Axis Auto Finance Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

Contents

NOTICE TO READER The accompanying unaudited condensed consolidated interim financial statements of Axis Auto Finance Inc. have been prepared by and are the responsibility of management. The comparative financial information for the three and six months ended December 31, 2020 included in the unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(In Canadian Dollars)

AS AT:

	Notes	31-Dec-21	30-Jun-21
ASSETS			
Cash		2,071,085	3,448,299
Cash held in escrow		2,984,236	3,198,586
Accounts receivable and prepaid expenses	**5**	3,441,150	2,165,216
Finance receivables – net	**6,7**	127,572,707	117,083,907
Inventory		2,111,557	2,143,871
Property and equipment – net	**8**	1,757,830	1,452,919
Right-of-use assets	**9**	1,076,862	609,837
Intangible assets – net	**10**	863,133	831,177
Deferred tax assets		6,737,111	7,097,133
Goodwill	**4**	17,810,702	17,810,702
		166,426,373	**155,841,647**
LIABILITIES			
Accounts payable and other liabilities	**11**	6,969,879	7,917,530
Credit facilities and loans	**12**	89,153,027	93,960,487
Convertible debentures	**13**	18,463,413	17,877,994
		114,586,319	**119,756,011**
SHAREHOLDERS' EQUITY			
Common shares	**14(a)**	52,261,563	36,951,932
Warrants	**14(c)**	1,590,000	1,617,352
Contributed surplus		7,964,005	8,369,966
Conversion option on Debentures		3,210,594	3,210,594
Deficit		(13,186,108)	(14,064,208)
		51,840,054	**36,085,636**
		166,426,373	**155,841,647**

APPROVED ON BEHALF OF THE BOARD

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

See accompanying notes to the consolidated financial statements

CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
(in Canadian Dollars, except for the number of shares)

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

	Notes	3 months ended 31-Dec-21	3 months ended 31-Dec-20	6 months ended 31-Dec-21	6 months ended 31-Dec-20
Financial revenue					
Interest revenue		8,802,927	8,578,299	17,566,703	16,920,853
Fee, servicing and other income		1,251,959	1,061,759	2,436,563	2,117,711
Total Financial revenue		10,054,886	9,640,058	20,003,266	19,038,564
Financial expenses					
Interest expense		2,003,702	2,298,714	4,002,842	4,683,818
Fee and servicing expenses		65,703	60,697	161,597	105,122
Provision for credit losses	**7**	2,972,634	3,030,714	5,591,840	5,216,862
Total financial expenses		5,042,039	5,390,125	9,756,279	10,005,802
Net financial income before operating expenses		**5,012,847**	**4,249,933**	**10,246,987**	**9,032,762**
Operating expenses					
General and administrative		4,060,875	3,184,201	7,759,445	6,334,608
Depreciation	**8**	220,652	199,556	422,414	415,134
Amortization	**9,10**	226,890	168,263	420,604	336,080
Stock-based compensation	**14(b,c)**	86,445	82,089	216,407	187,049
Acquisitions & integration		25,788	30,000	46,973	30,000
Professional fees		67,009	90,638	142,443	223,786
Total operating expenses		**4,687,659**	**3,754,747**	**9,008,286**	**7,526,657**
Income before income taxes		**325,188**	**495,186**	**1,238,701**	**1,506,105**
Income tax expense		97,822	87,644	360,601	311,214
Net Income and comprehensive Income for the period		**227,366**	**407,542**	**878,100**	**1,194,891**
Net Income and comprehensive Income per share (basic and diluted)		**0.002**	**0.004**	**0.008**	**0.012**
Weighted-average number of shares issued and outstanding		**116,086,649**	**97,104,471**	**106,981,039**	**96,890,308**

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

FOR THE SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

	Number of shares	Common shares	Warrants	Contributed surplus	Conversion options	Deficit	Total equity
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**
Stock-based compensation	-	-	-	187,049	-	-	**187,049**
Exercise of options	612,000	262,140	-	(78,540)	-	-	**183,600**
Conversion of vested RSUs into common shares	10,000	5,000	-	(60,533)	-	-	**(55,533)**
Net income and comprehensive income for the year	-	-	-	-	-	1,194,891	**1,194,891**
Balance, December 31, 2020	**97,104,471**	**36,853,058**	**6,518,744**	**3,300,982**	**3,210,594**	**(15,190,284)**	**34,693,094**
Balance, June 30, 2021	**97,270,423**	**36,951,932**	**1,617,352**	**8,369,966**	**3,210,594**	**(14,064,208)**	**36,085,636**
New common shares issued	30,000,000	14,931,998					**14,931,998**
Shares purchased under Normal Course Issuer Bid	(674,500)	(351,887)					**(351,887)**
Stock-based compensation	-	-	-	216,407	-	-	**216,407**
Conversion of vested RSUs into common shares	954,707	596,568	-	(622,368)	-	-	**(25,800)**
Shares issued as a result of warrant exercise	234,666	132,952	(27,352)				**105,600**
Net income and comprehensive income for the year	-	-	-	-	-	878,100	**878,100**
Balance, December 31, 2021	**127,785,296**	**52,261,563**	**1,590,000**	**7,964,005**	**3,210,594**	**(13,186,108)**	**51,840,054**

See accompanying notes to the consolidated financial statements

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(in Canadian Dollars)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

	31-Dec-21	31-Dec-20
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net income for the period	**878,100**	**1,194,891**
Adjustments for non-cash items:		
Provision for credit losses	5,591,840	5,216,862
Deferred income taxes	360,601	304,803
Depreciation and amortization	843,018	751,214
Interest expense	4,002,842	4,683,818
Interest paid with cash	(3,211,643)	(3,934,024)
Stock-based compensation	216,407	131,516
	8,681,165	**8,349,080**
Changes in operating assets and liabilities:		
Decrease / (Increase) in accounts receivable and prepaid expenses	(1,137,617)	438,100
(Increase) decrease in inventory	(1,330,477)	426,521
Increase / (decrease) in accounts payable and other liabilities	(1,866,130)	335,487
Increase in origination of finance receivables	(45,840,379)	(38,217,039)
Repayment of finance receivables	31,122,532	26,396,831
Cash flows used in operating activities	**(10,370,906)**	**(2,271,020)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES:		
Proceeds from credit facilities, loans and convertible debentures	19,552,855	10,346,678
Repayment of credit facilities, loans and convertible debentures	(24,544,993)	(10,997,360)
Issuance of common shares for cash (net of cash issue costs)	14,931,998	-
Repurchase of common shares into treasury stock	(351,887)	-
Cash received on exercise of options and warrants	105,600	183,600
Cash settlement of restricted share units (RSUs)	(25,800)	-
Cash flows from (used in) financing activities	**9,667,773**	**(467,082)**
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Settlement of escrow proceeds from acquired subsidiary	-	(750,000)
Additions to intangible assets	(161,106)	(205,234)
Additions to property and equipment	(727,325)	(193,684)
Cash flows used in investing activities	**(888,431)**	**(1,148,918)**
Net decrease in cash	**(1,591,564)**	**(3,887,020)**
Cash, beginning of year	6,646,885	12,890,726
Cash, end of period	**5,055,321**	**9,003,706**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Axis Auto Finance Inc. (the "Company") is a financial technology lender, providing alternative used vehicle financing to consumers located in Canada, who do not qualify through traditional sources. Furthermore, through its wholly owned subsidiary, Pivotal Capital Corp ("Pivotal"), the Company provides commercial equipment leasing and financing solutions.

The Company is a TSX Venture listed entity (TSXV:AXIS), domiciled in Canada. The Company's registered office is located at 165 Galaxy Blvd., Toronto, Ontario, M9W 0C8.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on February 15, 2022.

(b) Basis of measurement

These condensed consolidated interim 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 coronavirus disease ("COVID-19") 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.

(In Canadian Dollars, unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New accounting standards and interpretations adopted

There have been no new accounting standards or interpretations adopted during the six months ended December 31, 2021.

(b) Critical judgements and estimation uncertainties

The preparation of the condensed consolidated interim 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 condensed consolidated interim 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.

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). At the time of the acquisition, the Company had a single Automotive CGU and therefore, all of the Company’s goodwill has been allocated to it accordingly as at December 31, 2021 and 2020.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	31-Dec-21	**30-Jun-21**
Accounts receivable	470,898	219,406
Other receivables	2,004,813	1,037,764
Prepaid expenses	965,439	908,046
	3,441,150	**2,165,216**

Accounts receivable consist primarily of servicing and profit-sharing receivables billed and not yet collected. Other receivables as at December 31, 2021 and June 30, 2021 consist primarily of customer payments and miscellaneous fees receivable that have not yet cleared and proceeds to be received for pre-funded deals under profit-sharing arrangements, as well as input tax credits on commodity taxes not yet refunded by the government. Prepaid expenses consist primarily of advances related to rent and other services not yet rendered to the Company.

(In Canadian Dollars, unless otherwise indicated)

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. Either a passenger vehicle or commercial equipment 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	31-Dec-21	Yield	30-Jun-21	Yield
2022	33,267,991	25.20%	63,466,699	26.13%
2023	57,878,450	24.60%	51,879,508	25.91%
2024	48,140,511	24.01%	40,397,223	25.39%
2025	38,690,333	23.72%	30,344,543	25.17%
2026	29,078,689	23.38%	20,839,630	24.78%
2027	17,366,402	22.86%	10,155,185	24.11%
2028	4,095,977	22.16%	-	0.00%
Gross finance receivables (incl. security deposits)	**228,518,353**	**24.08%**	**217,082,788**	**25.58%**
Unearned interest income	(84,527,830)		(81,229,449)	
Principal balance	143,990,523		135,853,339	
Security deposits	(7,588,640)		(10,650,150)	
Finance receivables before accrued interest	**136,401,883**		**125,203,189**	
Accrued interest	1,677,369		1,507,592	
Gross finance receivables	**138,079,252**		**126,710,781**	
Less: allowance for credit losses (Note 7)	(10,506,545)		(9,626,874)	
Net finance receivables	**127,572,707**		**117,083,907**	

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 deferrals. Accordingly, the maturities of finance receivables shown in the table above are not to be regarded as a forecast of future cash collections.

(In Canadian Dollars, unless otherwise indicated)

6. FINANCE RECEIVABLES (continued)

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

Age	**31-Dec-21**		**30-Jun-21**	
Current	133,033,579	96.35%	123,420,380	97.40%
Contractually past due:				
31-60 days	2,820,189	2.04%	1,672,647	1.32%
Over 60 days	2,225,484	1.61%	1,617,754	1.28%
	138,079,252	**100.00%**	**126,710,781**	**100.00%**

The Company is required to provision for credit losses on an ECL 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 six months ended December 31, 2021 and 2020 is as follows:

	Finance receivables (before accrued interest)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, June 30, 2021	**122,094,738**	**2,344,318**	**764,133**	**125,203,189**
Originated	45,871,144	-	-	45,871,144
Less payments and other adjustments	(25,762,543)	(124,003)	(106,731)	(25,993,277)
Transfers to (from):				-
Stage 1 performing	(4,348,436)	3,646,336	702,100	-
Stage 2 underperforming	409,610	(528,099)	118,489	-
Stage 3 non-performing	14,029	18,707	(32,736)	-
Less charge-offs	(6,635,265)	(1,488,573)	(555,335)	(8,679,173)
Balance, December 31, 2021	**131,643,277**	**3,868,686**	**889,920**	**136,401,883**

	Finance receivables (before accrued interest)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, June 30, 2020	**110,033,437**	**3,554,311**	**968,405**	**114,556,153**
Originated	38,058,987	-	-	38,058,987
Less payments and other adjustments	(23,830,224)	(439,633)	(250,662)	(24,520,519)
Transfers to (from):	-	-	-	-
Stage 1 performing	(3,149,921)	2,803,831	346,090	-
Stage 2 underperforming	921,306	(1,108,037)	186,731	-
Stage 3 non-performing	90,460	22,079	(112,539)	-
Less charge-offs	(5,204,333)	(1,793,075)	(288,418)	(7,285,826)
Balance, December 31, 2020	**116,919,712**	**3,039,476**	**849,607**	**120,808,795**

6. FINANCE RECEIVABLES (continued)

There is credit risk inherent in finance receivables of the Company. Financial assets that exhibit evidence of non-payment or other objective evidence of deterioration 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.

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 for its customers with an automotive lease or loan, 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 June 2020. As at June 30, 2020, the Company had granted COVID-19 payment deferrals on customer accounts that totaled $19.3 million of finance receivables, equal to 16.6% of the portfolio at that date. Through principal payments, early payouts and charge-offs, the balance of previously issued COVID-19 deferrals has reduced to $6.0 million (4.5% of auto-specific finance receivables), as of December 31, 2021, of which $4.4 million were back making their regularly scheduled loan payment. The remaining balance of $1.6 million (1.2% of auto-specific finance receivables) were making partial payments.

(In Canadian Dollars, unless otherwise indicated)

7. ALLOWANCE FOR CREDIT LOSSES

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

Allowance, June 30, 2020	**9,357,698**
Provision for credit losses	**5,216,862**
Write-offs, net of recoveries	**(4,779,444)**
Allowance, December 31, 2020	**9,795,116**
Allowance, June 30, 2021	**9,626,874**
Provision for credit losses	5,591,840
Write-offs, net of recoveries	(4,712,169)
Allowance, December 31, 2021	**10,506,545**

IFRS 9 requires that forward-looking indicators 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 consolidated 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)	5.80%
National unemployment rate (as Pessimistic)	6.10%
National unemployment rate (as Optimistic)	5.60%

The impact on the allowance for credit losses as at December 31, 2021 if only the most pessimistic and optimistic forecasts were used would be as follows:

	31-Dec-21
ECL as reported	10,506,545
ECL using only the most pessimistic forecast	10,576,157
ECL using only the most optimistic forecast	10,455,439

(In Canadian Dollars, unless otherwise indicated)

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, 2021	**7,954,320**	**1,118,118**	**554,440**	**9,626,878**
Allowance on new originations	3,065,491	-	-	3,065,491
Changes in allowance during the year	(2,954,849)	685,215	83,810	(2,185,824)
Allowance, December 31, 2021	**8,064,962**	**1,803,333**	**638,250**	**10,506,545**

	Stage 1	Stage 2	Stage 3	Total
Allowance, June 30, 2020	**7,041,816**	**1,881,221**	**434,661**	**9,357,698**
Allowance on new originations	2,747,947	-	-	2,747,947
Changes in allowance during the year	(2,178,528)	(256,145)	124,144	(2,310,529)
Allowance, December 31, 2020	**7,611,235**	**1,625,076**	**558,805**	**9,795,116**

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. 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 progress with vaccinations or applicable treatments. For these reasons, the actual credit losses could differ from those reflected in our estimates.

(In Canadian Dollars, unless otherwise indicated)

8. PROPERTY AND EQUIPMENT

	Furniture & fixtures	GPS and "starter interrupt" devices	Computer hardware & software	Auto vehicles	Leasehold improvements	Total
Cost:						
Balance, June 30, 2021	208,893	2,060,318	1,006,877	231,772	682,459	4,190,319
Additions	35,826	130,649	96,136	135,018	329,696	727,325
Disposals	-	-	-	-	-	-
Balance, December 31, 2021	244,719	2,190,967	1,103,013	366,790	1,012,155	4,917,644
Accumulated depreciation:						
Balance, June 30, 2021	74,412	1,265,935	816,990	137,191	442,872	2,737,400
Depreciation	14,288	196,324	80,780	27,374	103,648	422,414
Disposals	-	-	-	-	-	-
Balance, December 31, 2021	88,700	1,462,259	897,770	164,565	546,520	3,159,814
Net book value, December 31, 2021	**156,019**	**728,708**	**205,243**	**202,225**	**465,635**	**1,757,830**

	Furniture & fixtures	GPS and "starter interrupt" devices	Computer hardware & software	Auto vehicles	Leasehold improvements	Total
Cost:						
Balance, June 30, 2020	172,690	1,767,783	874,306	231,772	667,648	3,714,199
Additions	200	140,102	51,495	-	2,529	194,326
Disposals	-	(642)	-	-	-	(642)
Balance, December 31, 2020	172,890	1,907,243	925,801	231,772	670,177	3,907,883
Accumulated depreciation:						
Balance, June 30, 2020	51,954	891,329	640,131	95,122	260,783	1,939,319
Depreciation	11,338	186,432	103,603	22,431	91,330	415,134
Disposals	-	-	-	-	(1)	(1)
Balance, December 31, 2020	63,292	1,077,761	743,734	117,553	352,112	2,354,452
Net book value, December 31, 2020	**109,598**	**829,482**	**182,067**	**114,219**	**318,065**	**1,553,431**

(In Canadian Dollars, unless otherwise indicated)

9. RIGHT-OF-USE ASSET

The change in the right-of-use asset is shown below:

	Total Premises
Balance at June 30, 2021	609,837
Recognition of additional right-of-use asset	758,479
Amortization charge for the 6 months ended December 31, 2021	(291,454)
Balance at December 31, 2021	**1,076,862**

	Total Premises
Balance at June 30, 2020	1,135,837
Amortization charge for the 6 months ended December 31, 2020	(265,162)
Balance at December 31, 2020	**870,675**

During the six months ended December 31, 2021, the Company entered into a new lease contract for the premises to be used as its head office. As a result, it recognized an additional right-of-use asset in the amount of $758,479 and a corresponding lease liability of $729,813.

10. INTANGIBLE ASSETS

	31-Dec-21	**31-Dec-20**
Cost:		
Opening balance	1,176,087	717,718
Additions	161,106	205,234
Disposals	-	-
Closing balance	1,337,193	922,952
Accumulated amortization:		
Opening balance	344,910	174,958
Amortization	129,150	70,918
Disposals	-	-
Closing balance	474,060	245,876
Net book value	**863,133**	**677,076**

(In Canadian Dollars, unless otherwise indicated)

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	31-Dec-21	**30-Jun-21**
Lease liability	1,084,171	645,174
Dealer and agent payments not yet cleared	2,368,609	2,278,155
Accrued interest payable	356,801	137,367
Vendor accounts payable and other liabilities	3,160,298	4,856,834
	6,969,879	**7,917,530**

As of December 31, 2021, vendor accounts payable and other 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 would settle within a period of 90 to 120 days.

As of December 31, 2021, the maturity analysis of the remaining contractual undiscounted cash flows and lease liabilities included in the consolidated statement of financial position were as follows:

	31-Dec-21
Less than one year	384,976
One to five years	803,603
Total undiscounted cash flows	**1,188,579**
Lease liabilities included in the statement of financial position (discounted)	**1,084,171**
Current	334,954
Non-current	749,217

During the three and six months ended December 31, 2021, the Company recognized $12,598 and $21,103 of interest expense on lease liabilities, respectively (three and six months ended December 31, 2020: $16,489 and $35,215, respectively).

(In Canadian Dollars, unless otherwise indicated)

12. CREDIT FACILITIES AND LOANS

(a) Credit facilities

Balance, June 30, 2020 (i)	**63,429,178**
Fair value of liability at date of issuance (i)	10,410,000
Transaction costs	(63,324)
Repaid principal	-
Accretion included in interest expense (ii)	124,079
Balance, December 31, 2020 (ii)	**73,899,933**

Balance, June 30, 2021	**79,148,517**
Fair value of liability at date of issuance (i)	14,500,000
Transaction costs	(112,398)
Repaid principal	(19,000,000)
Accretion included in interest expense (ii)	189,828
Balance, December 31, 2021	**74,725,947**

(i) In March 2019, the Company obtained funding in the form of a new senior secured revolving credit facility, originally authorized for up to $80,000,000. Following several subsequent renewals and amendments, the authorized commitment under this facility stands at $120,000,000 as at December 31, 2021. This credit facility currently carries a coupon of prime plus 1.90% per annum, an agency fee of 0.25% per annum and a standby fee of 0.50% per annum on any unused commitment. The facility matures two years following the end of the revolving period, which is currently set to October 31, 2022 and can be further extended if mutually agreed upon between the Company and the lender.

Additionally, in May 2020, the Company closed on a term loan ("Term Loan") of up to $6.25 million with a Canadian Schedule 1 bank ("Bank"). The Term Loan was backed by the Canadian Government under the Business Credit Availability Program, specifically 80% of the principal of the Loan is guaranteed by Export Development Canada ("EDC"). The Term Loan had an interest rate of 4.00% per annum above the Bank's Prime Lending Rate and had an annual EDC guarantee fee of 1.8% of the loan amount. The Term Loan had an initial term of 12 months, with an option to extend it for additional 12 months. On May 6, 2021, the Company repaid $2.0 million of the Term Loan and extended the maturity date for the remaining principal of $4.0 million by 12 months, in line with original terms and conditions. The Company was charged an annual EDC guarantee fee of 1.8% for this extension of maturity. During the six months ended December 31, 2021, the Company made a full early repayment of all outstanding amounts under the Term Loan.

During the three and six months ended December 31, 2021, total coupon interest of $991,781 and $1,987,414, respectively, was paid on amounts drawn on both facilities (three and six months ended December 31, 2020: $955,346 and $1,845,276, respectively).

12. CREDIT FACILITIES AND LOANS (continued)

(a) Credit facilities (continued)

(ii) During the three and six months ended December 31, 2021, total accretion expense of $113,229 and $189,828, respectively, was recorded on both facilities (three and six months ended December 31, 2020: $62,695 and $124,079, respectively).

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

Transaction costs

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

Security

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

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 December 31, 2021, the Company was in compliance with all covenants. The Company has not withdrawn funds in excess of the amounts permitted in accordance with the loan availability calculations.

(In Canadian Dollars, unless otherwise indicated)

12. CREDIT FACILITIES AND LOANS (continued)

(b) Bulk loan facilities

Balance, June 30, 2020	**33,148,318**
Repayment of principal	(10,997,359)
Accretion included in interest expense (ii)	86,947
Balance, December 31, 2020	**22,237,906**

Balance, June 30, 2021	**14,811,970**
Fair value of new debt at issuance (i)	5,253,922
Deferred financing costs	(104,823)
Repayment of principal	(5,544,993)
Accretion included in interest expense (ii)	11,004
Balance, December 31, 2021	**14,427,080**

(i) Bulk loan facilities are subject to eligibility criteria and certain conditions, and bear interest between 3.95% and 8.38% per annum. Funds are drawn against the bulk loan facilities in weekly and bi-weekly tranches, with the last tranche maturing in January 2028. 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 or equipment lease receivables, a first registered security interest on equipment, a first position general security interest in the Company or affiliates, and the first charge over any segregated funds.

Total coupon expense on bulk loan facilities during the three and six months ended December 31, 2021 amounted to $170,552 and $364,218, respectively (three and six months ended December 31, 2020: $583,063 and $1,329,512, respectively).

(ii) Total accretion expense recognized in the consolidated statement of income and comprehensive income during the three and six months ended December 31, 2021 amounted to $5,502 and $11,004, respectively (three and six months ended December 31, 2020: $44,103 and $86,947, respectively).

As at December 31, 2021, the Company was in compliance with all covenants.

(In Canadian Dollars, unless otherwise indicated)

13. CONVERTIBLE DEBENTURES

Balance, June 30, 2020 (i)	**16,828,251**
Accretion included in interest expense (ii)	505,664
Balance, December 31, 2020 (i)	**17,333,915**

Balance, June 30, 2021	**17,877,994**
Accretion included in interest expense (ii)	585,419
Balance, December 31, 2021	**18,463,413**

(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 $2,986,984 (net of tax effect). 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.

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 and a separate embedded call option were $266,261 (net of tax effect) and $89,989 (net of tax effect), respectively. As at December 31, 2021, 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 three and six months ended December 31, 2021, total coupon interest paid to debenture holders was $378,562 and $757,125, respectively (three and six months ended December 31, 2020: $378,563 and $757,125, respectively).

(ii) For the three and six months ended December 31, 2021, total net accretion expense was $299,062 and $585,418, respectively (three and six months ended December 31, 2020: $258,455 and $505,664, respectively). Both were included in interest expense in the consolidated statements of net income and comprehensive income.

(In Canadian Dollars, unless otherwise indicated)

14. SHAREHOLDERS' EQUITY

(a) Common shares and restricted share units

As of December 31, 2021 and 2020, an unlimited number of common shares and an unlimited number of preferred shares were authorized.

	#	$
Balance, June 30, 2020	**96,482,471**	**36,585,918**
Shares issued on the conversion of RSUs	10,000	5,000
Exercise of stock options	612,000	262,140
Balance, December 31, 2020	**97,104,471**	**36,853,058**
Balance, June 30, 2021	**97,270,423**	**36,951,932**
Additional share capital issued	30,000,000	14,931,998
Shares repurchased and cancelled under NCIB	(674,500)	(351,887)
Shares issued on the conversion of warrants	234,666	132,952
Shares issued on the conversion of RSUs	954,707	596,568
Balance, December 31, 2021	**127,785,296**	**52,261,563**

During the six months ended December 31, 2021, 954,707 RSUs vested and were converted into common shares (six months ended December 31, 2020: 10,000 RSUs), and 60,000 RSUs vested and were paid out in cash (six months ended December 31, 2020: 163,094 RSUs). RSUs were converted into common shares at an average price between $0.29 and $0.53 per share (six months ended December 31, 2020: $0.42 per share). The total fair value of RSUs converted during the six months ended December 31, 2021 came to $596,568 (six months ended December 31, 2020: $5,000). The total value of RSUs paid out in cash during the six months ended December 31, 2021 came to $25,800 (six months ended December 31, 2020: $55,533).

As at December 31, 2021, 1,262,080 RSUs remain unvested and outstanding (December 31, 2020: 2,967,723 RSUs). These outstanding RSUs will vest gradually over the period of 2.6 years.

During the three and six months ended December 31, 2021, the Company recognized $74,121 and $171,683 of expenses related to RSUs, respectively (six months ended December 31, 2020: $111,342 and $178,938, respectively).

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

The amortized fair value of vested RSUs included in the consolidated statement of changes in shareholders' equity as at December 31, 2021 was $676,971 (December 31, 2020: $1,117,187).

(In Canadian Dollars, unless otherwise indicated)

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, together with the RSU 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, 2020	**9,047,167**	**0.58**
Options forfeited or expired	(955,499)	0.61
Balance, December 31, 2020	**8,091,668**	**0.58**
Balance, June 30, 2021	**7,300,668**	**0.56**
Options granted	50,000	0.53
Options forfeited or expired	(146,667)	0.37
Balance, December 31, 2021	**7,204,001**	**0.56**

(In Canadian Dollars, unless otherwise indicated)

14. SHAREHOLDERS' EQUITY (continued)

(b) Share options (continued)

As of December 31, 2021, the Company had the following granted and outstanding share purchase options:

Expiry date	Options granted and outstanding	Options exercisable	Exercise price, $
01-Sep-22	120,000	120,000	0.40
25-Jul-23	252,000	252,000	0.60
07-Sep-23	588,000	588,000	0.70
16-May-24	75,000	75,000	0.79
01-Jul-24	1,008,000	1,008,000	0.30
15-Jul-24	168,000	168,000	0.30
01-Jan-25	30,000	30,000	0.30
01-Mar-25	120,000	120,000	0.30
15-May-25	204,000	204,000	0.30
01-Jun-25	294,000	294,000	0.30
08-Jun-25	3,380,000	3,380,000	0.70
05-Mar-26	405,000	361,667	0.54
27-May-26	100,000	83,333	0.50
08-Oct-27	200,000	150,000	0.45
26-May-28	150,000	20,000	0.32
03-Jun-28	60,001	-	0.32
27-Aug-28	50,000	40,000	0.53
Balance, December 31, 2021	**7,204,001**	**6,894,000**	**0.56**

The weighted average exercise price of options exercisable as of December 31, 2021 was $0.56 (June 30, 2021: $0.56).

The weighted average contractual life of options outstanding as of December 31, 2021 was 2.98 years (June 30, 2021: 3.56 years).

During the three and six months ended December 31, 2021, the Company recognized $12,324 and $44,724 of the share-based compensation related to stock options, respectively (three and six months ended December 31, 2020: $(29,253) and $8,112, respectively).

This expense is part of the total share-based compensation expense and is included in the consolidated statements of income and comprehensive income.

(In Canadian Dollars, unless otherwise indicated)

14. SHAREHOLDERS' EQUITY (continued)

(c) Warrants

	Value $	Number of warrants #	Weighted average exercise price $
Balance, June 30, 2020	**6,518,744**	**24,584,008**	**0.87**
Balance, December 31, 2020	**6,518,744**	**24,584,008**	**0.87**
Balance, June 30, 2021	**1,617,352**	**3,234,666**	**0.87**
Exercise of warrants	(27,352)	(234,666)	(0.45)
Balance, December 31, 2021	**1,590,000**	**3,000,000**	**0.75**

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 was 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 these warrants amounted to $0.12 per whole warrant or to a total value of $27,352. These warrants were exercised in full during the six months ended December 31, 2021.

15. 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 was as follows:

	3 months ended 31-Dec-21	3 months ended 31-Dec-20	6 months ended 31-Dec-21	6 months ended 31-Dec-20
Wages and salaries	289,385	295,635	623,000	629,250
Employee benefit expenses	31,373	31,255	61,766	62,968
Stock-based compensation*	2,058	96,442	4,861	158,644
Total	**322,816**	**423,331**	**689,627**	**850,861**

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

(In Canadian Dollars, unless otherwise indicated)

16. 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 various premises. As of December 31, 2021, 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**
2022	118,626
2023	210,165
2024	122,779
Total	**451,570**

Current lease agreements on the Company's premises and the associated payment commitments expire at various dates between December 30, 2022 and March 31, 2024.

17. FINANCIAL INSTRUMENTS

Hierarchy of fair value measurements

IFRS 13, *Fair Value Measurement*, 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.

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.

(In Canadian Dollars, unless otherwise indicated)

17. FINANCIAL INSTRUMENTS (continued)

During the six months ended December 31, 2021, the Company held various forms of financial instruments that are classified as follows:

Financial instruments	**Fair value level**	**31-Dec-21 Carrying value**	**30-Jun-21 Carrying value**
Assets			
Cash	(1)	2,071,085	3,448,299
Cash held in escrow	(1)	2,984,236	3,198,586
Finance receivables - net	(3)	127,572,707	117,083,907
Accounts receivable	(3)	470,898	219,406
Liabilities			
Accounts payable and other liabilities	(3)	6,969,879	7,917,530
Credit facilities and loans	(3)	89,153,027	93,960,487
Convertible debentures	(3)	18,463,413	17,877,994

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.

18. 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.

(In Canadian Dollars, unless otherwise indicated)

18. CAPITAL MANAGEMENT (continued)

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 (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 six months ended December 31, 2021.

The calculation of the Company's capitalization as of December 31, 2021 and June 30, 2021 is as follows:

	31-Dec-21	**30-Jun-21**
Senior credit facility and other non-convertible loans (Note 12(a))	74,725,947	79,148,517
Securitized debt (Note 12(b))	14,427,080	14,811,970
Convertible debentures (Note 13)	18,463,413	17,877,994
Shareholders' equity	51,840,054	36,085,636
Total capitalization	**159,456,494**	**147,924,117**

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 also holds bulk loan facilities (Note 12(b)) and is subject to certain covenants pertaining to these facilities.

19. 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.

19. FINANCIAL RISK MANAGEMENT (continued)

(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.

(In Canadian Dollars, unless otherwise indicated)

19. 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 18 – 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 consolidated 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 December 31, 2021, the Company's financial obligations were due as follows:

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Credit facilities	-	80,000	75,007,869	**75,087,869**
Debentures	-	20,190,000	-	**20,190,000**
Bulk loan facilities/securitized debt	775,687	3,220,511	10,508,171	**14,504,369**
Accounts payable and other liabilities	6,969,879	-	-	**6,969,879**
	7,745,566	**23,490,511**	**85,516,040**	**116,752,117**

(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.

Credit facilities bear 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 -/+ $187,720, based on gross amounts drawn of $75,087,869 as of December 31, 2021.

20. OPERATING SEGMENTS

Operating segments

The Company operates and reports in two separate segments: (a) automotive lending and (b) equipment financing. These segments represent separate strategic business units offering different services. They are managed separately because each segment involves different marketing strategies and technology and carries different underlying credit risks.

The automotive lending segment reflects the Company's activities in originating and servicing loans and leases granted to the Company's customers to help them finance the purchase of motor vehicles. The equipment financing segment reflects the Company's activities in originating and servicing leases, which are granted to its customers to finance the purchase of various industrial and manufacturing machinery, commercial heavy vehicles and other business equipment.

The segments are evaluated on reported measures, such as financial revenue, net financial income before expenses and operating expenses. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following tables show limited financial information for each segment with reconciliation to the Company's overall financial information.

(In Canadian Dollars, unless otherwise indicated)

20. OPERATING SEGMENTS (continued)

Segmented operating results

	As at December 31, 2021			As at June 30, 2021		
	Automotive lending	**Equipment financing**	**Total**	**Automotive lending**	**Equipment financing**	**Total**
Reportable segment assets						
Cash & cash equivalents	6,353,641	(1,298,320)	5,055,321	5,743,329	903,556	6,646,885
Net finance receivables	120,864,400	6,708,307	127,572,707	116,825,723	258,184	117,083,907
Intangible assets	679,419	183,714	863,133	655,927	175,250	831,177
Goodwill	17,810,702	-	17,810,702	17,810,702	-	17,810,702
Other assets	15,526,537	917,691	16,444,228	14,598,723	184,375	14,783,098
Total Segment assets	**161,234,699**	**6,511,392**	**167,746,091**	**155,634,404**	**1,521,365**	**157,155,769**
Elimination of intersegmental assets	(1,319,718)	-	(1,319,718)	(1,314,122)	-	(1,314,122)
Total Company assets	**159,914,981**	**6,511,392**	**166,426,373**	**154,320,282**	**1,521,365**	**155,841,647**
Reportable segment liabilities						
Credit facilities and loans	83,936,770	5,216,257	89,153,027	93,920,487	40,000	93,960,487
Convertible debentures	18,463,413	-	18,463,413	17,877,994	-	17,877,994
Other liabilities	6,723,614	1,565,982	8,289,596	7,621,975	1,609,677	9,231,652
Total Segment liabilities	**109,123,797**	**6,782,239**	**115,906,036**	**119,420,456**	**1,649,677**	**121,070,133**
Elimination of intersegmental liabilities	-	(1,319,717)	(1,319,717)	-	(1,314,122)	(1,314,122)
Total Company liabilities	**109,123,797**	**5,462,522**	**114,586,319**	**119,420,456**	**335,555**	**119,756,011**

(In Canadian Dollars, unless otherwise indicated)

20. OPERATING SEGMENTS (continued)

Segmented financial position

	6 months ended December 31, 2021			6 months ended December 31, 2020		
	Automotive lending	Equipment financing	Total	Automotive lending	Equipment financing	Total
Financial revenue						
Interest revenue	17,476,704	89,999	17,566,703	16,920,853	-	16,920,853
Fee, servicing and other income	1,665,089	771,474	2,436,563	1,620,275	497,436	2,117,711
Total Financial revenue	**19,141,793**	**861,473**	**20,003,266**	**18,541,128**	**497,436**	**19,038,564**
Financial expenses						
Interest expense	3,959,492	43,350	4,002,842	4,683,818	-	4,683,818
Fee and servicing expenses	32,022	129,575	161,597	51,585	53,537	105,122
Provision for credit losses	5,558,295	33,545	5,591,840	5,216,862	-	5,216,862
Total financial expenses	**9,549,809**	**206,470**	**9,756,279**	**9,952,265**	**53,537**	**10,005,802**
Net financial income before expenses	**9,591,984**	**655,003**	**10,246,987**	**8,588,863**	**443,899**	**9,032,762**
Operating expenses	7,895,977	848,929	8,744,906	6,787,050	522,558	7,309,608
Net segment income/(loss) (before tax)	**1,696,007**	**(193,926)**	**1,502,081**	**1,801,813**	**(78,659)**	**1,723,154**
Stock-based compensation			216,407			187,049
Acquisitions & integration			46,973			30,000
Income tax expense			360,601			311,214
Net Income for the period			**878,100**			**1,194,891**