

Interim Consolidated Financial Statements

ECN Capital Corp.

September 30, 2016

ECN Capital Corp.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

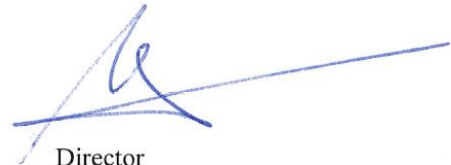
[unaudited]

	As at September 30, 2016 \$
Assets	<u>—</u>
Shareholder's equity	<u>—</u>
<i>See accompanying notes</i>	

On behalf of the Board:



Director



Director

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited, in thousands of Canadian dollars, except where otherwise noted]

September 30, 2016

1. CORPORATE INFORMATION

ECN Capital Corp. [the “Company” or “ECN Capital”] was incorporated under the *Business Corporations Act* of Ontario (Canada) on July 22, 2016. The registered office of the Company is 161 Bay Street, Suite 3600, Toronto, Ontario. The Company became a public corporation traded on the Toronto Stock Exchange under the symbol "ECN", on October 3, 2016.

2. SUBSEQUENT EVENTS

On February 16, 2016, the Board of Directors of Element Financial Corporation [Element] approved a plan to separate Element into two publicly-traded companies [the "Separation"]. The plan involved the separation of the portion of Element and its subsidiaries comprising the Commercial and Vendor ["C&V"] Finance, Rail Finance and Aviation Finance verticals from the existing corporate structure into ECN Capital Corp. The Fleet Management vertical continues to operate within the existing corporate structure which has been renamed Element Fleet Management Corp.

The Separation of Element into ECN Capital and Element Fleet was implemented through a court approved plan of arrangement and was approved at a special meeting of the Element shareholders on September 20, 2016 and received final approval from the Ontario Supreme Court of Justice on September 21, 2016.

On October 3, 2016, subsequent to the quarter end, Element completed the separation of its C&V Finance, Aviation Finance and Rail Finance verticals, into ECN Capital implemented by way of a plan of arrangement. On the Separation, common shareholders were granted one common share of Element Fleet and one common share of ECN Capital in exchange for each Element share.

Element has presented and accounted for the distributed operations using IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and IFRIC 17, *Distribution of Non-Cash Assets to Owners*. Under this guidance, a distribution dividend of \$1,710,473 was recorded in Element. The dividend was based on the fair value of the distribution as determined using independent valuers and approved by the Element's Board of Directors.

ECN Capital Corp.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

[unaudited, in thousands of Canadian dollars, except where otherwise noted]

September 30, 2016

Immediately after the Separation, the assets and liabilities of ECN Capital were as follows:

	As at October 3, 2016 \$
Assets	
Cash	47,204
Restricted funds	166,747
Finance receivables	3,074,674
Equipment under operating leases	2,559,235
Accounts receivable and other assets	221,720
Derivative financial instruments	692
Property, equipment and leasehold improvements	1,393
Deferred tax assets	11,599
Intangible assets	335
Goodwill	7,890
Total assets	6,091,489
Liabilities	
Accounts payable and accrued liabilities	78,351
Derivative financial instruments	22,724
Secured borrowings	4,268,531
Deferred tax liabilities	11,410
Total liabilities	4,381,016
Shareholders' Equity	1,710,473
	6,091,489