. The Company will generally not originate loans in this category.

Default: Loans that are over 120 days past due or loans for which there is objective evidence of impairment.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Allowance for credit losses

The Company's allowance for credit losses is reported in accordance with IFRS 9 and is shown in the table below as at December 31, 2020 and 2019:

	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)	Total
	$	$	$	$
Balance as at December 31, 2018	475	89	80	644
Provision for credit losses	128	39	170	337
Charge-offs, net of recoveries	—	—	(95)	(95)
Stage transfers	(16)	16	—	—
Transfer to held-for-trading financial assets	(154)	(144)	(80)	(378)
Balance as at December 31, 2019	433	—	75	508
Balance as at December 31, 2019	**433**	**—**	**75**	**508**
Provision for credit losses	**735**	**28**	**7,830**	**8,593**
Charge-offs, net of recoveries	**—**	**—**	**(8,233)**	**(8,233)**
Stage transfers	**(339)**	**(26)**	**365**	**—**
Balance as at December 31, 2020	**829**	**2**	**37**	**868**

7. Other Assets and Accounts Payable and Accrued Liabilities

The following table presents the assets reported in other assets:

	December 31, 2020	December 31, 2019
	$	$
Corporate investments	**46,812**	71,031
Taxes receivable	**23,979**	10,342
Prepaid expenses and other assets	**29,100**	43,610
Total	**99,891**	124,983

Equity accounted investments are included in corporate investments and are equity accounted private company investments with a carrying value of approximately $24.3 million.

In the third quarter of 2020, as part of a restructuring plan on one of the Company's corporate investments, Stellwagen Holding, LLC, the Company exchanged its equity interest and a loan receivable for a 34.7% equity investment in a new company, the Seraph Aviation Group, LLC ("Seraph"). The Company will account for this investment under the equity method of accounting going forward. In the fourth quarter of 2020, the Company recorded an impairment of approximately $13.0 million in respect of its investment in Seraph, reducing the carrying value to approximately $18.5 million as at December 31, 2020.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Equity accounted investments are tested for impairment when there is objective evidence of impairment. The amount of any impairment is the amount by which the recoverable amount, which is the higher of fair value less cost to dispose and value in use, exceeds the carrying amount. Value in use is determined as the present value of the estimated future cash flows expected to be generated by Seraph or expected to arise from dividends to be received and from its ultimate disposal. The Company believes that the recoverable amount reflects reasonable estimates of cash flows and assumptions about discount rates and terminal growth rates. Given the nature of these investments, the determination of the recoverable amount is subject to significant measurement uncertainty.

The following table presents the liabilities reported in accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
	$	$
Accounts payable and accrued liabilities	**52,096**	86,622
Accrued payroll and share-based compensation liabilities	**50,376**	45,056
Dealer liability - restricted cash	**4,782**	8,335
Unearned revenue [1]	**44,699**	67,614
Total	**151,953**	207,627

[1] Represents an upfront payment received from a Partner of the Company for future management and advisory services.

8. Leasehold Improvements and Other Equipment

The following table presents the Company's owned assets, inventories and right-of-use assets included in leasehold improvements and other equipment:

	December 31, 2020	December 31, 2019
	$	$
Owned assets	**5,620**	22,390
Inventories	**—**	25,075
Right-of-use assets	**13,273**	15,832
	18,893	63,297

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Owned assets

The changes in leasehold improvements and other owned equipment were as follows:

	December 31, 2020		
	Leasehold improvements	Equipment and other	Total
	$	$	$
Cost			
At December 31, 2019	**6,766**	**25,337**	**32,103**
Additions	**388**	**2,292**	**2,680**
Disposals	**—**	**(19,783)**	**(19,783)**
Foreign exchange rate adjustments	**2**	**(7)**	**(5)**
At December 31, 2020	**7,156**	**7,839**	**14,995**
Accumulated depreciation			
At December 31, 2019	**2,366**	**7,347**	**9,713**
Depreciation charge for the year	**1,255**	**449**	**1,704**
Disposals	**—**	**(2,040)**	**(2,040)**
Foreign exchange rate adjustments	**(2)**	**—**	**(2)**
At December 31, 2020	**3,619**	**5,756**	**9,375**
Net carrying amount	**3,537**	**2,083**	**5,620**

	December 31, 2019		
	Leasehold improvements	Equipment and other	Total
	$	$	$
Cost			
At December 31, 2018	3,854	21,348	25,202
Additions	3,070	7,482	10,552
Write-offs	(160)	(3,495)	(3,655)
Foreign exchange rate adjustments	2	2	4
At December 31, 2019	6,766	25,337	32,103
Accumulated depreciation			
At December 31, 2018	1,895	7,402	9,297
Additions	501	1,523	2,024
Write-offs	(30)	(1,584)	(1,614)
Foreign exchange rate adjustments	—	6	6
At December 31, 2019	2,366	7,347	9,713
Net carrying value	4,400	17,990	22,390

Notes to consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

December 31, 2020

Inventories

Inventories of $25,075 as at December 31, 2019 consist of assets related to the Company's legacy Aviation Finance business that have been reclassified to assets held-for-sale in the Company's consolidated statements of financial position as at December 31, 2020. These assets include one H225 helicopter and four AS332 L2 helicopters that are available for sale in their present condition and are highly probably to be sold within one year. The Company continues to pursue litigation claims against the manufacturer of these helicopters, the outcome of which is not currently determinable. See note 5 for further details regarding the Company's assets held-for-sale.

Right-of-use assets

Right-of-use assets consist primarily of real estate leases related to the Company's office spaces and generally have terms ranging from 3 to 5 years.

Changes in right-of-use assets were as follows:

	December 31, 2020	December 31, 2019
	$	$
Right-of-use assets, beginning of year	**15,832**	18,416
Additions	**708**	—
Disposals	**(370)**	—
Depreciation charge for the year	**(2,897)**	(2,584)
Right-of-use assets, end of year	**13,273**	15,832

Lease liabilities

Maturities of the related lease liabilities included in other liabilities as at December 31, 2020 were as follows:

	December 31, 2020
	$
Less than one year	**3,285**
One to five years	**10,846**
More than five years	**2,464**
Undiscounted future lease payments	**16,595**
Discount	**(2,013)**
Right-of-use liabilities as at December 31, 2020	**14,582**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

9. Intangible Assets

The changes in intangible assets were as follows:

	Information technology	Customer relationships and other	Retained servicing rights	Total
	$	$	$	$
Gross carrying value				
Balance, December 31, 2018	6,404	250,600	35,554	292,558
Additions	2,609	1,000	24,175	27,784
Disposals/impairments	(88)	—	—	(88)
Balance, December 31, 2019	**8,925**	**251,600**	**59,729**	**320,254**
Additions	**8,523**	**19,260**	**22,158**	**49,941**
Disposals	**—**	**—**	**—**	**—**
Balance, December 31, 2020	**17,448**	**270,860**	**81,887**	**370,195**
Accumulated amortization				
Balance, December 31, 2018	(1,141)	(13,839)	(12,851)	(27,831)
Amortization	(1,812)	(27,555)	(10,566)	(39,933)
FX and other adjustments	46	117	—	163
Balance, December 31, 2019	**(2,907)**	**(41,277)**	**(23,417)**	**(67,601)**
Amortization	**(2,329)**	**(29,163)**	**(13,176)**	**(44,668)**
Disposals and other adjustments	**5**	**—**	**—**	**5**
Balance, December 31, 2020	**(5,231)**	**(70,440)**	**(36,593)**	**(112,264)**
Net carrying value				
December 31, 2019	6,018	210,323	36,312	252,653
December 31, 2020	**12,217**	**200,420**	**45,294**	**257,931**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

10. Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of the acquired net identifiable assets and liabilities. During the years ended December 31, 2020 and December 31, 2019, the Company recognized goodwill on the acquisition of the Credit Card Team. See note 4 for further details.

	December 31, 2020	December 31, 2019
	$	$
Balance, beginning of year	**421,445**	413,067
Additions from new acquisitions	**908**	8,378
Balance, end of year	**422,353**	421,445

Goodwill outstanding as at December 31 has been allocated to the CGUs below as follows:

	December 31, 2020	December 31, 2019
	$	$
Service Finance	**235,466**	235,466
Triad Financial Services	**48,475**	48,475
KG	**138,412**	137,504
	422,353	421,445

The Company conducted its annual goodwill impairment analysis as at October 31, 2020. The impairment analysis involved comparing the carrying amount of each CGU's assets and liabilities to their respective recoverable amounts. The recoverable amount was determined using the value in use approach measured by discounting the future expected cash flows of the CGUs. The discounted future cash flow models were based on historical operating results and were consistent with the forecasts presented to, and approved by, the Company's Board of Directors. The pre-tax discount rates used in the future cash flow models were specific to each CGU and approximated 15%.

Based on the analysis performed, no goodwill impairment charge was required in any of the Company's CGUs.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

11. Continuing Involvement Asset and Liability

The Company's Triad Financial Services segment originates secured loans in the manufactured housing industry and sells these loans to third-party purchasers. At the time of the sale, the purchaser pays Triad the face value of the loan plus a spread; a specified proportion of the spread is held in a trust account under the purchaser's control (the "reserve account"). When prepayments or defaults occur on the underlying loans, the purchaser receives make-whole payments from the reserve account. To the extent that such payments are ultimately not required, the excess will revert to the Company. The balance of the reserve account is the Company's maximum exposure to the sold loans and has been recorded as a continuing involvement liability. This liability is offset by a continuing involvement asset which is comprised of the balance of the reserve account. Under IFRS the continuing involvement asset and liability cannot be netted on the consolidated statements of financial position, despite otherwise meeting the netting criteria, except for the continuing involvement asset and liability of $47,723 as at December 31, 2020 (December 31, 2019 - $80,198) related to pre-acquisition loan sales that are netted consistent with the Company's purchase accounting. The Company has recorded a retained reserve interest asset measured as the estimated fair value of the amount that the Company ultimately expects to recover from the reserve account.

12. Borrowings

Term senior credit facility

The Company is party to a $1,000,000 term senior credit facility, amended October 16, 2019, which is syndicated to a group of eight Canadian, U.S. and international banks with a maturity date of December 31, 2023. The facility bears interest at the prime rate plus 0.70% or one-month bankers' acceptance rate plus 1.70% per annum on outstanding Canadian denominated balances and US base rate plus 0.70% per annum or one-month LIBOR rate plus 1.70% per annum on outstanding US denominated balances. The term senior credit facility is secured by a general security agreement in favor of the lenders consisting of a first priority interest on all property. The following table summarizes the Company's outstanding balance on its term senior credit facility:

	December 31, 2020		December 31, 2019	
	Balance outstanding	Weighted average interest rate [1]	Balance outstanding	Weighted average interest rate [1]
	$	%	$	%
Term senior credit facility	**473,000**	**2.91**	443,590	3.44
Deferred financing costs	**(10,917)**		(13,112)	
Total secured borrowings	**462,083**		430,478	

[1] Represents the weighted average stated interest rate of outstanding debt at period-end, excludes amortization of deferred financing costs, premiums or discounts and stand-by fees and includes the effects of hedging.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

As at December 31, 2020, the unutilized balance of the facility was $527,000 (December 31, 2019 - $556,410).

Senior unsecured debentures

On September 4, 2020, the Company issued C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2025 (the "Debentures") at a price of C$1,000 per Debenture. The Debentures will bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020.

The Debentures will not be redeemable by the Company prior to December 31, 2023 (the "First Call Date"). On and after the First Call Date and prior to December 31, 2024, the Debentures will be redeemable, in whole or in part, at the Company's option at a redemption price equal to 103.0% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2024 and prior to the maturity date of December 31, 2025, the Debentures will be redeemable, in whole or in part, at the Company's option at par plus accrued and unpaid interest. The Company has the option to satisfy its obligations to repay the principal amount of the Debentures due at redemption or maturity by issuing and delivering that number of common shares in the capital of the Company in accordance with the terms of the indenture.

The following table summarizes the outstanding balance of the Company's Debentures:

	December 31, 2020
	$
Senior unsecured debentures	**58,939**
Deferred financing costs	**(3,830)**
Total unsecured debentures	**55,109**

The Company was in compliance with all financial and reporting covenants with all of its lenders as at December 31, 2020.

Restricted funds

Restricted cash in collection accounts as at December 31, 2020 was $9,226 (December 31, 2019 - $6,409) and represents cash we have collected on behalf of certain counterparties where an offsetting liability is recorded in accounts payable and accrued liabilities.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

13. Share Capital

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

The following table summarizes the Company's outstanding common shares:

	Common shares	
	Shares	Amount
	#	$
Balance, December 31, 2018	306,643,351	817,919
Common share repurchases	(71,313,428)	(203,699)
Exercise of options	4,797,662	1,310
Balance, December 31, 2019	240,127,585	615,530
Balance, December 31, 2019	240,127,585	615,530
Common share repurchases	**(2,805,230)**	**(11,103)**
Exercise of options	**4,227,397**	**5,457**
Share issuance for purchase of non-controlling interest in KG[1]	**2,990,737**	**—**
Stock options adjustment	**—**	**(1,177)**
Balance, December 31, 2020	**244,540,489**	**608,707**

[1] Effective December 31, 2019, the Company acquired the remaining 4% non-controlling interest of KG for share consideration of approximately $11.1 million, or 2,990,737 common shares, representing the fair value of the non-controlling interest liability previously recorded in conjunction with the initial investment in KG. These common shares were issued during the first quarter of 2020.

The following tables summarize the Company's outstanding preferred share capital:

	Preferred shares - Series A	
	Shares	Amount
	#	$
Balance, December 31, 2019	4,000,000	72,477
Preferred share repurchases	**(107,800)**	**(1,863)**
Balance, December 31, 2020	**3,892,200**	**70,614**

	Preferred shares - Series C	
	Shares	Amount
	#	$
Balance, December 31, 2019	4,000,000	72,441
Preferred share repurchases	**(239,200)**	**(3,912)**
Balance, December 31, 2020	**3,760,800**	**68,529**

Normal Course Issuer Bids

On September 14, 2020, the TSX approved the renewal of the Company's Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company and the Company's notice of intention to commence a Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series A 6.50% Rate Reset Preferred Shares (the "Series A Preferred Shares") and Series C 6.25% Rate Reset Preferred Shares (the "Series C Preferred Shares") for commencement on September 17, 2020. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,432,925 common shares, 399,900 Series A Preferred Shares and 399,800 Series C Preferred Shares, representing approximately 10% of the public float of each of the common shares, the Series A Preferred Shares and Series C Preferred Shares. The NCIBs will end on the earlier of September 16, 2021 or the completion of purchases under the applicable NCIB.

During the year ended December 31, 2020, the Company purchased 2,805,230 common shares for a total of $11.1 million (C$14.9 million) or C$5.32 per common share, respectively, pursuant to the Common Share Bid. During the year ended December 31, 2020, the Company purchased 107,800 Series A Preferred Shares for a total of $1.9 million (C$2.4 million) or C$22.53 per share and 239,200 Series C Preferred Shares for a total of $3.9 million (C$5.2 million) or C$21.66 per share pursuant to the Preferred Share Bid.

Preferred share dividends

During the year ended December 31, 2020, the Company paid $4,807 or C$1.625 per Series A share in dividends. During the year ended December 31, 2019, the Company paid $4,904 or C$1.625 per Series A share in preferred share dividends.

During the year ended December 31, 2020, the Company paid $4,582 or C$1.5625 per Series C share in dividends. During the year ended December 31, 2019, the Company paid $4,714 or C$1.5625 per Series C share in preferred share dividends.

Common share dividends

During the year ended December 31, 2020, the Company declared $18,001 or C$0.10 per common share in dividends (December 31, 2019 - $15,312 or C$0.085 per common share).

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

14. Share-Based Compensation

Share-based compensation expense

Share-based compensation expense consists of the following:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Stock options	**823**	854
Deferred share units	**2,211**	2,507
Performance share units and restricted share units	**18,522**	14,086
Share-based compensation - continuing operations	**21,556**	17,447

(a) Stock options

The Company has a stock option plan to allow participants to purchase Company shares at a specified exercise price within a specified period of no later than eight years. The exercise price will be established by the Company's Board of Directors at the time of the grant but shall be no less than the closing price of the Company's common shares on the last trading day before the grant date. The maximum number of Company options granted will not exceed 10% of the issued and outstanding Company common shares.

During the year ended December 31, 2020, the Company granted 4,353,954 stock options to employees with a weighted average exercise price of C$4.93 per share. The stock options have a fair value of $2.7 million calculated using the Black-Scholes method of valuation, assuming a risk-free rate of 0.37%, volatility of 26% and a dividend yield of 2.04% annually.

The changes in the number of stock options for the years ended December 31 were as follows:

	Number of options	Weighted average exercise price	Weighted average exercise price
	#	$	C$
Outstanding, December 31, 2018	31,698,375	2.83	2.94
Forfeited	(732,105)	1.75	2.32
Settled	(2,124,614)	2.02	2.69
Exercised	(13,044,491)	2.05	2.72
Outstanding, December 31, 2019	15,797,165	2.39	3.17
Granted	**4,353,954**	**3.79**	**4.93**
Forfeited	**(104,990)**	**2.46**	**3.20**
Exercised	**(6,310,392)**	**2.20**	**2.87**
Outstanding, December 31, 2020	**13,735,737**	**2.97**	**3.86**

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

The cost of the options granted for the year ended December 31, 2020 was determined using the Black-Scholes option valuation model with inputs to the model as follows:

	Unit	2020
Weighted average exercise price	C$	4.93
Weighted average term to exercise	Years	4.00
Weighted average share price volatility	%	26.00
Weighted average expected annual dividend yield	%	2.04
Risk-free interest rate	%	0.37
Forfeiture rate	%	—

As at December 31, 2020, the following employee and director stock options to purchase common shares were outstanding:

Range of exercise prices	Weighted average remaining life	Vested	Options outstanding unvested	Total
	(in years)	#	#	#
C$2.01 to C$3.00	**2.99**	**1,824,814**	**—**	**1,824,814**
C$3.01 to C$4.00	**3.53**	**7,056,965**	**1,072,695**	**8,129,660**
C$4.01 and over	**6.66**	**—**	**3,781,263**	**3,781,263**
	4.32	**8,881,779**	**4,853,958**	**13,735,737**

(b) Deferred share units, Performance share units and Restricted share units

The Company adopted a DSU plan that allows the Board of Directors to grant Company DSUs to designated officers, employees or non-employees. The Board of Directors will determine whether the DSU award will be settled in cash, Company common shares or a combination of both. Under the terms of the DSU plan, the number of DSUs received will be calculated by dividing the portion of the eligible compensation by the volume weighted average price of the Company's common shares on the TSX for the 10 preceding days on which they were traded before the grant date. If and when the Company pays cash dividends to common shareholders, participants will be granted additional DSUs equivalent to the dividends that would have been paid had the DSUs been common shares.

The Company also has a Share Unit Plan that allows the Board of Directors to grant both Company PSUs and RSUs. The Company's PSUs and RSUs will vest no later than five years from the grant date, and PSUs will be subject to performance conditions. The PSU performance multiplier may range from 0% to 200% depending on actual performance. On the vesting date, the Board of Directors has the discretion to settle PSUs and RSUs either through cash payment, issuance of Company common shares or some combination of cash and common shares. If and when the Company pays cash dividends to common shareholders, participants will be granted additional PSUs and RSUs equivalent to the dividends that would have been paid had the share units been common shares.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

As at December 31, 2020, the following DSUs, PSUs and RSUs were outstanding:

	Deferred share units	Performance share units	Restricted share units	Total
	#	#	#	#
Outstanding, December 31, 2018	1,194,258	3,961,830	1,166,735	6,322,823
Granted	501,408	3,911,566	279,816	4,692,790
Redeemed	(163,168)	(2,754,124)	(460,426)	(3,377,718)
Outstanding, December 31, 2019	1,532,498	5,119,272	986,125	7,637,895
Granted	**463,524**	**6,776,062**	**563,553**	**7,803,139**
Redeemed	**(94,561)**	**(2,810,001)**	**(624,639)**	**(3,529,201)**
Forfeited	**—**	**(497,585)**	**—**	**(497,585)**
Outstanding, December 31, 2020	**1,901,461**	**8,587,748**	**925,039**	**11,414,248**

During the year ended December 31, 2020, the Company granted 463,524 DSUs to members of the Company's Board of Directors. As at December 31, 2020, the fair value of DSUs recorded as accounts payable and accrued liabilities was $9,938 (December 31, 2019 - $5,797).

During the year ended December 31, 2020, the Company granted 6,776,062 PSUs and 563,553 RSUs to senior executives and employees of the Company. As at December 31, 2020, the fair value of PSUs and RSUs recorded as accounts payable and accrued liabilities was $28,288 (December 31, 2019 - $16,682).

15. Other Revenue and Other Expenses

Other revenue consists of the following for the years ended December 31, 2020 and December 31, 2019:

	Year ended	
	December 31, 2020	December 31, 2019
	$	$
Gain on corporate investments	**474**	422
Other fees	**1,388**	1,480
Foreign exchange and other	**(3,584)**	(768)
Total other revenue - continuing operations	**(1,722)**	1,134

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Other expenses consist of the following for the years ended December 31, 2020 and December 31, 2019:

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Amortization of intangible assets	**29,863**	25,811
Impairment of legacy corporate investment	**13,000**	—
Accretion of deferred purchase consideration	**8,807**	5,750
Non-controlling interest	**—**	1,600
Purchase price premium on non-controlling interest	**—**	28,138
Restructuring costs	**1,486**	15,690
Gain on economic currency hedge	**—**	(4,789)
Business acquisition costs	**—**	2,168
Total other expenses - continuing operations	**53,156**	74,368

During the fourth quarter of 2020, the Company recorded an impairment loss of approximately $13.0 million related to a legacy corporate investment. See note 7 for further details on this investment. Restructuring costs primarily reflect severance costs related to corporate staff reductions, expenses related to reductions in occupancy and other corporate expenses.

16. Income Taxes

The major components of income tax expense (recovery) for the years ended December 31, 2020 and December 31, 2019 are as follows:

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Consolidated statements of operations		
Current income tax expense	**1,359**	1,747
Deferred income tax expense (benefit)	**5,290**	(6,439)
Income tax expense (recovery) reported in the consolidated statements of operations	**6,649**	(4,692)
Income tax expense (recovery) reported in the consolidated statements of changes in shareholders' equity	**103**	(1,485)

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

The following table provides a reconciliation of the Company's effective tax rate for the years ended December 31, 2020 and December 31, 2019:

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Income before income taxes	**22,473**	5,690
Combined statutory Canadian federal and provincial tax rate	**26.61 %**	26.61 %
Income tax based on statutory rate	**5,980**	1,514
Income tax adjusted for the effect of:		
Non-deductible and non-taxable items	**916**	(5,924)
Impact of foreign rate differential and changes to legislation	**(247)**	(282)
Total income tax expense (recovery)	**6,649**	(4,692)

Deferred taxes

Deferred taxes as at December 31, 2020 and December 31, 2019 relate to the following:

	December 31, 2020	**December 31, 2019**
	$	$
Deferred tax assets		
Tax loss carry forwards	**21,432**	39,384
Unrealized foreign exchange gains and losses	**1,309**	(1,109)
Share-based compensation	**12,710**	3,522
Finance receivables, lease and capital assets, intangible assets and other	**24,994**	2,329
Unrealized losses (gains) on derivatives	**—**	335
	60,445	**44,461**

The following table provides a reconciliation of net deferred tax assets for the years ended December 31, 2020 and December 31, 2019:

	December 31, 2020	**December 31, 2019**
	$	$
Balance, beginning of year	**44,461**	35,467
Tax benefit recognized in profit or loss	**16,087**	7,509
Tax benefit recognized in other comprehensive income	**(103)**	1,485
Balance, end of year	**60,445**	44,461

There are $21,388 in unused tax losses or temporary differences that have not been recognized as at December 31, 2020 related to our Canadian Legacy Businesses (December 31, 2019 - $77,694).

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

17. Related Party Transactions

Notes receivable

Notes receivable of $35,933 as at December 31, 2020 (December 31, 2019 - $31,966) represent loans to certain employees and officers of the Company granted in order to help finance the purchase of the Company's shares. Interest is accrued on the loans based on applicable U.S. interest rates and the principal is payable on demand in the event of non-payment of interest. The notes receivable are secured by ECN Capital shares purchased with full recourse to the employee/officer.

The changes in the notes receivable during the periods were as follows:

	December 31, 2020	December 31, 2019
	$	$
Notes receivable, beginning of period	**42,067**	51,744
Additions [1]	**7,336**	5,180
Interest income	**838**	1,066
Repayments (interest and principal)	**(773)**	(7,628)
Reclassifications to short-term receivables and other assets (non-related party)[2]	**(2,237)**	(10,127)
Foreign exchange	**322**	1,832
	47,553	42,067
Defeased amounts	**(11,620)**	(10,101)
Notes receivable, end of period	**35,933**	31,966

[1] Additions of $7.3 million for the year ended December 31, 2020 include $1.2 million of unsecured loans that were granted as relocation assistance to employees.

[2] These amounts primarily include loans to former employees that are being repaid pursuant to a fixed repayment schedule and remain secured by ECN Capital shares. As at December 31, 2020, $4.8 million of these loans remained outstanding.

Effective December 31, 2018, the Company entered into an irrevocable agreement to set off the full amount of any retirement, consulting and non-competition obligations owing to key executives against their outstanding notes receivable balances. IAS 32, *Financial Instruments: Presentation,* allows for the offsetting of financial assets and financial liabilities when an entity has a legally enforceable right to set off the amounts and it intends to settle on a net basis. As at December 31, 2020, the amounts of liabilities set off against notes receivable were $11.6 million.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Compensation of directors and key management

The remuneration of directors and key management personnel of the Company was as follows for the years ended December 31, 2020 and December 31, 2019:

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Salaries, bonuses and benefits	**7,692**	24,658
Share-based compensation	**16,280**	8,031
	23,972	32,689

18. Earnings Per Share

	Year ended	
	December 31, 2020	**December 31, 2019**
	$	$
Net income from continuing operations attributable to shareholders	**15,824**	10,382
Cumulative dividends on preferred shares	**9,389**	9,618
Net income from continuing operations attributable to common shareholders	**6,435**	764
Net loss from discontinued operations attributable to common shareholders	**(29,365)**	(25,131)
Total net loss attributable to common shareholders	**(22,930)**	(24,367)
Weighted average number of common shares outstanding - basic	**242,311,810**	242,567,185
Basic income per share from continuing operations	**$ 0.03**	$ —
Basic loss per share from discontinued operations	**$ (0.12)**	$ (0.10)
Total loss per share	**$ (0.09)**	$ (0.10)
Weighted average number of common shares outstanding - diluted	**246,994,010**	242,567,185
Diluted earnings per share from continuing operations	**$ 0.03**	$ —
Diluted loss per share from discontinued operations	**$ (0.12)**	$ (0.10)
Total diluted loss per share	**$ (0.09)**	$ (0.10)

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

19. Derivative Financial Instruments

Cash flow hedging relationships

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk and foreign exchange forward agreements to manage foreign currency exposure. All derivative instruments are designated in hedging relationships.

Total return swaps

The Company also enters into total return swaps to hedge the variability in cash flows associated with forecasted future obligations to members of the Company's Board of Directors, senior executives and eligible employees on vesting of DSUs, RSUs and PSUs attributable to changes in the Company's stock price related to its liability with respect to these instruments. These derivatives are designated as hedges for accounting purposes, and as such, the gains or losses of the hedging derivative are offset by the gains or losses of the hedged item.

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the years ended December 31, 2020 and December 31, 2019:

	Year ended	
	December 31, 2020	December 31, 2019
	$	$
Foreign exchange agreements recorded in other revenue	**(3,584)**	(768)
Fair value losses recorded in other comprehensive income	**(4,576)**	(36)

Notional amounts and fair values of derivative instruments

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

	December 31, 2020		December 31, 2019	
	Notional principal	Fair value	Notional principal	Fair value
	$	$	$	$
Derivative assets				
Interest rate contracts	**—**	**—**	419,527	1,777
Foreign exchange agreements	**38,000**	**201**	37,351	410
Total return swaps	**34,705**	**10,205**	29,303	1,439
	72,705	**10,406**	486,181	3,626
Derivative liabilities				
Interest rate contracts	**400,000**	**8,463**	125,963	3,061
Foreign exchange agreements	**79,782**	**405**	—	—
	479,782	**8,868**	125,963	3,061

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Offsetting of derivative assets and liabilities

The following table presents a summary of the Company's derivative portfolio, which includes the gross amounts presented in the consolidated statements of financial position; the amounts subject to an enforceable master netting agreement or similar agreement; and the net amounts after deducting the amounts subject to an enforceable master netting agreement or similar agreement from the gross amounts presented in the consolidated statements of financial position.

	December 31, 2020	December 31, 2019
	$	$
Derivative assets		
Gross amounts of financial instruments recognized on the consolidated statements of financial position	**10,406**	3,626
Amounts subject to an enforceable master netting agreement	**(201)**	(410)
	10,205	**3,216**
Derivative liabilities		
Gross amount of financial instruments recognized on the consolidated statements of financial position	**8,868**	3,061
Amounts subject to an enforceable master netting agreement	**(201)**	(410)
	8,667	**2,651**

Rate and price

The following table provides the average rate of the hedging derivatives:

		December 31, 2020		December 31, 2019
		Average rate [1]		Average rate [1]
Cash flow hedges				
Foreign exchange forwards	**CAD-USD**	**1.28**	CAD-USD	1.31
Interest rate swaps	**CAD**	**n/a**	CAD	1.50%
	USD	**1.40%**	USD	1.75%

[1] Average rate represents average exchange rate for foreign exchange forwards and average fixed interest rate for interest rate swaps and includes rates relating to significant hedging relationships.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

20. Capital Disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows:

	December 31, 2020	December 31, 2019
	$	$
Borrowings on term senior credit facility	**462,083**	430,478
Senior unsecured debentures	**55,109**	—
Accounts payable and accrued liabilities	**151,953**	207,627
Other liabilities[1]	**41,443**	50,285
	710,588	688,390
Shareholders' equity	**822,561**	879,026
	1,533,149	1,567,416

[1] Other liabilities primarily include a $18.8 million (2019 - $26.2 million) deferred purchase consideration liability relating to the acquisition of Service Finance in 2017, and a $14.6 million (2019 - $17.1 million) lease liability.

21. Financial Instruments

(a) Financial instruments risk

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on loans and financial derivatives. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating.

The Company manages its counterparty credit risk in respect to cash and cash equivalents by financing its operations through a syndicate of Canadian and U.S. banks.

The Company limits its exposure to counterparty credit risk in respect to the use of financial derivatives by transacting only with highly rated financial institutions. The Company's financial derivatives portfolio is spread across financial institutions that are at least dual-rated and have a credit rating in the "A" category or better.

The Company's maximum exposure to credit risk with respect to its consolidated statements of financial position as at December 31, 2020 and 2019 is the carrying amounts as disclosed on the consolidated statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company manages its liquidity risk by monitoring its operating and growth requirements. The Company prepares forecasts to ensure it has sufficient liquidity to fulfill its obligations and operating plans and actively pursues new funding sources to meet future liquidity requirements.

The most significant exposure to liquidity risk relates to the funding of loan originations at Service Finance and Triad Financial Services by our Partners. The Company mitigates this risk by maintaining a diversified group of Partners, including banks, credit unions, life insurance companies, pension funds and investment funds, as well as maintaining excess funding capacity for the following twelve months. The Company also maintains access to liquidity through its term senior credit facility. The Company ensures it has excess borrowing capacity under the facility by closely monitoring its covenants and managing the cash flows generated by its operating subsidiaries.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company enters into interest rate swaps to fix a portion of its floating rate debt.

After considering the interest rate swaps, the Company's interest rate risk is limited to cash and restricted cash, the unhedged portion of debt under the senior credit facility and floating rates on finance receivables and assets held-for-sale.

The Company does experience short-term interest rate risk on its finance receivables during the period between fixing the contractual rate under the finance contracts with its customers and locking the interest rate under its funding facilities or when the Company can sell the finance contracts through to third party financial institutions.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements of the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company typically mitigates and manages this risk by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. As at December 31, 2020, the Company did not have a significant unhedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average U.S. and foreign currency exchange rate used to translate the Company's foreign currency denominated net income into U.S. dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts or other hedging instruments to reduce or hedge this exposure to foreign currency risk.

(b) Valuation of financial instruments

Finance receivables

The carrying value of finance receivables approximates fair value. The assertion that the carrying value of the finance receivables approximates fair value requires the use of estimates and significant judgment. Finance receivables are classified as Level 3 financial instruments. The finance receivables were credit-score based on an internal model, which is not used in market transactions. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, payment history, yield, term, documents and other legal matters and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations and other factors.

Notes receivable

The carrying value of the notes receivable approximates their fair value, as the interest rates on these assets are commensurate with market interest rates for this type of asset with similar duration and credit risk. Notes receivable are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

22. Fair Value Measurements

IFRS 13, *Fair Value Measurement*, requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs used in the valuation of an asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in an active market for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are not based on observable market data.

(a) Assets and liabilities measured at fair value on a recurring basis

The following tables present the level within the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	**37,977**	**—**	**—**	**37,977**
Restricted cash	**9,226**	**—**	**—**	**9,226**
Held-for-trading financial assets	**—**	**—**	**150,250**	**150,250**
Retained reserve interest	**—**	**—**	**29,390**	**29,390**
Derivative financial instruments, net	**—**	**1,538**	**—**	**1,538**
Total	**47,203**	**1,538**	**179,640**	**228,381**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	51,720	—	—	51,720
Restricted cash	6,409	—	—	6,409
Held-for-trading financial assets	—	—	85,421	85,421
Retained reserve interest	—	—	25,558	25,558
Derivative financial instruments, net	—	565	—	565
Total	58,129	565	110,979	169,673

Retained reserve interest

The fair value of the retained reserve interest asset represents the present value of the amount the Company expects to recover from the amounts placed on deposit in a reserve account with respect to loans sold by Triad Financial Services. We estimate the present values using a discounted cash flow approach using assumptions for loan loss and prepayment rates and discount rates which are all Level 3 inputs.

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

Held-for-trading financial assets

The fair value of held-for-trading financial assets is estimated to approximate carrying value. These finance receivables are classified as Level 3 financial instruments, whereby fair value is determined using valuation techniques and inputs not based on observable market data.

The assertion that the carrying value of held-for-trading financial assets approximates fair value requires the use of estimates and significant judgment. The underlying assets are credit-scored and/or value based on internal models that are not necessarily used in market transactions. The fair value of any of these balances would be affected by a potential buyer's assessment of the transaction's credit quality, payment history, yield, term, documents and other legal matters and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations and other factors.

The fair value of finance receivables classified as assets held-for-trading is determined based on bids received on these loans in a private market.

(b) Assets measured at fair value on a non-recurring basis

The following tables present the level within the fair value hierarchy of the Company's assets and liabilities measured at fair value on a non-recurring basis. Assets held-for-sale represent finance receivables, operating leases and inventory within our Legacy Businesses that are held-for-sale as discussed in note 5.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets held-for sale	**—**	**—**	**106,768**	**106,768**
Total	**—**	**—**	**106,768**	**106,768**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets held-for sale	—	—	142,972	142,972
Total	—	—	142,972	142,972

23. Subsidiaries

List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Company, all of which are wholly owned:

	Principal place of business
Service Finance Company, LLC	U.S.
Triad Financial Services, Inc.	U.S.
Kessler Financial Services, LLC	U.S.
ECN (US) Holdings Corp.	U.S.
ECN Platinum LLC	U.S.
ECN Aviation Inc.	Canada

Subsidiaries with restrictions

The Company has no significant restrictions on its ability to access or use its assets and settle its liabilities within the subsidiaries.

24. Segmented Information

Operating segments

ECN Capital's operating results are categorized into three core operating segments and a Corporate segment. The Company's core operating segments consist of: (a) Service Finance - Home Improvement Loans; (b) KG - Consumer Credit Card Portfolios and Related Financial Products; and (c) Triad Financial Services - Manufactured Home Loans. The Company's Chief Operating Decision Maker, the CEO, reviews the operating results, assesses performance and makes capital allocation decisions at the business segment level. Therefore, each of the Company's business segments is an operating and reporting segment for financial reporting purposes.

The financial reporting of ECN Capital's three core business segments is consistent with the manner in which management currently evaluates the operating segment performance.

The consolidated statements of operations by segment for the years ended December 31, 2020 and December 31, 2019 are shown in the following tables:

Notes to consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

December 31, 2020

	For the year ended December 31, 2020				
	Service Finance - Home Improvement Loans	KG- Consumer Credit Card Portfolios & Related Financial Products	Triad Financial Services - Manufactured Home Loans	Corporate	Total
	$	$	$	$	$
Revenues	119,962	72,237	71,639	(229)	263,609
Operating expenses					
Compensation and benefits	21,828	21,075	23,098	10,442	76,443
General and administrative expenses	28,383	7,044	13,234	11,681	60,342
Interest expense	4,014	1,744	3,466	13,616	22,840
Depreciation and amortization	1,182	1,800	1,249	2,568	6,799
Share-based compensation	3,009	5,930	2,805	9,812	21,556
Other expenses	11,566	18,638	1,240	21,712	53,156
	69,982	56,231	45,092	69,831	241,136
Income (loss) before income taxes from continuing operations	49,980	16,006	26,547	(70,060)	22,473

Notes to consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

December 31, 2020

	For the year ended December 31, 2019				
	Service Finance - Home Improvement Loans	KG- Consumer Credit Card Portfolios & Related Financial Products	Triad Financial Services - Manufactured Home Loans	Corporate	Total continuing operations
	$	$	$	$	$
Revenues	101,095	84,522	59,521	2,818	247,956
Operating and other expenses					
Compensation and benefits	18,815	29,908	19,811	8,244	76,778
General and administrative expenses	14,043	6,169	9,354	13,654	43,220
Interest expense	4,470	1,814	3,379	14,982	24,645
Depreciation and amortization	763	1,881	1,118	2,046	5,808
Share-based compensation	2,164	3,188	325	11,770	17,447
Other expenses	7,633	53,068	2,240	11,427	74,368
	47,888	96,028	36,227	62,123	242,266
Income (loss) before income taxes from continuing operations	53,207	(11,506)	23,294	(59,305)	5,690

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