ECN CAPITAL

Consolidated Financial Statements

DECEMBER 31, 2021

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, 2021 and 2020, 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, 2021 and 2020, 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.

Source one purchase price allocation

As at December 21, 2021, the Company acquired 100% of the issued and outstanding shares of Source One Financial Services, LLC, for an aggregate purchase consideration of $92 million. Management accounted for the transaction as a business combination in accordance with IFRS 3 and determined the preliminary acquisition date fair value of identifiable assets and liabilities including intangible assets of $45 million and residual goodwill of $44 million. The Company discloses significant judgments, estimates and assumptions and the result of their analysis in respect of business acquisition in Note 4 to the consolidated financial statements.

Auditing management's purchase price allocation was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions determining the fair value of intangible assets acquired in this business combination. Significant assumptions included cash flow projections, attrition rates, royalty rates and discount rates.

To test the preliminary purchase price allocation, our audit procedures, included, among others:

- With the assistance of our valuation specialists, we evaluated the Company's model and methodology used to estimate the fair value of intangible assets, including cash flow projections, attrition rates, royalty rates and discount rates;
- With the assistance of our valuation specialists, we assessed the selection and application of the discount rates, attrition rates and royalty rates used to value the intangible assets by comparing to benchmarks;
- We analyzed and evaluated the reasonableness of the cash flow projections by comparing with future forecast based on management's best estimate considering market and economic trends;
- With the assistance of our valuation specialists, we compared the implied earnings multiple to comparable transactions to evaluate the earnings forecasts used;
- With the assistance of our valuation specialists, we performed sensitivity analysis on significant assumptions, including the attrition rates and the discount rates, to evaluate changes in the fair value of the intangible assets that would result from changes in the assumptions; and
- We assessed the adequacy of the Company's disclosures in the accompanying consolidated financial statements in relation to this matter.

Goodwill impairment

As at December 31, 2021, the Company has a goodwill balance of $231 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 cash generating unit ["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 was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of each 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.

To test the estimated recoverable amount of each 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;
- 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 each CGU that would result from changes in the assumptions; and
- 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 Robert Farlinger.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 1, 2022

Consolidated statements of financial position

[in thousands of United States dollars]

	December 31, 2021	December 31, 2020
	$	$
Assets		
Cash	**45,041**	47,203
Restricted funds *[note 12]*	**2,198**	—
Finance receivables *[note 6]*	**226,715**	374,025
Accounts receivable	**148,902**	78,779
Other assets *[note 7]*	**66,205**	99,891
Retained reserve interest	**32,767**	29,390
Continuing involvement asset *[note 11]*	**103,592**	164,188
Notes receivable *[note 17]*	**29,656**	35,933
Derivative financial instruments *[note 19]*	**13,383**	10,406
Leasehold improvements and other equipment *[note 8]*	**70,168**	18,893
Intangible assets *[note 9]*	**138,424**	257,931
Deferred tax assets *[note 16]*	**38,898**	60,445
Goodwill *[note 10]*	**230,166**	422,353
Total assets excluding assets held-for-sale	**1,146,115**	1,599,437
Assets held-for-sale *[note 5]*	**—**	106,768
Total assets	**1,146,115**	1,706,205
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities *[note 7]*	**220,140**	151,953
Taxes payable *[note 16]*	**293,623**	563
Continuing involvement liability *[note 11]*	**103,592**	164,188
Derivative financial instruments *[note 19]*	**—**	8,868
Borrowings on term senior credit facility *[note 12]*	**107,664**	462,083
Other liabilities [note 20]	**35,536**	40,880
Senior unsecured debentures *[note 12]*	**166,933**	55,109
Total liabilities	**927,488**	883,644
Shareholders' equity	**218,627**	822,561
	1,146,115	1,706,205

See accompanying notes

On behalf of the Board:

(signed) *"William W. Lovatt"*	(signed) *"Steven K. Hudson"*
William W. Lovatt	Steven K. Hudson
Director	Director

Consolidated statements of operations

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

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Revenues		
Loan origination revenues	**76,862**	49,440
Asset management and servicing revenues	**93,183**	72,489
Marketing and other services revenue	**15,536**	7,203
Total portfolio revenue	**185,581**	129,132
Interest income	**22,696**	17,488
Other revenue *[note 15]*	**13,099**	(2,973)
	221,376	143,647
Operating expenses and other		
Compensation and benefits	**72,698**	54,615
General and administrative expenses	**50,914**	31,959
Interest expense	**21,901**	18,826
Depreciation and amortization	**9,169**	5,617
Share-based compensation *[note 14]*	**29,863**	18,547
Other expenses *[note 15]*	**31,317**	41,590
	215,862	171,154
Income (loss) before income taxes from continuing operations	**5,514**	(27,507)
Provision for (recovery of) income taxes	**545**	(5,685)
Net income (loss) from continuing operations	**4,969**	(21,822)
Net income from discontinued operations *[note 5]*	**964,827**	8,281
Net income (loss) for the year	**969,796**	(13,541)
Earnings (loss) per common share - Basic		
Continuing operations *[note 18]*	**(0.04)**	(0.13)
Discontinued operations *[note 18]*	**3.96**	0.03
Total basic earnings (loss) per share *[note 18]*	**3.92**	(0.10)
Earnings (loss) per common share - Diluted		
Continuing operations *[note 18]*	**(0.04)**	(0.13)
Discontinued operations *[note 18]*	**3.85**	0.03
Total diluted earnings (loss) per share *[note 18]*	**3.81**	(0.10)

See accompanying notes

Consolidated statements of comprehensive income (loss)

[in thousands of United States dollars]

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Net income (loss) for the year	**969,796**	(13,541)
Other comprehensive income (loss)		
Cash flow hedges *[note 19]*	**14,904**	(4,576)
Net unrealized foreign exchange (loss) gain	**(5,225)**	918
Deferred tax expense *[note 16]*	**(1,380)**	(103)
Total other comprehensive income (loss)	**8,299**	(3,761)
Comprehensive income (loss) for the year	**978,095**	(17,302)

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, 2019	615,530	144,918	107,136	24,875	(13,433)	879,026
Employee stock options exercised	5,457	—	—	—	—	5,457
Employee stock option expense	—	—	825	—	—	825
Stock options adjustment	(1,177)	—	—	—	—	(1,177)
Common share repurchases	(11,103)	—	—	—	—	(11,103)
Preferred share repurchases	—	(5,775)	—	—	—	(5,775)
Comprehensive loss for the year	—	—	—	(13,541)	(3,761)	(17,302)
Dividends – preferred shares	—	—	—	(9,389)	—	(9,389)
Dividends – common shares	—	—	—	(18,001)	—	(18,001)
Balance, December 31, 2020	608,707	139,143	107,961	(16,056)	(17,194)	822,561
Balance, December 31, 2020	608,707	139,143	107,961	(16,056)	(17,194)	822,561
Employee stock options exercised *[note 13]*	**374**	**—**	**—**	**—**	**—**	**374**
Employee stock options expense	**—**	**—**	**3,855**	**—**	**—**	**3,855**
Exchange of consideration for stock option settlement *[note 14]*	**—**	—	**(33,372)**	**—**	**—**	**(33,372)**
Employee restricted stock unit expense	**—**	**—**	**1,519**	**—**	**—**	**1,519**
Reclassification to liability for stock option modification	**—**	**—**	**(2,323)**	**—**	**—**	**(2,323)**
Common share issuance *[note 13]*	**6,500**	**—**	**—**	**—**	**—**	**6,500**
Common share repurchases *[note 13]*	**(25,080)**	**—**	**—**	**—**	**—**	**(25,080)**
Preferred share repurchases *[note 13]*	**—**	**(1,883)**	**—**	**—**	**—**	**(1,883)**
Series A preferred share redemption *[note 13]*	**—**	**(70,208)**	**—**	**(5,213)**	**—**	**(75,421)**
Comprehensive income for the year	**—**	**—**	**—**	**969,796**	**8,299**	**978,095**
Dividends – preferred shares *[note 13]*	**—**	**—**	**—**	**(9,623)**	**—**	**(9,623)**
Dividends – common shares *[note 13]*	**—**	**—**	**—**	**(17,459)**	**—**	**(17,459)**
Special distribution to common shareholders *[note 13]*	**—**	**—**	**—**	**(1,429,116)**	**—**	**(1,429,116)**
Balance, December 31, 2021	**590,501**	**67,052**	**77,640**	**(507,671)**	**(8,895)**	**218,627**

See accompanying notes

Consolidated statements of cash flows

[in thousands of United States dollars]

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Operating activities		
Net income (loss) for the year from continuing operations	**4,969**	(21,822)
Items not affecting cash:		
Depreciation and amortization	**9,169**	5,617
Share-based compensation *[note 14]*	**29,863**	18,547
Amortization of intangible assets	**18,378**	18,378
Amortization of deferred financing costs	**3,864**	2,705
Deferred purchase price consideration	**3,811**	8,726
	70,054	32,151
Changes in operating assets and liabilities:		
Change in finance receivables, net *[note 6]*	**19,360**	(27,279)
Other operating assets and liabilities	**50,318**	(123,334)
Cash provided by (used in) operating activities - continuing operations	**139,732**	(118,462)
Investing activities		
Acquisition of Source One	**(89,093)**	—
Decrease (increase) in notes receivable	**6,277**	(6,204)
Purchase of property, equipment and leasehold improvements *[note 8]*	**(7,970)**	(2,664)
Proceeds from equipment financing	**10,954**	—
Proceeds from sale of equipment	**—**	8,500
Cash used in investing activities - continuing operations	**(79,832)**	(368)
Financing activities		
Option exercises *[note 13]*	**374**	5,457
Common share repurchases *[note 13]*	**(25,080)**	(11,103)
Common shares issued *[note 13]*	**6,500**	—
Preferred share repurchases *[note 13]*	**(1,883)**	(5,775)
Series A preferred share redemption *[note 13]*	**(75,421)**	—
Payment for stock option settlement *[note 14]*	**(33,372)**	—
Payments of lease liabilities	**(2,782)**	(2,832)
Payments of deferred financing costs	**(11,573)**	(4,340)
Borrowings on term senior credit facility, net of repayments *[note 12]*	**(351,000)**	29,410
Issuance of senior unsecured debentures *[note 12]*	**116,114**	56,311
Dividends paid *[note 13]*	**(27,082)**	(31,990)
Special distribution to common shareholders *[note 13]*	**(1,429,116)**	—
Cash (used in) provided by financing activities - continuing operations	**(1,834,321)**	35,138
Net changes in cash provided by discontinued operations	**1,772,259**	79,175
Net decrease in cash during the year	**(2,162)**	(4,517)
Cash, beginning of year	**47,203**	51,720
Cash, end of year	**45,041**	47,203
Supplemental cash flow information		
Cash taxes paid, net	**8,752**	13,717
Cash interest paid	**23,759**	24,657

See accompanying notes

Notes to consolidated financial statements

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

December 31, 2021

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 consumer (manufactured housing and recreational vehicle and marine) loans and credit card receivables. Its Partners are seeking high quality assets to match with their deposits or other liabilities. These services are offered through three operating businesses: Triad Financial Services, Inc. ("Triad Financial Services"), Source One Financial Services, LLC ("Source One"), and Kessler Financial Services ("KG"). Headquartered in South Florida and Toronto, the registered office is located at 161 Bay Street, Suite 2800, Toronto, Ontario, Canada. ECN Capital has approximately 460 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 (the "Board") of the Company on March 1, 2022.

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 (i) it has the power over the entity; (ii) it has exposure, or rights, to variable returns from its involvement with the entity; and (iii) 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 Triad Financial Services, Source One, and KG.

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 ECLs 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 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 Triad Financial Services subsidiary. See policy on derecognition of financial assets for further information.

Asset management and servicing revenue represents the fees earned by 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 revenues earned from the renewal or divestiture of partnership groups on behalf of its Partners, and asset management services revenue earned by KG, which is comprised of management fees and investment income earned through its credit card investment management platform.

Marketing and other services revenue represents the net fees earned by KG by providing both fee-based and funded marketing programs to its Partners, revenues from KG's performance marketing programs, and fees earned from KG's card as a service and other services it provides to its Partners.

For each of the 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 deposits that are reserved in accordance with the Company's agreements with its Partners and are not available for general corporate purposes.

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 probably 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.

Borrowings

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 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 borrowing obtained during the initial commitment period.

Leasehold improvements and other equipment

Property, equipment, and leasehold improvements are recorded at cost. Leasehold improvements are depreciated on a straight-line basis over the underlying lease terms. Aircraft, buildings, vehicles, office equipment, computer equipment, and computer servers are depreciated using the straight-line method over their estimated useful lives. The rates of depreciation are as follows:

Leasehold improvements	Lease term
Aircraft	5-30 years
Office equipment	5 years
Computer equipment	5 years
Computer software	3-5 years
Other	5 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 ("CGUs") 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 of 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 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; and information technology. 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.

The rates of amortization are as follows:

Information technology	3-5 years
Customer relationships	5-15 years

Share-based payments

Stock options

The Company has established a share option plan for employees and directors whereby the Company's 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 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 on 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 and 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 besting 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, 2021, 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 of 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, primarily the loans to purchase manufactured homes that are originated and sold by its Triad Financial Services segment.

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, for a portion of its loans, it has not transferred nor retained substantially all of the risks and rewards of ownership and has retained control. Effective January 1, 2021, the Company made the determination that all loans sold by Triad Financial Services qualify for full derecognition as Triad Financial Services does not exercise control over the loans.

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.

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

4. Business Acquisitions and Disposals

Acquisition of Source One Holdings, LLC

On December 21, 2021, the Company completed the acquisition of Source One Financial Services, LLC and subsidiary ("Source One"), a marine and recreational vehicle finance company, for cash consideration of $91.6 million. The table below presents the preliminary allocation of fair values to the net assets acquired as at December 31, 2021. The Company will finalize the purchase price allocation in 2022.

Consideration paid:	
Cash	$ 91,624
Fair value of identifiable assets and liabilities:	
Cash	2,531
Restricted funds	2,198
Accounts receivable and other	1,751
Fixed assets	578
Intangible assets *[note 9]*	45,200
Goodwill *[note 10]*	43,279
Accounts payable and other liabilities	(3,913)
Net assets acquired	91,624

Acquisition-related costs expensed in the period were $3.1 million, including advisory fees, legal, accounting, due diligence, and other transaction-related expenses. The preliminary allocation to goodwill of $43.3 million is primarily attributable to senior management's ability to maintain and grow both its dealer and funding relationships in support of the continued growth of the business. The Company expects that all of the goodwill will be deductible for tax purposes. Earnings related to Source One in 2021 were not material to the Company's consolidated operating results, as the transaction closed on December 21, 2021.

Sale of Service Finance

On December 6, 2021, the Company completed the sale of all of the issued and outstanding equity interests in each of Service Finance Company, LLC and Service Finance Holdings, LLC (together "Service Finance"), each wholly-owned indirect subsidiaries of the Company, to Truist Bank, the wholly owned bank subsidiary of Truist Financial Corporation, for cash proceeds of approximately $2.05 billion. The Company has recorded a net gain of approximately $1.0 billion in the year ended December 31, 2021, after applicable taxes and transaction expenses of approximately $0.5 billion.

Operating results attributable to Service Finance are presented as discontinued operations in the Company's consolidated statements of operations for all periods presented. See note 5 for further details regarding the Company's discontinued operations.

Rail Finance Portfolio Sales

On December 30, 2021, the Company closed a transaction to sell its remaining railcar assets to Trinity Industries Leasing Company for cash proceeds of approximately $19.5 million. As a result of the sale of the remaining railcar assets, the Company recorded a loss of $11.1 million in the year ended December 31, 2021. This transaction completed ECN Capital's exit from its legacy Rail Finance business. See Note 5 for further details regarding the Company's Rail Finance discontinued operations.

Sale of KG Credit Card Portfolio Structured Loans

On October 13, 2021, the controlling shareholder of certain credit card portfolios, in which the Company had a minority equity position, entered into an agreement to sell these portfolios to a third party institutional investor. As a result, the Company disposed of its equity interests and structured loans in these portfolios for proceeds of approximately $59 million, resulting in a gain of approximately $5.0 million.

5. Discontinued Operations and Assets Held-for-Sale

Service Finance

On August 10, 2021, the Company announced that it had entered into a definitive agreement with Truist Bank to sell all of the issued and outstanding equity interest in Service Finance. The sale transaction closed on December 6, 2021. Accordingly, operating results attributable to Service Finance are presented as discontinued operations in the Company's consolidated statements of operations. See Note 4 for further information on the sale of Service Finance.

Aviation Finance, Rail Finance, and Canada and U.S. Commercial and Vendor ("C&V") Finance

In 2017, the Company announced its strategic plan to redeploy capital from sales of the Company's Aviation Finance, Rail Finance, and Canada and U.S. C&V Finance business segments (the "Legacy Businesses") into asset-light businesses. Furthermore, in 2018, the Company's Board approved management's formal proposal to accelerate the wind-down and sale of the remaining Aviation and Rail finance businesses. The Company sold all of the remaining Rail Finance assets, and transferred $38.1 million in aviation assets to fixed assets and $8.0 million in aviation assets to inventories in the fourth quarter of 2021. Accordingly, operating results attributable to the Legacy Businesses are presented as discontinued operations in the Company's consolidated statements of operations. The Company has now completed its strategic transition and will not report any operating results as discontinued operations beginning in the first quarter of 2022.

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

Results of discontinued operations

The following table presents the results of discontinued operations for Service Finance and the Company's Legacy Businesses for the years ended December 31, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Revenues	**136,509**	121,398
Operating expenses and other costs		
Compensation and benefits	**29,647**	25,447
Other operating expenses	**24,322**	39,586
Interest expense	**6,454**	10,405
Depreciation and amortization	**2,952**	1,182
Share-based compensation	**(7,846)**	3,011
Amortization of intangibles	**9,359**	11,485
Accretion of deferred purchase consideration	**(12,061)**	81
Impairment of Legacy Businesses assets	**28,390**	37,107
Loss on sale of Rail Finance assets	**11,050**	—
Gain on sale of Service Finance	**(1,251,903)**	—
	(1,159,636)	128,304
Income from discontinued operations before income taxes	**1,296,145**	(6,906)
Provision for (recovery of) income taxes	**331,318**	(15,187)
Net income from discontinued operations	**964,827**	8,281

During 2021, the Company recognized provisions of approximately $11.4 million and $2.4 million, respectively, related to the Company's Aviation and C&V Finance assets, and a provision of approximately $14.6 million related to a legacy corporate investment. Additionally, during 2021, the Company recognized a loss of $11.1 million related to the sale of the Company's Rail Finance assets. During 2020, the Company recognized a provision of $37.1 million related to the Company's Aviation assets.

[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, 2020:

	December 31, 2020
Legacy Businesses assets held-for-sale	
Aviation Finance	64,844
Rail Finance	32,837
C&V Finance Canada	9,087
Total assets held-for-sale	106,768

As a result of the Company's assessment of its remaining Legacy Businesses assets as at December 31, 2021, the Company's remaining Aviation Finance assets of approximately $25.1 million and C&V Finance assets of $3.9 million were determined to no longer be highly probable to be sold within one year. These assets have been reclassified to inventories in leasehold improvements and other equipment and other assets, respectively, in the Company's consolidated statements of financial position as at December 31, 2021.

Aviation Finance

Aviation assets held for sale as at December 31, 2020, consist of secured financing and leasing arrangements for fixed-wing and various types of rotary aircraft in addition to certain off-lease aircraft. The following table presents the components of Aviation assets held for sale as at December 31, 2020:

	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

Assets held for sale in the Company's Aviation Finance portfolio are 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.

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

6. Finance Receivables

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

	December 31, 2021	December 31, 2020
	$	$
Manufactured housing loans	**182,556**	113,817
Dealer advances	**—**	54,584
Credit card portfolio structured loans	**—**	56,242
Gross finance receivable at amortized cost	**182,556**	224,643
Allowance for credit losses	**(527)**	(868)
Net finance receivables at amortized cost	**182,029**	223,775
Held-for-trading financial assets	**44,686**	150,250
Total finance receivables	**226,715**	374,025

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. Floorplan loans are secured by first priority, fully perfected liens in the underlying manufactured housing units that are financed by Triad Financial Services. Triad is also the beneficiary of a manufacturer's repurchase guarantee on each financed unit.

Dealer advances consist primarily of staged fundings with respect to committed home improvement loans to key dealers of the Company's Service Finance business segment, which was sold in 2021. See note 4 for further information.

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.

During 2021, the controlling shareholder of the credit card portfolios entered into an agreement to sell the portfolios to a third-party institutional investor. As a result, the Company disposed of its credit card portfolio structured loans. See note 4 for further information.

[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, 2021 includes $44.7 million (December 31, 2020 - $57.1 million) in manufactured housing loans, which are classified as held-for-trading. The held-for-trading loans balance as at December 31, 2020 also includes $93.2 million in home improvement loans related to the Company's Service Finance business segment, which was sold in 2021. 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, 2021		December 31, 2020	
	$	%	$	%
31 - 60 days past due	**—**	**—**	3	—
61 - 90 days past due	**—**	**—**	—	—
Greater than 90 days past due	**—**	**—**	—	—
Total past due	**—**	**—**	3	—
Current	**182,556**	**100.00**	224,640	100.00
Total net investment	**182,556**	**100.00**	224,643	100.00

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

	December 31, 2021	December 31, 2020
	$	$
Net investment, continuing operations	**$182,556**	$224,643
Weighted average interest rate	**7.50 %**	6.70 %

Notes to consolidated financial statements

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

December 31, 2021

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

	December 31, 2021			
	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)	Total
	$	$	$	$
Low risk	**64,554**	**—**	**—**	**64,554**
Medium risk	**117,615**	**—**	**—**	**117,615**
High risk	**387**	**—**	**—**	**387**
Default	**—**	**—**	**—**	**—**
Gross carrying amount	**182,556**	**—**	**—**	**182,556**

	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

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.

Notes to consolidated financial statements

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

December 31, 2021

Allowance for credit losses

The Company's allowance for credit losses is shown in the table below:

	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)	Total
	$	$	$	$
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
Balance as at December 31, 2020	829	2	37	868
Provision for credit losses	**277**	**38**	**114**	**429**
Charge-offs, net of recoveries	**—**	**—**	**(70)**	**(70)**
Disposals	**(579)**	**(40)**	**(81)**	**(700)**
Balance as at December 31, 2021	**527**	**—**	**—**	**527**

7. Other Assets and Accounts Payable and Accrued Liabilities

The following table presents the assets reported in other assets:

	December 31, 2021	December 31, 2020
	$	$
Corporate investments	**19,715**	46,812
Prepaid expenses and other assets	**29,328**	29,100
Taxes receivable	**17,162**	23,979
Total	**66,205**	99,891

Equity accounted investments are included in corporate investments and are equity accounted private company investments with a carrying value of approximately $1.9 million as at December 31, 2021 and $24.3 million as at December 31, 2020. Corporate investments as at December 31, 2021 also includes a receivable of approximately $2.9 million associated with its equity accounted investment.

Notes to consolidated financial statements

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

December 31, 2021

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

	December 31, 2021	December 31, 2020
	$	$
Accounts payable and accrued liabilities	**86,617**	56,878
Accrued payroll and share-based compensation liabilities	**89,416**	50,376
Unearned revenue [1]	**44,107**	44,699
Total	**220,140**	151,953

[1] Represents upfront payments received from Partners of the Company for future management and advisory services.

8. Leasehold Improvements and Other Equipment

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

	December 31, 2021	December 31, 2020
	$	$
Fixed assets [1]	**44,460**	5,620
Inventories	**7,950**	—
Right-of-use assets	**17,758**	13,273
	70,168	18,893

[1] $38.1 million of total fixed assets represent aviation assets transferred from assets held-for-sale.

Notes to consolidated financial statements

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

December 31, 2021

Fixed assets

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

	December 31, 2021			
	Leasehold improvements	Aircraft	Equipment and other	Total
	$	$	$	$
Cost				
As at December 31, 2020	7,156	—	7,839	14,995
Additions	**886**	**6,257**	**610**	**7,753**
Transfer from assets held-for-sale	**—**	**38,088**	**—**	**38,088**
Disposals	**(312)**	**—**	**(2,805)**	**(3,117)**
Foreign exchange rate adjustments	**1**	**189**	**1**	**191**
As at December 31, 2021	**7,731**	**44,534**	**5,645**	**57,910**
Accumulated depreciation				
As at December 31, 2020	3,619	—	5,756	9,375
Depreciation charge for the year	**592**	**4,452**	**535**	**5,579**
Disposal	**(153)**	**—**	**(1,343)**	**(1,496)**
Foreign exchange rate adjustments	**—**	**(6)**	**(2)**	**(8)**
As at December 31, 2021	**4,058**	**4,446**	**4,946**	**13,450**
Net carrying value	**3,673**	**40,088**	**699**	**44,460**

	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 value	3,537	2,083	5,620

Notes to consolidated financial statements

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

December 31, 2021

Inventories

Inventories of $8.0 million as at December 31, 2021 consist of assets related to the Company's legacy Aviation Finance business that have been reclassified from assets held-for-sale in the Company's consolidated statements of financial position as at December 31, 2021, as they are determined to no longer be highly probable to be sold within one year. 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 1 to 11 years.

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

	December 31, 2021	December 31, 2020
	$	$
Right-of-use assets, beginning of year	**13,273**	15,832
Additions	**8,616**	708
Disposals	**(1,304)**	(370)
Depreciation charge for the year	**(2,827)**	(2,897)
Right-of-use assets, end of year	**17,758**	13,273

Lease liabilities

Maturities of the related lease liabilities included in other liabilities as at December 31, 2021 were as follows:

	December 31, 2021
	$
Less than one year	**3,570**
One to five years	**9,256**
More than five years	**9,647**
Undiscounted future lease payments	**22,473**
Discount	**(3,297)**
Right-of-use liabilities as at December 31, 2021	**19,176**

Notes to consolidated financial statements

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

December 31, 2021

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, 2019	8,925	251,600	59,729	320,254
Additions	8,523	19,260	22,158	49,941
Balance, December 31, 2020	17,448	270,860	81,887	370,195
Additions	**3,514**	**45,200**	**4,539**	**53,253**
Disposals	**(14,465)**	**(123,260)**	**(81,674)**	**(219,399)**
Balance, December 31, 2021	**6,497**	**192,800**	**4,752**	**204,049**
Accumulated amortization				
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)
Amortization	**(2,859)**	**(27,310)**	**(162)**	**(30,331)**
Disposals	**5,060**	**35,317**	**36,593**	**76,970**
Balance, December 31, 2021	**(3,030)**	**(62,433)**	**(162)**	**(65,625)**
Net carrying value				
December 31, 2020	12,217	200,420	45,294	257,931
December 31, 2021	**3,467**	**130,367**	**4,590**	**138,424**

[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 year ended December 31, 2021, the Company recognized goodwill on the acquisition of Source One. See note 4 for further details.

	December 31, 2021	December 31, 2020
	$	$
Balance, beginning of year	**422,353**	421,445
Additions from acquisitions	**43,279**	908
Disposals	**(235,466)**	—
Balance, end of year	**230,166**	422,353

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

	December 31, 2021	December 31, 2020
	$	$
KG	**138,412**	138,412
Triad Financial Services	**48,475**	48,475
Source One	**43,279**	—
Service Finance	**—**	235,466
	230,166	422,353

The Company conducted its annual goodwill impairment analysis as at October 31, 2021. 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 the Company's forecasts over a five-year period, as approved by management, and were consistent with historical operating results. Beyond the initial five-year period, cash flows were estimated to grow at perpetual annual rates of 3%. 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.

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 Financial Services 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, except for the continuing involvement asset and liability of $138,446 as at December 31, 2021 (December 31, 2020 - $47,723) related to loans where the Company has determined it has not retained control. Effective January 1, 2021, the Company made the determination that all loans sold by Triad Financial Services qualify for full derecognition as Triad Financial Services does not exercise control over the loans. 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.

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

12. Borrowings

Term senior credit facility

The Company is party to a $700,000 term senior credit facility, amended December 6, 2021, which is syndicated to a group of eight Canadian, U.S. and international banks with a maturity date of December 6, 2025. The facility bears interest at the prime rate plus 1.0% or one-month bankers' acceptance rate plus 2.0% per annum on outstanding Canadian denominated balances and U.S. base rate plus 1.0% per annum or one-month LIBOR rate plus 2.0% per annum on outstanding U.S. 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, 2021		December 31, 2020	
	Balance outstanding	Weighted average interest rate [1]	Balance outstanding	Weighted average interest rate [1]
	$	%	$	%
Term senior credit facility	**122,000**	**2.10**	473,000	2.91
Deferred financing costs	**(14,336)**		(10,917)	
Total secured borrowings	**107,664**		462,083	

[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.

As at December 31, 2021, the unutilized balance of the facility was $578,000 (December 31, 2020 - $527,000).

Senior unsecured debentures

(a) Senior unsecured debentures due 2025

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 "2025 Debentures") at a price of C$1,000 per debenture. The 2025 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.

The 2025 Debentures will not be redeemable by the Company prior to December 31, 2023. On and after December 31, 2023 and prior to December 31, 2024, the 2025 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 2025 Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2024 and prior to the maturity date of December 31, 2025, the 2025 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 and accrued interest of the 2025 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.

(b) Senior unsecured debentures due 2026

On October 28, 2021, the Company issued C$75 million (US$61.1 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2026 (the "2026 Debentures") at a price of C$1,000 per debenture. The 2026 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. The Company also granted the syndicate of underwriters an option to purchase up to an additional C$11.25 million (US$8.7 million) aggregate principal amount of 2026 Debentures, on the same terms and conditions for a period of 30 days following the closing of the debenture offering, which was exercised in full on November 5, 2021, resulting in total proceeds of C$86.25 million (US$69.9 million).

The 2026 Debentures will not be redeemable by the Company prior to December 31, 2024. On and after December 31, 2024 and prior to December 31, 2025, the 2026 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 2026 Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2025 and prior to the maturity date of December 31, 2026, the 2026 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 and accrued interest of the 2026 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.

(c) Senior unsecured debentures due 2027

On December 23, 2021, the Company issued C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2027 (the "2027 Debentures") at a price of C$1,000 per debenture. The 2027 Debentures will bear interest at a rate of 6.25% per annum, payable semi-annually in arrears on June 30 and December 31, commencing June 30, 2022.

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

The 2027 Debentures will not be redeemable by the Company prior to December 31, 2024. On and after December 31, 2024 and prior to December 31, 2025, the 2027 Debentures will be redeemable, in whole or in part, at the Company's option at a redemption price equal to 104.7% of the principal amount of the 2027 Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2025 and prior to December 31, 2026, the 2027 Debentures will be redeemable, in whole or in part, at the Company's option at a redemption price equal to 103.1% of the principal amount of the 2027 Debentures redeemed plus accrued and unpaid interest. On and after December 31, 2026 and prior to the maturity date of December 31, 2027, the 2027 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 and accrued interest of the 2027 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, 2021	**December 31, 2020**
	$	$
Senior unsecured debentures due 2025	**59,340**	58,939
Senior unsecured debentures due 2026	**68,241**	—
Senior unsecured debentures due 2027	**47,472**	—
	175,053	58,939
Deferred financing costs	**(8,120)**	(3,830)
Total unsecured debentures	**166,933**	55,109

The Company was in compliance with all financial and reporting covenants with all of its lenders as at December 31, 2021.

Restricted funds

Restricted cash as at December 31, 2021 of $2,198 (December 31, 2020 - nil) represents cash deposits that are reserved in accordance with the Company's agreements with its Partners and are not available for general corporate purposes.

[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, 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
Balance, December 31, 2020	244,540,489	608,707
Common share repurchases	**(3,485,652)**	**(25,080)**
Common share issuance[2]	**1,574,411**	**6,500**
Exercise of options	**3,489,307**	**374**
Balance, December 31, 2021	**246,118,555**	**590,501**

[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.

[2] On December 31, 2021, the Company issued $6.5 million (C$8.3 million), or 1,574,411 common shares, in a private placement to senior management of Source One in conjunction with the acquisition..

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

	Preferred shares - Series A	
	Shares	**Amount**
	#	$
Balance, December 31, 2020	3,892,200	71,163
Preferred share repurchases under Preferred Share Bid	**(49,100)**	**(955)**
Preferred share redemption	**(3,843,100)**	**(70,208)**
Balance, December 31, 2021	**—**	**—**

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

	Preferred shares - Series C	
	Shares	Amount
	#	$
Balance, December 31, 2020	3,760,800	67,980
Preferred share repurchases under Preferred Share Bid	**(48,400)**	**(928)**
Balance, December 31, 2021	**3,712,400**	**67,052**

Redemption of Series A Preferred Shares

On December 31, 2021, the Company completed the redemption of all 3,843,100 of its issued and outstanding Series A Preferred Shares at a cash redemption price of C$25.00 per Series A share, for a total aggregate redemption price of approximately $75.4 million (C$96.1 million). As a result of the redemption, the Company recognized a charge to retained earnings of approximately $5.2 million (C$5.6 million) related to excess redemption costs over the original net proceeds.

Normal Course Issuer Bids

On September 14, 2021, 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, 2021. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,455,925 common shares, 384,210 Series A Preferred Shares and 371,040 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, 2022 or the completion of purchases under the applicable NCIB.

During the year ended December 31, 2021, the Company purchased 3,485,652 common shares for a total of $25.1 million (C$31.8 million) or C$9.14 per common share pursuant to the Common Share Bid. During the year ended December 31, 2021, the Company purchased 49,100 Series A Preferred Shares for a total of $1.0 million (C$1.2 million) or C$24.56 per share and 48,400 Series C Preferred Shares for a total of $0.9 million (C$1.2 million) or C$24.21 per share pursuant to the Preferred Share Bid.

Common share dividends

During the year ended December 31, 2021, the Company paid $17,459 or C$0.09 per common share in dividends (December 31, 2020 - $18,001 or C$0.10 per common share). The Company's common share dividends are designated to be eligible dividends for income tax purposes.

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

Special distribution to common shareholders

In connection with the sale of Service Finance, the Company paid a distribution of C$7.50 per common share, or approximately $1.4 billion (C$1.8 billion), from the net proceeds to its common shareholders. The distribution was comprised of a return of capital in the aggregate amount of C$1.01 billion, which represents C$4.13 per common share, with the remainder in the form of a special dividend in the amount of C$3.37 per common share. The special dividend is designated to be an eligible dividend for income tax purposes.

Preferred share dividends

During the year ended December 31, 2021, the Company paid $4,989 or C$1.625 per Series A share in dividends. During the year ended December 31, 2020, the Company paid $4,807 or C$1.625 per Series A share in preferred share dividends.

During the year ended December 31, 2021, the Company paid $4,634 or C$1.5625 per Series C share in dividends. During the year ended December 31, 2020, the Company paid $4,582 or C$1.5625 per Series C share in preferred share dividends.

The Company's preferred share dividends are designated to be eligible dividends for income tax purposes.

14. Share-Based Compensation

Share-based compensation expense

Share-based compensation expense consists of the following for the years ended December 31, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	**December 31, 2020**
	$	$
Performance share units and restricted share units	**25,080**	15,512
Stock options	**3,805**	824
Deferred share units	**978**	2,211
Share-based compensation - continuing operations	**29,863**	18,547

(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 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.

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

During the year ended December 31, 2021, the Company granted 3,938,525 stock options to employees with a weighted average exercise price of C$7.26 per share. The stock options have a fair value of $4.4 million calculated using the Black-Scholes method of valuation, assuming a risk-free rate of 0.46%, volatility of 30%, and a dividend yield of 1.87% annually. The expected volatility was based on the historical volatility of the Company's common shares.

The changes in the number of stock options for the years ended December 31, 2021, and December 31, 2020, were as follows:

	Number of options	Weighted average exercise price	Weighted average exercise price
	#	$	C$
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
Granted	**3,938,525**	**5.58**	**7.26**
Forfeited	**(299,025)**	**4.18**	**5.43**
Settled	**(11,614,249)**	**2.57**	**3.34**
Canceled	**(5,285,537)**	**4.18**	**5.43**
Outstanding, December 31, 2021	**475,451**	**2.42**	**3.15**

As a result of the sale of Service Finance, the Board made the decision to re-set the Company's stock option plan in the following manner: (1) Option awards that were vested but not exercised were settled for cash consideration (11,614,249 vested but unexercised options were settled for cash consideration of approximately $33.4 million), (2) Unvested options were canceled and replaced by RSUs having a value equal to the intrinsic value of the unexercised options. The RSUs will settle in accordance with the vesting term of the original option awards (5,285,537 unvested stock option awards were exchanged for 7,315,626 RSUs).

No incremental value was received by ECN employees as a result of this exchange. However, the exchange did result in an incremental expense of $25.2 million for accounting purposes, which is reflected in the calculation of the gain on sale of Service Finance.

The cost of the options granted for the year ended December 31, 2021, was determined using the Black-Scholes option valuation model with inputs to the model as follows:

	Unit	2021
Weighted average exercise price	**C$**	**7.26**
Weighted average term to exercise	**Years**	**4.00**
Weighted average share price volatility	**%**	**30.00**
Weighted average expected annual dividend yield	**%**	**1.87**
Risk-free interest rate	**%**	**0.46**
Forfeiture rate	**%**	**—**

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

As at December 31, 2021, the following employee and director stock options to purchase common shares were outstanding, all of which were vested:

Range of exercise prices	Weighted average remaining life	Vested	Total
	(in years)	#	#
C$2.01 to C$3.00	**1.53**	**255,040**	**255,040**
C$3.01 to C$4.00	**1.37**	**220,411**	**220,411**
	1.46	**475,451**	**475,451**

(b) Deferred Share Units, Performance Share Units and Restricted Share Units

The Company adopted a DSU plan that allows the Board to grant Company DSUs to designated officers, employees, or non-employees. The Board 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 to grant both Company PSUs and RSUs. The Company's PSUs and RSUs will vest no later than four 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 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, 2021, the following DSUs, PSUs, and RSUs were outstanding:

	Deferred Share Units	Performance Share Units	Restricted Share Units	Total
	#	#	#	#
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
Granted	**418,774**	**2,488,496**	**7,548,994**	**10,456,264**
Redeemed	**—**	**(3,743,748)**	**(279,364)**	**(4,023,112)**
Reinvested dividend units	**2,287,953**	**5,990,374**	**1,193,604**	**9,471,931**
Forfeited	**—**	**(3,298,769)**	**(28,822)**	**(3,327,591)**
Outstanding, December 31, 2021	**4,608,188**	**10,024,101**	**9,359,451**	**23,991,740**

During the year ended December 31, 2021, the Company granted 418,774 DSUs to members of the Company's Board of Directors. As at December 31, 2021, the fair value of DSUs recorded as accounts payable and accrued liabilities was $18,925 (December 31, 2020 - $9,938).

During the year ended December 31, 2021, the Company granted 2,488,496 PSUs and 2,263,457 RSUs to senior executives and employees of the Company. Additionally, 7,315,626 RSUs were issued in exchange for the cancellation of 5,285,537 stock options. As at December 31, 2021, the fair value of PSUs and RSUs recorded as accounts payable and accrued liabilities was $52,217 (December 31, 2020 - $28,288).

15. Other Revenue and Other Expenses

Other revenue consists of the following for the years ended December 31, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Legacy Businesses revenue	**6,479**	—
Foreign exchange	**5,899**	(3,450)
Other fees	**612**	3
Gain (loss) on corporate investments	**188**	474
(Loss) income from sale of equipment	**(79)**	—
Total other revenue - continuing operations	**13,099**	(2,973)

[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, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Amortization of intangible assets	**18,378**	18,378
Impairment of legacy corporate investment	**—**	13,000
Accretion of deferred purchase consideration	**3,811**	8,726
Restructuring costs	**6,054**	1,486
Business acquisition costs	**3,074**	—
Total other expenses - continuing operations	**31,317**	41,590

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 for the years ended December 31, 2021 and December 31, 2020 are as follows:

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Consolidated statements of operations		
Current income tax expense	**512**	(573)
Deferred income tax expense	**33**	(5,112)
Income tax expense reported in the consolidated statements of operations	**545**	(5,685)
Income tax expense reported in the consolidated statements of changes in shareholders' equity	**1,380**	103

[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, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Income before income taxes from continuing operations	**5,514**	(27,507)
Combined statutory Canadian federal and provincial tax rate	**26.50 %**	26.61 %
Income tax based on statutory rate	**1,461**	(7,320)
Income tax adjusted for the effect of:		
Non-deductible and non-taxable items	**(1,454)**	1,660
Impact of foreign rate differential and changes to legislation	**538**	(25)
Total income tax expense (recovery)	**545**	(5,685)

Deferred taxes

[a] Deferred taxes relate to the following:

The Company has recognized deferred tax assets in excess of deferred tax liabilities because, on the basis of past years and future expectations, management considers it probable that taxable profits will be available against which the future income tax deductions can be utilized.

	December 31, 2021	December 31, 2020
	$	$
Deferred tax assets		
Tax loss carry forwards	**44,459**	22,509
Unrealized foreign exchange gains and losses	**(1,105)**	1,380
Share-based compensation	**6,682**	13,405
Finance receivables, lease and capital assets, intangible assets and other	**39,732**	26,455
	89,768	63,749
Unrecognized asset (valuation allowance) [1]	**(50,870)**	(3,304)
	38,898	60,445

[1] Represents the value attributable to the Canadian income tax losses that have been written off for accounting purposes. It remains the Company's intention to undertake actions that will enable it to fully realize the benefit associated with these losses.

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

[b] Reconciliation of net deferred tax asset

The following table provides a reconciliation of net deferred tax assets for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
	$	$
Balance, beginning of year	**60,445**	35,467
Tax (expense) benefit recognized in profit or loss	**(20,167)**	23,493
Tax (expense) benefit recognized in other comprehensive income	**(1,380)**	1,485
Balance, end of year	**38,898**	60,445

There are $205,061 in unused tax losses or temporary differences that have not been recognized as at December 31, 2021 related to our Canadian Legacy Businesses (December 31, 2020 - $21,388).

As at December 31, 2021, a valuation allowance of $50,870 has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income in our Canadian entities during the carryforward period are reduced or increased or if the objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our Canadian projections for growth.

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

17. Related Party Transactions

Notes receivable

Notes receivable of $29,656 as at December 31, 2021 (December 31, 2020 - $35,933) 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 notes receivable for the years ended December 31, 2021 and December 31, 2020 were as follows:

	December 31, 2021	December 31, 2020
	$	$
Notes receivable, beginning of year	**47,553**	42,067
Additions	**2,253**	7,336
Interest income	**938**	838
Repayments (interest and principal)	**(21,243)**	(773)
Reclassifications to short-term receivables and other assets (non-related party)[1]	**—**	(2,237)
Foreign exchange	**155**	322
	29,656	47,553
Defeased amounts	**—**	(11,620)
Notes receivable, end of year	**29,656**	35,933

[1] 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, 2021, $0.8 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, 2021 and December 31, 2020, the amounts of liabilities set off against notes receivable were nil and $11.6 million, respectively.

In the fourth quarter of 2021, the Company's Board made the decision to accelerate and vest the retirement allowance for the Company's Chief Executive Officer ("CEO"). In accordance with the irrevocable set off agreement described above, the entire after-tax amount of the retirement allowance was applied against the outstanding notes receivable balance.

[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, 2021 and December 31, 2020.

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Salaries, bonuses, and benefits [1]	**26,500**	7,692
Share-based compensation	**9,025**	16,280
	35,525	23,972

[1] The increase in salaries, bonuses, and benefits is primarily attributable to the vesting of the CEO's retirement allowance in the fourth quarter of 2021. This resulted in the recognition of a pension benefit of $15.2 million. No cash was received by the CEO with respect to the pension amount as the full after-tax amount of $9.3 million was used to pay down notes receivable.

18. Earnings Per Share

	Year ended	
	December 31, 2021	December 31, 2020
	$	$
Net income (loss) from continuing operations	**4,969**	(21,822)
Cumulative dividends on preferred shares	**9,623**	9,389
Series A preferred share redemption charge	**5,213**	—
Net loss from continuing operations attributable to common shareholders	**(9,867)**	(31,211)
Net income from discontinued operations attributable to common shareholders	**964,827**	8,281
Total net income (loss) attributable to common shareholders	**954,960**	(22,930)
Weighted average number of common shares outstanding - basic	**243,732,318**	242,311,810
Basic loss per share from continuing operations	**$ (0.04)**	$ (0.13)
Basic earnings per share from discontinued operations	**$ 3.96**	$ 0.03
Total basic earnings (loss) per share	**$ 3.92**	$ (0.10)
Weighted average number of common shares outstanding - diluted	**250,473,693**	246,994,010
Diluted loss per share from continuing operations	**$ (0.04)**	$ (0.13)
Diluted earnings per share from discontinued operations	**$ 3.85**	$ 0.03
Total diluted earnings (loss) per share	**$ 3.81**	$ (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 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, 2021 and December 31, 2020:

	Year ended	
	December 31, 2021	**December 31, 2020**
	$	$
Foreign exchange agreements recorded in other revenue	**5,170**	(3,584)
Fair value gains (losses) recorded in other comprehensive income	**14,904**	(4,576)

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, 2021		December 31, 2020	
	Notional principal	**Fair value**	**Notional principal**	**Fair value**
	$	$	$	$
Derivative assets				
Foreign exchange agreements	**283,592**	**3,479**	38,000	201
Total return swaps	**39,067**	**9,904**	34,705	10,205
	322,659	**13,383**	72,705	10,406
Derivative liabilities				
Interest rate contracts	**—**	**—**	400,000	8,463
Foreign exchange agreements	**—**	**—**	79,782	405
	—	**—**	479,782	8,868

[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, 2021	December 31, 2020
	$	$
Derivative assets		
Gross amounts of financial instruments recognized on the consolidated statements of financial position	**13,383**	10,406
Amounts subject to an enforceable master netting agreement	**—**	(201)
	13,383	10,205
Derivative liabilities		
Gross amount of financial instruments recognized on the consolidated statements of financial position	**—**	8,868
Amounts subject to an enforceable master netting agreement	**—**	(201)
	—	8,667

Rate and price

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

		December 31, 2021		December 31, 2020
		Average rate [1]		Average rate [1]
Cash flow hedges				
Foreign exchange forwards	**CAD-USD**	**1.28**	CAD-USD	1.28
Interest rate swaps	**CAD**	**n/a**	CAD	n/a
	USD	**n/a**	USD	1.40%
Total return swaps	**CAD**	**$4.26**	CAD	$5.00

[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, 2021	December 31, 2020
	$	$
Borrowings on term senior credit facility	**107,664**	462,083
Accounts payable and accrued liabilities	**220,140**	151,953
Taxes payable	**293,623**	563
Other liabilities [1]	**35,536**	40,880
	656,963	655,479
Senior unsecured debentures [2]	**166,933**	55,109
Shareholders' equity	**218,627**	822,561
	1,042,523	1,533,149

[1] Other liabilities primarily include a $19.6 million (2020 - $14.6 million) lease liability.
[2] In accordance with the terms of the indentures, the Company has the option to satisfy its obligations to repay the principal and interest of its senior unsecured debentures by issuing common shares in the capital of the Company.

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, 2021 and December 31, 2020 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 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, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes or matures. 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, 2021, 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.

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.

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

(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, 2021			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	**45,041**	**—**	**—**	**45,041**
Restricted cash	**2,198**	**—**	**—**	**2,198**
Held-for-trading financial assets	**—**	**—**	**44,686**	**44,686**
Retained reserve interest	**—**	**—**	**32,767**	**32,767**
Derivative financial instruments, net	**—**	**13,383**	**—**	**13,383**
Total	**47,239**	**13,383**	**77,453**	**138,075**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	47,203	—	—	47,203
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

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. The Company estimates 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.

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

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
Triad Financial Services, Inc.	U.S.
Kessler Financial Services, LLC	U.S.
Source One Holdings, 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 of continuing operations are categorized into two core operating segments and a Corporate and Other segment. The Company's core operating segments consist of: (a) Secured Consumer Loans - Triad Financial Services and Source One; and (b) Consumer Credit Card and Related Unsecured Consumer Loans - KG. 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 two 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, 2021 and December 31, 2020 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, 2021

	For the year ended December 31, 2021			
	Secured Consumer Loans	Consumer Credit Card & Related Unsecured Consumer Loans	Corporate & Other	Total continuing operations
	$	$	$	$
Revenues	111,900	95,126	14,350	221,376
Operating expenses				
Compensation and benefits	33,502	25,952	13,244	72,698
General and administrative expenses	21,938	13,246	15,730	50,914
Interest expense	4,402	829	16,670	21,901
Depreciation and amortization	1,803	1,036	6,330	9,169
Share-based compensation	4,646	5,669	19,548	29,863
Other expenses	1,240	19,506	10,571	31,317
	67,531	66,238	82,093	215,862
Income (loss) before income taxes from continuing operations	44,369	28,888	(67,743)	5,514

Notes to consolidated financial statements

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

December 31, 2021

	For the year ended December 31, 2020			
	Secured Consumer Loans $	Consumer Credit Card & Related Unsecured Consumer Loans $	Corporate $	Total continuing operations $
Revenues	71,639	72,237	(229)	143,647
Operating and other expenses				
Compensation and benefits	23,098	21,075	10,442	54,615
General and administrative expenses	13,234	7,044	11,681	31,959
Interest expense	3,466	1,744	13,616	18,826
Depreciation and amortization	1,249	1,800	2,568	5,617
Share-based compensation	2,805	5,930	9,812	18,547
Other expenses	1,240	18,638	21,712	41,590
	45,092	56,231	69,831	171,154
Income (loss) before income taxes from continuing operations	26,547	16,006	(70,060)	(27,507)

ecncapitalcorp.com