Axis Auto Finance Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

Contents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 1

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS 2

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 3

CONSOLIDATED STATEMENT OF CASH FLOW 4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS 5
2. BASIS OF PREPARATION 5
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 6
4. GOODWILL 15
5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES 15
6. FINANCE RECEIVABLES 16
7. ALLOWANCE FOR CREDIT LOSSES 19
8. PROPERTY AND EQUIPMENT 21
9. RIGHT-OF-USE ASSET 22
10. INTANGIBLE ASSETS 22
11. ACCOUNTS PAYABLE AND OTHER LIABILITIES 23
12. CREDIT FACILITIES AND LOANS 24
13. CONVERTIBLE DEBENTURES 27
14. SHAREHOLDERS' EQUITY 28
15. INCOME TAXES 31
16. RELATED PARTY TRANSACTIONS 33
17. COMMITMENTS AND CONTINGENCIES 34
18. FINANCIAL INSTRUMENTS 34
19. CAPITAL MANAGEMENT 36
20. FINANCIAL RISK MANAGEMENT 37
21. SUBSEQUENT EVENTS 39

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Axis Auto Finance Inc. (the "Company"), the notes thereto, and other financial information enclosed have been prepared by, and are the responsibility of, the management of Axis. These financial statements have been prepared by management in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include certain estimates that reflect management's best judgments.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board carries out this responsibility through its Audit Committee. The Audit Committee, which comprises three non-management Directors, meets with management as well as the external auditors, Ernst & Young LLP, to satisfy itself that management is properly discharging its financial reporting responsibilities, and to review the consolidated financial statements and the report of the auditors. The auditors have full and unrestricted access to the Audit Committee.

Todd Hudson

Chief Executive Officer

Richard Lloyd

Chief Financial Officer

Independent auditor's report

To the shareholders of
Axis Auto Finance Inc.

Opinion

We have audited the consolidated financial statements of **Axis Auto Finance Inc.** [the "Company"] which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and 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 consolidated financial statements of the Company present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion & 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. 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 IFRSs, 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.

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.

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

Ernst & Young LLP

Toronto, Canada
September 30, 2020

Chartered Professional Accountants
Licensed Public Accountants

AXIS AUTO FINANCE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

AS AT:

	Notes	30-Jun-20	30-Jun-19
ASSETS			
Cash		6,374,370	3,882,011
Cash held in escrow		6,516,356	10,615,544
Accounts receivable and prepaid expenses	**5**	1,966,879	1,500,003
Finance receivables – net	**6,7**	106,566,524	105,387,497
Inventory		3,253,137	1,703,406
Property and equipment – net	**8**	1,774,880	1,646,931
Right-of-use assets	**9**	1,135,837	-
Intangible assets – net	**10**	542,760	292,964
Deferred tax assets	**15**	8,045,323	9,119,369
Goodwill	**4**	17,810,702	17,810,702
		153,986,768	**151,958,427**
LIABILITIES			
Accounts payable and other liabilities	**11**	6,647,934	5,034,422
Acquisition consideration payable		750,000	750,000
Credit facilities and loans	**12**	96,577,496	98,316,077
Convertible debentures	**13**	16,828,251	13,976,440
		120,803,681	**118,076,939**
SHAREHOLDER'S EQUITY			
Common shares	**14(a)**	36,585,918	36,327,843
Warrants	**14(c)**	6,518,744	6,491,392
Contributed surplus		3,253,006	2,812,509
Conversion option on Debentures		3,210,594	3,960,065
Deficit		(16,385,175)	(15,710,321)
		33,183,087	**33,881,488**
		153,986,768	**151,958,427**

APPROVED ON BEHALF OF THE BOARD

Todd Hudson, Director **Bruce Smith, Director**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(in Canadian Dollars, except for the number of shares)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	Notes	Year ended 30-Jun-20	Year ended 30-Jun-19
Financial revenue			
Interest revenue		32,952,764	27,523,033
Fee, servicing and other income		4,249,254	4,399,341
Total Financial revenue		37,202,018	31,922,374
Financial expenses			
Interest		10,267,034	11,041,319
Fee and servicing expenses		160,588	730,391
Provision for credit losses	**7**	11,290,201	6,576,653
Total financial expenses		21,717,823	18,348,363
Net financial income before operating expenses		**15,484,195**	**13,574,011**
Operating expenses			
General and administrative		13,272,655	14,669,047
Depreciation	**8**	847,075	557,117
Amortization	**9,10**	649,424	12,890
Stock-based compensation	**14(b,c)**	910,806	1,939,079
Acquisitions & integration		159,514	361,907
Professional fees		437,460	900,246
Total operating expenses		**16,276,934**	**18,440,286**
Loss before income taxes		**(792,739)**	**(4,866,275)**
Income tax recovery		(117,885)	(1,001,793)
Net loss and comprehensive loss for the year		**(674,854)**	**(3,864,482)**
Net loss and comprehensive loss per share (basic and diluted)		**(0.007)**	**(0.040)**
Weighted-average number of shares issued and outstanding		**96,970,783**	**97,514,884**

See accompanying notes to the consolidated financial statements

AXIS AUTO FINANCE INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(in Canadian Dollars except for the number of shares)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	Number of shares	Common shares	Warrants	Contributed surplus	Conversion options	Deficit	Total equity
Balance, June 30, 2018	**96,981,527**	**36,253,257**	**6,588,970**	**1,283,461**	**3,960,065**	**(7,337,031)**	**40,748,722**
Stock-based compensation	-	-	-	1,939,079	-	-	**1,939,079**
Conversion of vested RSUs into common shares	597,187	410,031	-	(410,031)	-	-	**-**
Private placement shares, net of costs	-	-	-	-	-	(4,508,808)	**(4,508,808)**
Cancelled shares and warrants issued towards acquisition	(63,830)	(335,445)	(97,578)	-	-	-	**(433,023)**
Net loss and comprehensive loss for the year	-	-	-	-	-	(3,864,482)	**(3,864,482)**
Balance, June 30, 2019	**97,514,884**	**36,327,843**	**6,491,392**	**2,812,509**	**3,960,065**	**(15,710,321)**	**33,881,488**
Balance, June 30, 2019	**97,514,884**	**36,327,843**	**6,491,392**	**2,812,509**	**3,960,065**	**(15,710,321)**	**33,881,488**
Warrants issued in lieu of finders' fees	-	-	27,352	-	-	-	**27,352**
Stock-based compensation	-	-	-	910,806	-	-	**910,806**
Conversion option attached to convertible debentures	-	-	-	-	(749,471)	-	**(749,471)**
Conversion of vested RSUs into common shares	458,507	258,075	-	(470,309)	-	-	**(212,234)**
Cancelled shares and warrants issued towards acquisition	(1,490,920)	-	-	-	-	-	**-**
Net loss and comprehensive loss for the year	-	-	-	-	-	(674,854)	**(674,854)**
Balance, June 30, 2020	**96,482,471**	**36,585,918**	**6,518,744**	**3,253,006**	**3,210,594**	**(16,385,175)**	**33,183,087**

See accompanying notes to the consolidated financial statements

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(in Canadian Dollars)

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	Year ended 30-Jun-20	Year ended 30-Jun-19
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	**(674,854)**	**(3,864,482)**
Adjustments for non-cash items:		
Provision for credit losses	11,290,201	6,576,653
Deferred income taxes	(131,412)	(952,715)
Depreciation and amortization	1,496,499	570,007
Non-cash income	(182,097)	(556,513)
Interest expense	10,267,034	11,041,319
Interest paid with cash	(9,008,911)	(9,702,520)
Stock-based compensation	801,884	1,939,079
	13,858,344	**5,050,828**
Changes in operating assets and liabilities:		
Increase in amounts receivable and prepaid expenses	(748,030)	(572,004)
Decrease in inventory	3,128,293	165,278
Increase (decrease) in accounts payable and accrued liabilities	141,093	(1,043,950)
Increase in origination of finance receivables	(65,861,722)	(67,189,185)
Repayment of finance receivables	48,714,659	58,704,407
Cash flows used in operating activities	**(767,363)**	**(4,884,626)**
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Proceeds from credit facilities, loans and convertible debentures	35,021,707	76,363,901
Repayment of credit facilities, loans and convertible debentures	(34,339,869)	(78,498,689)
Loan transaction costs (cash component)	(150,919)	(863,981)
Cash flows from (used in) financing activities	**530,919**	**(2,998,769)**
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Acquisitions of subsidiaries	-	250,912
Additions to intangible assets	(373,219)	(278,584)
Additions to property and equipment	(997,166)	(1,075,048)
Cash flows used in investing activities	**(1,370,385)**	**(1,102,720)**
Net decrease in cash	**(1,606,829)**	**(8,986,115)**
Cash, beginning of year	**14,497,555**	**23,483,670**
Cash, end of year	**12,890,726**	**14,497,555**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Axis Auto Finance Inc. (the "Company") is engaged in the business of financing used vehicles to consumers located in Canada who do not qualify through traditional vehicle financing sources.

The Company is a TSX Venture listed entity (TSXV:AXIS), domiciled in Canada. The Company's registered office is located at 55 Standish Court, Suite 700, Mississauga, Ontario L5R 4B2.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 30, 2020.

(b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value.

(c) Impact of COVID-19 Pandemic

The outbreak of the global Corona-19 virus ("COVID-19") during the fiscal year ended June 30, 2020 has resulted in emergency measures being rolled out by all levels of government, domestically and internationally, in order to manage the human and economic impacts of the virus. As a result of implementing various travel bans, social distancing and government-imposed quarantine periods, businesses, both domestically in Canada and internationally, have experienced material disruption. This has led to uncertainty regarding the assumptions used by management in making its judgements and estimates, as the extent of the impact that COVID-19 will have on the Canadian economy is difficult to fully assess at this time. Therefore, there is a higher level of uncertainty with respect to management's judgements and estimates, particularly in relation to the measurement of the allowance for credit losses (Note 3(b)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New accounting standards and interpretations adopted

Effective July 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16"), which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Under IFRS 16, unlike under its predecessor standard, IAS 17, *Leases* ("IAS 17"), lessees will no longer distinguish between finance lease contracts and operating lease contracts and are, instead, required to recognize a right-of-use asset and a corresponding lease liability in most, if not all, lease contracts. The effect of this approach is an increase in the amount of recognized financial liabilities and assets for entities that have entered into lease contracts previously classified as operating leases under IAS 17. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.

The lease liability is initially recognized at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid, discounted using the incremental borrowing rate on leases at the date of initial application.

The right of use asset is initially recognized at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

The lease liability is measured in subsequent periods using the effective interest rate method. The right-of-use asset is depreciated in accordance with the requirements of IAS 16, "Property, Plant and Equipment", using a straight-line basis. The Company also applies the requirements of IAS 36, "Impairment of assets" to the right-of-use asset.

The Company has lease contracts for its office premises and equipment. Before the adoption of IFRS 16, the Company classified each of these leases (as lessee) at the inception date as an operating lease under IAS 17. As such, the leased property was not capitalized, and the lease payments were recognized as rent expense in the consolidated statements of loss and comprehensive loss over the lease term.

In implementing IFRS 16, the Company elected the "modified retrospective approach", which does not restate comparative information and, instead, recognizes the initial value of the right-of-use asset at the commencement day in the amount equal to the lease liability. Certain lease contracts on office premises had remaining terms of less than 12 months upon adoption of IFRS 16 and, therefore, were excluded from scope. During the year ended June 30, 2020, the Company recognized $398,685 in operating expenses in relation to those excluded contracts, respectively.

The incremental borrowing rate used to calculate discounted present value of lease liabilities at initial recognition was 6.45%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New accounting standards and interpretations adopted (continued)

The following table summarizes the transition adjustment required to adopt IFRS 16 as at July 1, 2019:

	01-Jul-19
Right-of-use asset	1,661,838
Prepaid expenses	(50,465)
Lease liabilities	(1,753,372)
Other liabilities	141,999
	-

The effect of adopting IFRS 16 on the consolidated statements of loss and comprehensive loss is a decrease in general expense, an increase in amortization expense and an increase in interest expense included in financial expenses with an insignificant impact on net income. The adoption of IFRS 16 increases the assets and liabilities of the Company, by extension increasing the leverage of the Company.

The adoption of IFRS 16 has no impact on the cash flows of the Company.

(b) Critical judgments and estimation uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that management make subjective, complex estimates and assumptions regarding the reported amounts of assets, liabilities, revenues, expenses, and disclosures in these consolidated financial statements and accompanying notes that are inherently uncertain. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates and assumptions made by management. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in additional detail throughout the summary of significant accounting policies. Significant estimates used in the preparation of these consolidated financial statements include the following:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Critical judgments and estimation uncertainties (continued)

i. Assessment of the allowance for credit losses, including provisions for credit losses (Note 3(e), Note 6, Note 7);
ii. Assumptions used to fair value financial instruments (Note 3(e));
iii. Valuation of inventories (Note 3(g));
iv. Useful lives of property and equipment (Note 3(h));
v. Useful lives of intangible assets (Note 3(i));
vi. Provisions for income taxes (Note 3(l));
vii. Goodwill impairment (Note 3(d)); and
viii. Measurement of the deferred tax asset (Note 15).

Management believes these estimates and judgments are reasonable and appropriate.

(c) Cash and restricted cash:

Cash consists of cash on hand and bank balances and cash held in escrow.

(d) Goodwill

Goodwill is initially measured as the excess of the price paid for the acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets acquired. Goodwill is assessed at the cash-generating unit ("CGU") or group of CGUs level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing whether the carrying amount of a CGU, including the allocated goodwill, exceeds its recoverable amount. The recoverable amount is determined as the greater of the estimated fair value less the costs of disposal or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying amount of goodwill and any excess is allocated pro rata to the carrying amount of other assets in the CGU, on the basis of the carrying amount of each asset in the unit. Goodwill impairment is recorded as non-interest expense in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Finance receivables

The Company recognizes and measures finance receivables in accordance with IFRS 9, *Financial Instruments* ("IFRS 9").

Recognition and measurement

Finance receivables held by the Company under IFRS 9 are initially recognized at fair value, determined based on the following components:

a) *Gross lease and loan receivables and unearned finance income*

When assets are leased out under a finance lease, or when a loan is granted to finance an asset acquisition from a third party, the present value of the associated minimum payments is recognized as a lease or loan receivable. The difference between the gross receivables and the present value of the receivables is recognized as unearned finance income.

b) Unamortized fees and transaction costs

All initial direct costs that are incurred, including commissions and other costs that are incremental and directly attributable to negotiating and arranging a lease or a loan, are capitalized into the finance receivable, thus reducing the amount of net investment in a finance receivable at initial recognition. The initial direct net fees are amortized over the term on the effective interest rate implicit in each finance receivable.

c) Security deposits

Security deposits are made at the inception of the lease and are treated as a reduction of the gross lease receivables.

Subsequent to initial recognition, finance receivables are carried at amortized cost.

Impairment

The Company assesses on an ongoing basis whether a finance receivable asset or a group of finance receivable assets is impaired in accordance with IFRS 9.

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model, where a provision for credit losses is recorded for losses that are expected to transpire in future years even if no loss event has occurred as at the consolidated statement of financial position date. The Company assesses and segments its finance receivable portfolio into performing (Stage 1), underperforming (Stage 2) and non-performing (Stage 3) categories as at each date of the consolidated statement of financial position.

Stage 1 – For performing finance receivables, the Company is required to record an allowance for credit losses equal to the expected losses on this segment over the future twelve months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Finance receivables (continued)

Stage 2 – For underperforming finance receivables, these finance receivables have experienced a significant increase in credit risk as observed through delinquency, specific events, localized economic factors or other identifiable factors. For this segment, the Company is required to record an allowance for credit losses equal to the expected losses over their remaining life.

Stage 3 – For non-performing finance receivables, the Company has determined this to be when the receivables are greater than 90 days delinquent and there is objective evidence that the finance receivables will charge off in the future. For this segment, the Company is required to record an allowance for credit losses equal to the expected losses over their remaining life.

The key inputs in the modeling of ECL allowance are as follows:

- The estimated probability of default over the given time horizon;
- The estimated loss given default in the case where a default occurs;
- The estimate exposure at default at a future default date; and
- Forward-looking indicators used to assess how future losses may differ from those previously experienced. The forward-looking indicator used is the forward-looking unemployment rates in each of the provinces in which the Company operates.

The ECL is calculated based on the probability-weighted expected cash collected shortfall against the carrying value of the finance receivable and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the finance receivables. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Within the Company’s portfolio, the most highly correlated variable is unemployment rates.

(f) Leases of premises and equipment

The Company classifies leases in which it entered as a lessee in accordance with IFRS 16, adopted July 1, 2019, as specified in Note 3(a), “New accounting standards and interpretations adopted”. Comparative periods are presented in accordance with IAS 17. All leases in the comparative period were finance leases, based on the substance of the transaction at the inception of the lease. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the lessor to the lessee at the inception of the lease transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventory

The Company retains security over the vehicle associated with each finance receivable. Subject to certain conditions, the Company may repossess a vehicle provided a default under the loan or lease agreement has occurred, or upon the customer voluntarily terminating their contract. Vehicles that are repossessed are either disposed of at the wholesale or retail used vehicle market price or re-leased to new customers with the proceeds offsetting any outstanding balance. The customer is liable for any shortfall.

Inventory consists of vehicles that have been repossessed and have not been disposed of or re-leased to new customers. These assets are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price for repossessed vehicles sold in the ordinary course of business less the estimated costs to make the sale. Management uses the most reliable evidence available in determining the net realizable value of inventory. This evidence could include comparable retail sales or dealer auction prices for similar vehicles that have been sold in the last 90 days.

Actual selling prices may differ from estimates, based on market conditions at the time of sale. Any variances between the initially assigned value and the actual selling price are offset against amounts provided for under the allowance for credit losses.

(h) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation. Depreciation is provided for based on the following annual rates and methods over the estimated useful lives of the property and equipment:

Category	Method
Furniture and fixtures	Declining balance at 20% per year
GPS and “starter interrupt” devices	Straight-line over 4 years
Computer hardware and software	Declining balance at 55% per year
Leasehold improvements	Straight-line over 2 to 5 years, based on lease duration
Auto vehicles	Declining balance at 30% per year

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets:

Intangible assets are recorded at cost and amortized over their estimated useful lives using the following annual rates and methods:

Category	Method
Software development costs	Straight-line at 25% per year

Amortization commences at the time that the intangible assets are available and ready for use.

The Company assesses, at each reporting period date, whether there is an indication that an intangible asset may be impaired. If any indication of impairment exists, the Company performs an impairment test to determine whether an impairment loss is required to be recognized. In relation to development costs for software that is not yet available for use, the Company performs an impairment test on an annual basis as well as when indications of impairment exist. Such annual impairment tests will continue until the software is available for use.

(j) Development costs

Development costs are recognized as an intangible asset when the Company can demonstrate:

• the technical feasibility of completing the intangible asset to make it available for use or sale;

• its intention to complete and its ability to use or sell the asset;

• how the asset will generate future economic benefits;

• sufficient financial, technical and other resources to complete the asset; and

• the ability to reliably and accurately measure the expenditure attributable to the development.

Following initial recognition, the development cost asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. Development costs are amortized over the period of the expected future benefit.

(k) Share-based payments

The company issues share-based awards to certain employees. The Board determines the timing, amount, and vesting conditions associated with each share-based award. The cost of equity-settled share-based transactions, comprised of share options and restricted share units (“RSUs”) is determined as the fair value of the award on the grant date using a fair value model. The cost of equity-settled share-based transactions is recognized as each tranche vests and is recorded in contributed surplus as a component of equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Interest revenue

Interest revenue is included in the consolidated statements of loss and comprehensive loss for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument, including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the method has the effect of recognizing revenue on the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Once the recorded value of a financial asset, or a group of similar financial assets, has been reduced due to an impairment loss, interest revenue continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is offset by a corresponding adjustment to the loan loss provision charge to reflect the fact that this additional revenue may not be collectible.

Fee income that is integral to the effective yield of a financial asset is recognized as an adjustment to the effective interest rate calculation and is included in interest revenue.

Fee, servicing and other income

Fees charged to the customer for providing subsequent servicing of a financial asset are recognized as services are completed.

Servicing income is recognized as services are completed and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

(n) Compound financial instruments

Compound financial instruments issued by the Company comprise non-repayable convertible debentures and non-redeemable preferred shares that can be converted to share capital at the option of the holder or can be forced into a conversion at the earlier of: a) the maturity date or b) the date of the execution of an Engagement Letter or similar document entered into in respect of a transaction, which would result in the shares of the Company being listed on a recognized stock exchange. The number of shares to be issued is fixed and does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component recognized initially is the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

A second class of compound financial instruments is loans with attached warrants or with a conversion option. The warrants were issued together with the senior secured credit facility. These share purchase warrants can be exercised at $0.75 per share. The value assigned to the warrants is determined using a Black-Scholes model and included in equity.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The fair value of the warrant component is re-valued through profit and loss subsequent to initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Embedded derivatives

Embedded derivatives are derivatives embedded in a host contract. They are recorded separately from the host contract when the economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivatives are the same as those of a freestanding derivative and the combined contract is not classified as FVTPL.

4. GOODWILL

Goodwill of $17,810,702 was originally recognized as part of the 2018 acquisitions of Cars on Credit Financial Inc. ("COCF") ($3,752,029) and Trend Financial Group ("Trend") ($14,058,673). The Company has a single Automotive CGU and therefore, all of the Company's goodwill has been allocated to it accordingly as at June 30, 2020 and 2019. For the purpose of impairment testing, the recoverable amount of the Automotive CGU has been determined based on its value in use. The value in use method is based on estimated cash flows over a three-year period referenced to the most recent financial forecasts approved by management and actual historic results, discounted to present value. Beyond the initial three-year period, cash flows were estimated to grow at a perpetual annual rate of up to 5%. The discount rate the Company applied in determining the recoverable amount was 21%, which comprised a risk-free rate, equity risk premium, size premium and company specific premium. These components were based on data from external sources.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	30-Jun-20	**30-Jun-19**
Accounts receivable	190,960	403,865
Other receivables	436,750	260,082
Prepaid expenses	1,339,169	836,056
	1,966,879	**1,500,003**

Accounts receivable consist primarily of the proceeds to be received from the sale of repossessed vehicles. Other receivables as at June 30, 2020 and June 30, 2019 consist primarily of servicing and profit-sharing receivables billed and not yet collected, customer payments receivable that have not yet cleared and HST recoverable. Prepaid expenses consist primarily of prepaid taxes and advances related to rent and other services not yet rendered to the Company.

6. FINANCE RECEIVABLES

Finance receivables consist of individual lease or loan agreements with customers, which have terms of 12 to 84 months with fixed rates of interest. A vehicle collateralizes each individual finance agreement. The contractual payments, including principal and interest, and the Company's implicit finance rates are due in the years as follows:

Year	30-Jun-20	Yield	30-Jun-19	Yield
2020			66,933,415	27.64%
2021	66,373,298	27.68%	57,455,508	27.65%
2022	55,381,290	27.74%	43,843,292	27.57%
2023	39,160,383	27.50%	26,967,040	27.18%
2024	23,895,403	27.26%	12,433,594	26.61%
2025	13,558,628	27.59%	4,347,692	26.94%
2026	5,153,548	27.67%	191,969	25.22%
Gross finance receivables (incl. security deposits)	203,522,550	27.61%	212,172,510	27.49%
Unearned interest income	(70,192,197)		(71,777,977)	
Principal balance	133,330,353		140,394,533	
Security deposits	(18,774,200)		(27,044,270)	
Finance receivables before accrued interest	**114,556,153**		**113,350,263**	
Accrued interest	1,368,069		1,333,865	
Gross finance receivables	**115,924,222**		**114,684,128**	
Less: allowance for credit losses (Note 7)	(9,357,698)		(9,296,631)	
Net finance receivables	**106,566,524**		**105,387,497**	

The Company's experience has shown that the actual contractual payment stream will vary depending on a number of variables. These variables include prepayment rates, write-offs and deferments. Accordingly, the maturities of finance receivables shown in the table above are not to be regarded as a forecast of future cash collections.

An analysis of the aging of gross finance receivables in each of the years presented is as follows:

Age	30-Jun-20		30-Jun-19	
Current	111,173,461	95.90%	109,292,431	95.30%
Contractually past due:				
31-60 days	2,558,993	2.21%	2,973,996	2.59%
Over 60 days	2,191,768	1.89%	2,417,701	2.11%
	115,924,222	**100.00%**	**114,684,128**	**100.00%**

6. FINANCE RECEIVABLES (continued)

The Company is required to provision for credit losses on an expected credit loss model basis. This model requires that the Company segment its finance receivables into three stages – Stage 1 "performing", Stage 2 "underperforming" and Stage 3 "non-performing". An analysis of the changes in the classification of finance receivables for the fiscal years ended June 30, 2020 and 2019 is as follows:

	Finance receivables (before accrued interest)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, June 30, 2019	**108,151,662**	**4,102,267**	**1,096,334**	**113,350,263**
Originated	65,437,917	-	-	65,437,917
Less payments and other adjustments	(45,472,074)	(1,314,698)	82,940	(46,703,832)
Transfers to (from):				-
Stage 1 performing	(4,019,736)	3,514,235	505,501	-
Stage 2 underperforming	501,114	(566,229)	65,115	-
Stage 3 non-performing	35,992	10,266	(46,258)	-
Less charge-offs	(14,601,438)	(2,191,530)	(735,227)	(17,528,195)
Balance, June 30, 2020	**110,033,437**	**3,554,311**	**968,405**	**114,556,153**

	Finance receivables (before accrued interest)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, June 30, 2018	**104,529,492**	**4,054,399**	**1,888,053**	**110,471,944**
Originated	67,248,496	-	-	67,248,496
Less payments and other adjustments	(51,811,308)	(2,385,628)	(2,155,937)	(56,352,873)
Transfers to (from):	-	-	-	-
Stage 1 performing	(5,229,459)	3,835,912	1,393,547	-
Stage 2 underperforming	683,673	(852,729)	169,056	-
Stage 3 non-performing	88,255	19,059	(107,314)	-
Less charge-offs	(7,357,487)	(568,746)	(91,071)	(8,017,304)
Balance, June 30, 2019	**108,151,662**	**4,102,267**	**1,096,334**	**113,350,263**

There is credit risk inherent in finance receivables of the Company. Under the review of credit quality, financial assets where there is evidence of non-payment or other objective evidence of impairment are considered to be impaired. As payments have been received on a timely basis, management considers the credit quality of loans and receivables that are neither past due nor impaired to be satisfactory.

6. FINANCE RECEIVABLES (continued)

Past due but not impaired balances relate to financial assets that are contractually overdue but are not deemed impaired unless the customer is contractually overdue by greater than 120 days, at which point in time, the expected future cash flows from the financial assets are expected to deteriorate significantly. Coinciding with this is the Company's charge-off policy of 120 days delinquent, at which point the financial asset is considered impaired and the underlying receivable is charged off or reserved as part of the specific allowance. A receivable may also be considered impaired earlier than 120 days delinquent should the debtor experience a deteriorating financial condition, such as entering bankruptcy or the Company being in the process of legal or collateral repossession proceedings.

The company rarely modifies the terms of loans provided to customers via payment deferrals or contract extensions, but if deemed necessary, will do so with a view toward maximizing the recovery of principal on the loan. Modification practices are governed based on internal portfolio management policies, consultation with the Company's senior lenders and are based on criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review, and any material changes require the Company's senior lender's consent.

The COVID-19 pandemic required a meaningful variation from normal loan modification volumes. Based on a set of qualifying criteria, management has authorized the use of a COVID-19 payment deferral plan designed to help a borrower transition from employment income, to government assistance and back to employment income by providing temporary partial and full deferral of payments for up to 60 days. Management believes these payment deferral plans will provide the best financial outcome for both the borrower and the Company.

Consistent with guidance issued by the IASB, such payment deferral plans provided to qualifying customers of the Company have not automatically resulted in a significant increase in credit risk that would trigger migration to Stage 2 by reason only that a deferral under the program was granted. However, the inclusion of a loan in a payment deferral plan did not preclude its migration to Stage 2 if it was determined that there was a significant increase in credit risk.

These COVID-19 payment deferral plans were available to qualifying customers starting in March 2020, experienced peak deferral volumes in April 2020 and thereafter gradually reducing back down through the end of fiscal 2020.

Finance receivables that were subject to a COVID-19 payment deferral between March 2020 and June 2020 totalled $19.3 million. As of June 30, 2020, $12.7 million of the $19.3 million in COVID-19 deferrals were back making their full regularly scheduled loan payment. The balance of $6.6 million in finance receivables, constituting 5.7% of total finance receivables, were either making partial payments or had yet to re-start regular payments.

7. ALLOWANCE FOR CREDIT LOSSES

The change in the allowance for credit losses during the years presented is as follows:

Allowance, June 30, 2018	**2,475,035**
IFRS 9 transition adjustment	6,134,405
Allowance, after IFRS 9 transition adjustment (July 1, 2018)	**8,609,440**
Provision for credit losses	6,576,653
Write-offs, net of recoveries	(5,889,462)
Allowance, June 30, 2019	**9,296,631**
Provision for credit losses	11,290,201
Write-offs, net of recoveries	(11,229,134)
Allowance, June 30, 2020	**9,357,698**

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. The analysis performed by the Company determined that a forecasted change in the rate of unemployment has historically tended to impact the charge-offs experienced by the Company. For purposes of determining its allowance for loan losses at each statement of financial position date, the Company has utilized the forecasted unemployment rates of a compilation of large Canadian banks.

The following table provides the 12 month forward forecasted variable used in models to estimate ECL:

	12 Months
National unemployment rate (as Reported)	7.73%
National unemployment rate (as Pessimistic)	8.00%
National unemployment rate (as Optimistic)	7.60%

The impact on the allowance for credit losses as at June 30, 2020 if only the most pessimistic and optimistic forecasts were used would be as follows:

	30-Jun-20
ECL as reported	9,357,699
ECL using only the most pessimistic forecast	9,438,425
ECL using only the most optimistic forecast	9,306,458

7. ALLOWANCE FOR CREDIT LOSSES (continued)

A summary of the changes in the allowance for credit losses, by stage, is as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance, June 30, 2019	**6,892,082**	**1,310,656**	**1,093,893**	**9,296,631**
Allowance on new originations	4,903,346	-	-	4,903,346
Changes in allowance during the year	(4,753,612)	570,565	(659,232)	(4,842,279)
Allowance, June 30, 2020	**7,041,816**	**1,881,221**	**434,661**	**9,357,698**

	Stage 1	Stage 2	Stage 3	Total
Allowance, July 1, 2018	**5,684,489**	**1,258,312**	**1,666,639**	**8,609,440**
Allowance on new originations	5,182,270	-	-	5,182,270
Changes in allowance during the year	(3,974,677)	52,344	(572,746)	(4,495,079)
Allowance, June 30, 2019	**6,892,082**	**1,310,656**	**1,093,893**	**9,296,631**

The uncertainties inherent in the COVID-19 pandemic have increased the level of judgement applied in respect of the key inputs in the modelling of ECL allowance as described in Note 3(e). The forecasting of forward-looking information in light of the COVID-19 pandemic required a heightened application of judgement as the economic impact is inherently uncertain and will ultimately depend upon the level of continued government support coupled with the speed of developing an effective vaccine or applicable treatment. For these reasons, the actual credit losses could differ from those reflected in our estimates.

8. PROPERTY AND EQUIPMENT

	Furniture & fixtures	**GPS and "starter interrupt" devices**	**Computer hardware & software**	**Auto vehicles**	**Leasehold improvements**	**Total**
Cost:						
Balance, June 30, 2019	163,853	1,292,385	701,755	229,225	387,741	2,774,959
Additions	8,837	475,398	172,551	56,817	298,976	1,012,579
Disposals	-	-	-	(54,270)	(19,069)	(73,339)
Balance, June 30, 2020	172,690	1,767,783	874,306	231,772	667,648	3,714,199
Accumulated depreciation:						
Balance, June 30, 2019	25,611	550,692	386,547	67,422	97,756	1,128,028
Depreciation	26,343	340,637	253,584	44,414	182,097	847,075
Disposals	-	-	-	(16,714)	(19,070)	(35,784)
Balance, June 30, 2020	51,954	891,329	640,131	95,122	260,783	1,939,319
Net book value, June 30, 2020	**120,736**	**876,454**	**234,175**	**136,650**	**406,865**	**1,774,880**

	Furniture & fixtures	**GPS and "starter interrupt" devices**	**Computer hardware & software**	**Auto vehicles**	**Leasehold improvements**	**Total**
Cost:						
Balance, June 30, 2018	45,252	723,488	582,576	183,403	167,058	1,701,777
Additions	118,601	568,897	119,179	110,958	220,683	1,138,318
Disposals	-	-	-	(65,136)	-	(65,136)
Balance, June 30, 2019	163,853	1,292,385	701,755	229,225	387,741	2,774,959
Accumulated depreciation:						
Balance, June 30, 2018	5,708	392,048	134,707	24,986	15,328	572,777
Depreciation	19,903	158,644	251,840	44,302	82,428	557,117
Disposals	-	-	-	(1,866)	-	(1,866)
Balance, June 30, 2019	25,611	550,692	386,547	67,422	97,756	1,128,028
Net book value, June 30, 2019	**138,242**	**741,693**	**315,208**	**161,803**	**289,985**	**1,646,931**

9. RIGHT-OF-USE ASSET

The change in the right-of-use asset subsequent to the initial recognition on July 1, 2019 (Note 3(a)) is shown below:

	Total Premises
Balance at July 1, 2019	1,661,838
Amortization charge for the year ended June 30, 2020	(526,001)
Balance at June 30, 2020	**1,135,837**

There were no additions to the right-of-use asset during the year ended June 30, 2020.

10. INTANGIBLE ASSETS

	30-Jun-20	**30-Jun-19**
Cost:		
Opening balance	344,499	65,915
Additions	373,219	278,584
Disposals	-	
Closing balance	717,718	344,499
Accumulated amortization:		
Opening balance	51,535	38,645
Amortization	123,423	12,890
Disposals	-	-
Closing balance	174,958	51,535
Net book value	**542,760**	**292,964**

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are made up of the following balances:

	30-Jun-20	30-Jun-19
Lease liability	1,269,870	162,667
Dealer payments not yet cleared	499,409	757,168
Accrued interest payable	311,197	317,626
Vendor accounts payable and other accrued liabilities	4,567,458	3,796,961
	6,647,934	**5,034,422**

As of June 30, 2020 and June 30, 2019, vendor accounts payable and other accrued liabilities consist primarily of accrued and unpaid payroll and commodity tax liabilities and amounts payable to vendors for services provided and goods purchased. Most of these liabilities are short-term in nature and settle within a maximum of 90 days.

As of June 30, 2020, the maturity analysis of the remaining contractual undiscounted cash flows and lease liabilities included in the statement of financial position were as follows:

	30-Jun-20
Less than one year	633,026
One to five years	678,063
Total undiscounted cash flows	**1,311,089**
Lease liabilities included in the statement of financial position (discounted)	**1,269,870**
Current	576,306
Non-current	693,564

During the year ended June 30, 2020, the Company recognized $3,872 of interest expense on lease liabilities (year ended June 30, 2019: $3,195).

12. CREDIT FACILITIES AND LOANS

(a) Credit facilities

Balance, June 30, 2018 (i)	**16,040,050**
Fair value of liability at date of issuance	51,760,869
Transaction costs	(503,191)
Repaid principal	(30,000,000)
Accretion included in interest expense (iii)	702,708
Balance, June 30, 2019 (ii)	**38,000,436**
Fair value of liability at date of issuance	26,912,985
Transaction costs	(158,516)
Repaid principal	(1,446,000)
Accretion included in interest expense (iii)	120,273
Balance, June 30, 2020 (ii)	**63,429,178**

(i) In 2017, the Company obtained funding in the form of senior secured credit facility, authorized for up to $40,000,000. This senior secured credit facility carried a coupon of prime rate plus 7.5% per annum payable monthly and matured two years from the issuance date, in March 2019.

(ii) In March 2019, the Company obtained funding in the form of a new senior secured revolving credit facility, authorized for up to $80,000,000. During the period between the date of issuance and June 30, 2020, an amount of $60,347,869 (net of repayments) was drawn down on the credit facility, $30,000,000 of which was used to pay off the former senior secured facility balance.

The new senior secured revolving credit facility carries a coupon of prime rate plus 2.25% and an agency fee of 0.25% per annum, both payable monthly. This credit facility matures three years following the end of the revolving period, which was March 26, 2020. The revolving period was extended through July 31, 2020 in light of the COVID-19 pandemic, with the intention to go through an orderly renewal process at that time.

Additionally, in May 2020, the Company closed on a term loan ("Loan") of up to $6.25 million with a Canadian Schedule 1 bank ("Bank"). The Loan is backed by the Canadian Government under the Business Credit Availability Program ("BCAP"), specifically 80% of the principal of the Loan is guaranteed by Export Development Canada ("EDC"). The Loan bears interest at a rate of 4.00% per annum above the Bank's Prime Lending Rate, has an initial term of 12 months, with an option to extend an additional 12 months, and has an annual EDC Guarantee fee of 1.8% of the Loan amount. During the year ended June 30, 2020, the Company has drawn $3,500,000 against this Loan.

12. CREDIT FACILITIES AND LOANS (continued)

(a) Credit facilities (continued)

During the year ended June 30, 2020, total coupon interest of $3,085,582 was paid on amounts drawn on both facilities (year ended June 30, 2019: $2,700,027).

(iii) During the year ended June 30, 2020, total accretion expense of $120,273 was recorded (year ended June 30, 2019: $702,708) on both facilities.

The interest expense and the accretion expense were all included as part of the interest expense on the consolidated statement of loss and comprehensive loss.

Transaction costs

Total transaction costs of $542,457 and $119,250, respectively, were incurred in closing the senior secured revolving credit facility and the term loan.

Security

Under the terms of the senior secured credit facility and the term loan, the Company has granted an assignment of all present and future company's property.

(a) Credit facilities (continued)

Prepayment option

The Company can repay the senior secured revolving credit facility at any time prior to maturity, subject to a prepayment fee of 0.5% of the repaid principal amount. It was determined by the Company that the exercise price of the prepayment option approximates the amortized cost, so it is considered to be closely related to the host contract and, therefore, the prepayment option does not have to be separated from the host contract.

Covenants

The senior secured credit facility is subject to a number of covenants, where the Company is required to meet certain financial ratios. As of June 30, 2020, the Company was in breach of three covenants. The lender has waived all breaches of these covenants. The Company has not withdrawn funds in excess of the amounts permitted in accordance with the loan availability calculations.

12. CREDIT FACILITIES AND LOANS (continued)

(b) Bulk loan facilities

Balance, June 30, 2018	**84,482,852**
Fair value of new debt at issuance (i)	24,603,032
Deferred financing costs	(360,789)
Repayment of principal	(48,498,688)
Accretion included in interest expense (ii)	89,234
Balance, June 30, 2019	**60,315,641**
Fair value of new debt at issuance (i)	5,711,837
Deferred financing costs	(150,919)
Repayment of principal	(32,893,867)
Accretion included in interest expense (ii)	165,626
Balance, June 30, 2020	**33,148,318**

(i) Bulk loan facilities have cumulative authorized purchase limits of $40,000,000, subject to eligibility criteria and certain conditions, and bear interest between 6.48% and 10.25% per annum. Funds are drawn against the bulk loan facilities in weekly and bi-weekly tranches, with the last tranche maturing in April 2024. The facilities are repayable in blended semi-monthly instalments of principal and interest in accordance with the amortization schedule of the respective tranches. The facilities are secured by assignment of the vehicle loans receivables, a first registered security interest on equipment, a first position general security interest in the Company, and the first charge over any segregated funds.

During the year ended June 30, 2020, total coupon expense of $4,445,357 was recognized in the consolidated statement of loss and comprehensive loss (year ended June 30, 2019: $5,563,180).

(ii) During the year ended June 30, 2020, total accretion expense of $165,626 was recognized in the consolidated statement of loss and comprehensive loss (year ended June 30, 2019: $89,234).

As at June 30, 2020, the Company was in breach of two covenants related to the bulk loan facilities with its senior lender. The senior lender has waived all breaches of these covenants.

13. CONVERTIBLE DEBENTURES

Balance, June 30, 2018 (i)	**13,306,960**
Accretion included in interest expense (iii)	669,480
Balance, June 30, 2019 (i)	**13,976,440**
Fair value of convertible debentures at issuance (ii)	2,640,000
Fair value of reclassified conversion and call options (ii)	(484,693)
Transaction costs	(183,987)
Accretion included in interest expense (iii)	880,491
Balance, June 30, 2020	**16,828,251**

(i) Convertible debentures issued by the Company in 2018 with a total face value of $17,550,000 mature on March 31, 2023. These debentures have a coupon rate of 7.5% and an effective rate of 14.65%.

At issuance, the Company recognized the fair value of the debentures as $13,486,000 and the residual value of the conversion option as $3,960,065. Directly attributable transaction costs, all of which were paid in cash, in the total amount of $448,832 were proportionately attributed to debt and equity components of the debentures, resulting in $344,897 being attributed to the debt component and $103,935 to the equity component.

(ii) During the year ended June 30, 2020, the Company issued convertible debentures with the face value of $2,640,000. The debentures are maturing on June 30, 2023, have a coupon rate of 7.5% and an effective rate of 17.45%.

The fair value of the debentures at issuance was $2,155,307. The residual value of an embedded conversion option was $484,693. As at June 30, 2020, both the conversion option and the call option have been recognized in equity.

The Company incurred a total of $212,691 in directly attributable transaction costs, of which $27,352 represented the fair value of broker warrants issued in lieu of finders' fees and the rest were paid or are payable in cash. Transaction costs were proportionately attributed to debt and equity components of the debentures, resulting in $183,987 being attributed to the debt component and $28,704 to the equity component.

For the year ended June 30, 2020, total coupon interest paid to debenture holders was $1,474,100 (year ended June 30, 2019: $1,316,250).

(iii) For the year ended June 30, 2020, total net accretion expense was $880,491 (year ended June 30, 2019: $669,480). Both were included in interest expense in the statement of loss and comprehensive loss.

14. SHAREHOLDERS' EQUITY

(a) Common shares and restricted share units

As of June 30, 2020 and 2019, an unlimited number of common shares and an unlimited number of preferred shares were authorized.

	Common shares #	Amount $
Balance, June 30, 2018	**96,981,527**	**36,253,257**
Shares issued on the conversion of RSUs	597,187	410,031
Cancellation of shares issued towards acquisition	(63,830)	(335,445)
Balance, June 30, 2019	**97,514,884**	**36,327,843**
Shares issued on the conversion of RSUs	458,507	258,075
Cancellation of shares issued towards acquisition	(1,490,920)	-
Balance, June 30, 2020	**96,482,471**	**36,585,918**

During the year ended June 30, 2020, a total of 458,507 Restricted Share Units (RSUs) vested and were converted into common shares (year ended June 30, 2019: 597,187 RSUs) and 726,189 RSUs vested and paid out in cash (year ended June 30, 2019: nil). Each RSU converted into common shares at a deemed price of between $0.19 and $0.44 per share. The total fair value of RSUs converted during the year ended June 30, 2020 came to $258,075 (year ended June 30, 2019 – $410,031). The total value of RSUs paid out in cash during the year ended June 30, 2020 came to $205,892 (year ended June 30, 2019 – nil).

As at June 30, 2020, 2,707,483 RSUs remain unvested and outstanding. These outstanding RSUs will vest gradually over the period of 2.6 years.

During the year ended June 30, 2020, the Company recognized $726,164 of expenses related to RSUs (year ended June 30, 2019: $866,350).

This expense is part of the total share-based compensation expense and is included in the statement of loss and comprehensive loss.

The amortized fair value of vested RSU's included in the statement of shareholder's equity as at June 30, 2020 was $1,010,478 (as at June 30, 2019: $660,311).

14. SHAREHOLDERS' EQUITY (continued)

(b) Share options

The Company has a share option plan (the "Plan") for the purchase of common shares for its directors, officers, employees, consultants and other service providers. The aggregate number of common shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares on a non-diluted basis at the time of shareholder approval.

A summary of changes in share options is as follows:

	Number of options	Weighted average exercise price $
Balance, June 30, 2018	**8,897,500**	**0.57**
Options granted	675,000	0.53
Options forfeited	(358,667)	0.64
Balance, June 30, 2019	**9,213,833**	**0.58**
Options granted	-	-
Options forfeited	(166,666)	0.70
Balance, June 30, 2020	**9,047,167**	**0.57**

14. SHAREHOLDERS' EQUITY (continued)

(b) Share options (continued)

As of June 30, 2020, the Company had the following granted and outstanding share purchase options:

Expiry date	Options granted and outstanding	Options exercisable	Exercise price, $
30-Nov-20	25,500	25,500	0.60
01-Jul-21	1,416,000	1,416,000	0.30
15-Jul-21	168,000	168,000	0.30
15-Oct-21	204,000	204,000	0.30
01-Jan-22	30,000	30,000	0.30
01-Mar-22	120,000	120,000	0.30
15-May-22	408,000	408,000	0.30
01-Jun-22	294,000	294,000	0.30
01-Sep-22	324,000	324,000	0.40
25-Jul-23	516,000	516,000	0.60
07-Sep-23	720,000	636,000	0.70
16-May-24	150,000	150,000	0.79
08-Jun-25	3,996,667	2,635,000	0.70
05-Mar-26	575,000	215,833	0.53
27-May-26	100,000	33,333	0.50
Balance, June 30, 2020	**9,047,167**	**7,175,667**	**0.58**

The weighted average exercise price of options exercisable as of June 30, 2020 was $0.58 (June 30, 2019 – $0.58).

The weighted average contractual life of options outstanding as of June 30, 2020 was 3.56 years (June 30, 2019 – 4.6 years).

During the year ended June 30, 2020, the Company recognized $184,642 of the share-based compensation related to stock options (year ended June 30, 2019: $1,939,079).

This expense is part of the total share-based compensation expense and is included in the statement of loss and comprehensive loss.

14. SHAREHOLDERS' EQUITY (continued)

(c) Warrants

	Value		Weighted average exercise price
	$	#	$
Balance, June 30, 2018	**6,588,970**	**28,222,425**	**0.85**
Warrants cancelled and cancellable	(97,578)	(1,977,127)	0.90
Balance, June 30, 2019	**6,491,392**	**26,245,298**	**0.85**
Warrants issued in lieu of finders' fees	27,352	234,666	0.45
Cancellation of contingently exercisable warrants	-	(1,895,956)	0.90
Balance, June 30, 2020	**6,518,744**	**24,584,008**	**0.87**

On September 13, 2019, 234,666 warrants were issued in lieu of the finders' fee pertaining to securing new convertible debentures, as described in Note 13. Each full warrant is exercisable to acquire one common share of the Company at a price of $0.45 per share until September 13, 2021.

The estimated grant date fair value of issued warrants amounted to $0.12 per whole warrant or to a total value of $27,352. The fair value of these warrants at the date of grant was estimated using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0% per annum; risk-free interest rate of 1.58%; expected life of two years; weighted average common share price for the 20 trading days immediately preceding the date of issue of $0.41; and volatility of 56.1%. Volatility is based on an annualized volatility of Company stock for the most recent twelve months preceding the date of issue.

15. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

	30-Jun-20	30-Jun-19
Net Loss before income taxes	**(792,739)**	**(4,866,275)**
Expected income tax recovery	(181,647)	(1,291,834)
Non-deductible stock-based compensation	34,858	222,777
Other permanent differences	28,904	67,264
Transaction costs expensed for accounting, capitalized for tax		-
Income tax recovery	**(117,885)**	**(1,001,793)**

15. INCOME TAXES (continued)

The Company's tax recovery is allocated as follows:

	30-Jun-20	30-Jun-19
Current tax expense	13,527	64,120
Deferred tax recovery	(131,412)	(1,065,913)
	(117,885)	**(1,001,793)**

The Company's recognition of the deferred tax asset is supported by forecasted taxable profits which are projected to generate sufficient taxable income to realize the deferred tax asset

The following table summarizes the components of deferred tax:

	30-Jun-20	30-Jun-19
Deferred tax assets		
Lease and loan receivables	3,842,071	4,360,513
Share and debt issuance costs	521,370	235,962
Non-capital losses carried forward	4,189,378	4,080,255
Property and Equipment and intangible assets	337,504	80,353
Other	-	569,574
Deferred tax liabilities		
Lease receivable	-	(299,885)
Convertible debentures	(845,000)	-
Other	-	92,597
Net deferred tax asset	**8,045,323**	**9,119,369**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intention to offset.

Non-capital losses carried forward will expire from 2035 to 2040 if unused.

15. INCOME TAXES (continued)

Reconciliation of deferred tax assets, net:

	30-Jun-20	30-Jun-19
Balance at the beginning of the year	9,119,369	6,428,400
Tax recovery during the year recognized in profit or loss	131,412	1,065,913
Tax recovery (expense) during the year recognized in shareholders' equity	(1,205,458)	1,625,597
Deferred taxes acquired in business combinations	-	-
Other	-	(541)
Balance at the end of the year	**8,045,323**	**9,119,369**

The Company is subject to income tax laws in various jurisdictions where it operates, and the complex tax laws are potentially subject to different interpretations by the Company and the relevant taxation authorities. The determination of the Company's tax provision includes its best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company incorporates its best assessment based on information available, but additional liability and income tax expense could result based on decisions made by the relevant tax authorities.

16. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, Related Party Disclosures, related party transactions include transactions with parties that have control or joint control over the reporting entity, have significant influence over the entity, are members of key management personnel of the Company including the Directors (executive and non-executive), members of the Advisory board, Senior Executives of the Company, and close family members of those individuals. The Senior Executive team includes the Chief Executive Officer, President, Chief Financial Officer, and Managing Director.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the reporting periods were as follows:

	Year ended 30-Jun-20	Year ended 30-Jun-19
Wages and salaries	1,226,769	1,225,365
Employee benefit expenses	116,177	108,046
Stock-based compensation *	619,463	1,290,934
Total	**1,962,409**	**2,624,345**

**Includes vested options and vested RSUs expensed in the year.*

17. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company and its subsidiaries are involved in various legal actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated. In management's opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the consolidated financial position of the Company. However, as there are uncertainties inherent in litigation advice, there is a possibility that the ultimate resolution of these actions may be material to the Company's consolidated results of operations for any particular reporting period.

The Company is also committed to operating lease payments for its head office and various other premises. As of June 30, 2020, the breakdown of the Company's undiscounted potential future lease payments for its premises by fiscal year in which the payments are expected to occur was as follows:

Fiscal year	Amount
2021	707,163
2022	473,675
2023	210,165
2024	122,779
Total	**1,513,782**

Current lease agreements on the Company's premises and the associated payment commitments expire at various dates between December 30, 2021 and November 30, 2023.

18. FINANCIAL INSTRUMENTS

Hierarchy of fair value measurements

IFRS 13 requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar, but not identical, assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

18. FINANCIAL INSTRUMENTS (continued)

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Financial instruments classified within Level 3 of the fair value hierarchy are initially fair valued at their transaction price, which is considered the best estimate of fair value. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

During the year ended June 30, 2020, the Company held various forms of financial instruments that are classified as follows:

Financial instruments	Fair value level	30-Jun-20 Carrying value	30-Jun-19 Carrying value
Assets			
Cash	(1)	6,374,370	3,882,011
Cash held in escrow	(1)	6,516,356	10,615,544
Finance receivables - net	(3)	106,566,524	105,387,497
Accounts receivable	(3)	190,960	403,865
Liabilities			
Accounts payable and accrued liabilities	(3)	6,647,934	5,034,422
Credit facilities and loans	(3)	96,577,496	98,316,077
Convertible debentures	(3)	16,828,251	13,976,440

The fair value of the financial instruments listed above approximates their carrying value. For certain of these instruments, such as Finance receivables, Credit facilities and loans and Convertible debentures, this assertion requires the use of estimates and significant judgement. For example, the finance receivables securing the borrowings were credit scored based on an internal model that is not used in market transactions. They comprise a large number of transactions and are secured by liens on assets being financed. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, 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.

There were no transfers between the three levels in any of the years.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its covenants are met, and to maximize and protect shareholder value. The capital structure of the Company consists of equity attributable to common shareholders and debt that includes credit facilities and loans and convertible debt.

The Company has been dependent on external financing to fund its activities. In order to carry out its business plan, the Company will raise additional amounts as needed.

To fund the acquisition of receivables and grow the finance receivables portfolio, the Company utilizes its non-securitized credit facilities, securitized debt facilities, and when additional capital is required, it is raised through debenture or share issuances. The Company carries a level of cash on hand, generally in an amount determined for short-term changes in working capital balances and to fund near-term finance receivable acquisitions.

The Company is subject to externally imposed capital requirements pursuant to the covenants of the senior secured credit facility secured by the Company in March 2019 (Note 12(a)) and to the covenants of the securitized debt facilities (Note 12(b)).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2020.

The calculation of the Company's capitalization as of June 30, 2020 and June 30, 2019 is as follows:

	30-Jun-20	**30-Jun-19**
Senior credit facility and other non-convertible loans (Note 12(a))	63,429,178	38,000,436
Securitized debt (Note 12(b))	33,148,318	60,315,641
Convertible debentures (Note 13)	16,828,251	13,976,440
Shareholders' equity	33,183,087	33,881,488
Total capitalization	**146,588,834**	**146,174,005**

The Company's indebtedness pursuant to the senior secured credit facility (Note 12(a)) is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at an operational level. The Company has also assumed the bulk loan facilities (Note 12(b)) of each of COCF and Trend since the respective acquisitions and is also subject to certain covenants pertaining to these facilities. As outlined in Note 12(a) and Note 12(b), there were occurrences where the Company was in breach of certain covenants, for which the given breach has been waived by the respective lender.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks resulting from fluctuations in interest rates, as well as credit and liquidity risks. The following summarizes the types of market price risks to which the Company is exposed and the policies and procedures for measuring and managing risk.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company, credit risk arises principally through the Company's finance receivables that are a result of transactions within the consumer finance industry and, as such, contain an element of credit risk in the event that the counterparties are unable to meet the terms of their agreements. Credit risk primarily arises from events and circumstances that are outside the Company's control relating to customer under-performance from factors such as loss of employment, divorce, illness, business failure, adverse economic conditions or fraud. The Company originates transactions in a relatively high-risk segment of the consumer finance industry and, therefore, write-offs are anticipated.

To manage credit risk, the Company performs detailed assessments of the customer's financial condition and ability to service the debt both at contract inception and throughout the term of the contract, in addition to maintaining prudent underwriting methods.

Credit risk associated with the Company's cash holdings is managed by holding its funds with reputable financial institutions.

All of the Company's finance receivables cater to a high-risk segment of the consumer finance market, focusing on individuals unable to obtain financing from traditional lending sources due to limited, poor, or no credit history. The Company's finance receivable portfolio is composed of a large number of homogeneous consumer loans, and as such, no individual customer constitutes a significant portion of the finance receivables portfolio. The Company manages its credit risk by adhering to stringent underwriting guidelines and by limiting the value of each customer's principal amount.

Exposure for credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount for finance receivables, miscellaneous customer and other receivables and cash. The Company secures each individual finance receivable with the registration of a security interest/lien against tangible assets. The Company is exposed to the risk that the security upon which its advances are made may reduce in value, so that the Company may not recover some or all of its advances in the event of a customer default. When a vehicle is liquidated, the Company typically has a credit loss. The wholesale value of the collateral held may vary from contract to contract as vehicles are depreciating assets, and there is no guarantee of the liquidation price that will be received for the asset on sale. This may result in a greater shortfall between the value of the finance receivable remaining and the value of the collateral held as security than anticipated.

An analysis of the age and credit quality of financial assets is outlined in Note 6 – Finance receivables.

20. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company may not generate sufficient cash or cash equivalents in a timely and cost-effective manner to satisfy financial liabilities as they come due. The Company manages liquidity risk through management of its capital structure and financial leverage as outlined in Note 19 – Capital management. The Company also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that there is enough liquidity to meet its liabilities when due, under both normal and stressed conditions, to continue as a going concern.

The Company has been successful in securing, renewing and expanding the credit facilities in the past; however, if the Company was unable to renew these facilities, or unable to renew these facilities on acceptable terms, there could be a material adverse effect on the Company's financial position, results of operations and liquidity.

Management believes that internally generated cash flows from operating activities, supplemented by additional senior debt borrowings and the issuance of subordinated debt and/or share capital, if necessary, will be sufficient to cover the Company's normal operating and capital expenditures.

As of June 30, 2020, the Company's financial obligations were due as follows:

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Credit facilities	63,847,854	-	80,000	**63,927,854**
Debentures	-	-	20,190,000	**20,190,000**
Bulk loan facilities/securitized debt	29,021,522	2,885,826	1,670,754	**33,578,102**
Acquisition consideration payable	750,000	-	-	**750,000**
Accounts payable and accrued liabilities	6,647,934	-	-	**6,647,934**
	100,267,310	**2,885,826**	**21,940,754**	**125,093,890**

The credit facilities and bulk loan/securitized debt were in breach of certain covenants with its senior lender (Note 12 (a) and Note 12 (b)), but the breaches have been waived.

(iii) 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 rates. Finance receivables and unsecured loans bear interest at a fixed rate and are not subject to interest rate risk, as a result of changes in market interest rates.

20. FINANCIAL RISK MANAGEMENT (continued)

The credit facility bears interest at a floating rate (refer to Note 12(a)). The floating rate debt is subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Fluctuation in interest rates by +/-25 basis points will impact the annual net income by -/+ $159,820, based on the gross amount drawn of $63,927,854 as of June 30, 2020.

21. SUBSEQUENT EVENTS

On July 31, 2020, the Company renewed its senior secured revolving credit facility, extending it through December 31, 2020. The terms of the facility remained unchanged with the exception of pricing that increased from prime rate plus 2.25% to prime rate plus 2.75%.