For the year ended March 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the consolidated financial statements for the year ended March 31, 2020 and 2019 (consolidated financial statements) and the notes thereto. Historical results should not be taken as indicative of future operations. The information in this report is up to date as of July 13, 2020.

The consolidated financial statements of Rifco Inc. (Rifco, Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company's website is [www.rifco.net] and all previous public Company filings are available through SEDAR [www.sedar.com].

Cautionary Statement

Additional information relating to the Company is available on SEDAR at www.sedar.com. This Management's Discussion and Analysis (MD&A) report may contain certain forward-looking statements, including statements regarding the business and anticipated financial performance of Rifco. The users of forward-looking statements are cautioned that actual results may vary from the forward-looking information. The Company is subject to material risk factors that could cause actual results to differ materially from the forward-looking statements. The Company is subject to two main material risks, these being loan performance and continued access to capital. All future looking statements are made with the assumption that loans will perform as modelled and that the Company will continue to have access to reasonably priced capital in amounts sufficient to execute its business plan. When future looking statements are made, they will be updated within the normal course of quarterly and annual financial statements.

Description of Non-IFRS Measures

Throughout this MD&A, management uses terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers; therefore, descriptions have been provided in the MD&A. For clarity, specifically defined non-IFRS measures are capitalized throughout this document, as are other terms as defined in the Glossary of Other terms and Measures.

Management believes that some non-IFRS measures are useful for investors to use to evaluate the performance of the Company without certain IFRS requirements that some investors may consider to be unrelated to the underlying economic performance of the Company. **Management uses these non-IFRS measures to evaluate the performance of the Company.**

Specifically, management presents an Adjusted Net Income before tax measure, along with related adjusted sub-totals. Adjusted Net Income before tax Per Common Share, Adjusted Return Pre-Tax on Adjusted Equity Ratio and Adjusted Return Pre-Tax on Earning Assets Ratios are presented where Adjusted Net Income is used in the calculation in place of Net Income. Adjusted Operating expenses do not include expenses associated with the Strategic review process. **These measures do not have any standardized meaning under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.**

For the Description of Non-IFRS Measures please refer to the section "Description of Non-IFRS Measures".

Rifco Overview

Rifco is focused on being the best alternative auto finance provider through its wholly owned subsidiary Rifco National Auto Finance Corporation. Our mission is to help deserving Canadians own automobiles. Rifco is Canada's largest publicly traded alternative auto finance company.

Rifco seeks to create sustainable long-term competitive advantages through personalized partnerships with dealers, innovative products, the use of industry-leading data and analytics, and leading collections practices. Rifco's corporate culture fosters employees that are highly engaged, innovative, and performance driven.

Rifco is committed to creating value for all stakeholders through profitable growth and predictable credit performance, while pursuing its long-term vision of $500M in annual loan originations.

The Company operates in all provinces except Quebec. The Company and its subsidiary are incorporated under the laws of Alberta with its head office situated in Red Deer, Alberta.

Rifco trades its common shares on the TSX Venture Exchange under the symbol "RFC" and is a tier 1 issuer. Since commencing lending operations in February of 2002, the Company has lent over $1.1 billion.

Strategic Perspective

As market conditions dictate, management makes strategic decisions to exploit various segments of the credit spectrum. The anticipated Credit Spread, or the difference between expected yield and forecasted net credit losses, is the most important piece of information in making these decisions. The analysis and forecasting of the Credit Spread Rate allows management to target those credit segments which have the highest returns.

The Company manages two main strategic risk factors. First, the Company must possess competencies that drive acceptable credit performance. Second, the Company must maintain access to reasonably priced and appropriately structured capital and borrowings in order to fund its lending operations.

Rifco remains steadfast in originating finance receivables that it believes can achieve acceptable credit performance levels and profit margins. As margins are affected by funding rates and expected credit performance, the Company adjusts targeted origination levels, credit requirements, and lending rates while maintaining market continuity. Rifco will not pursue a strategy of seeking to increase its market share at the expense of unsustainable credit performance. Rifco management believes that its Credit Model will continue to produce sustainable loan performance results over normal economic cycles.

The Company funds its originated finance receivables through bank borrowing, securitization and the issuance of unsecured debentures. Rifco maintains strong funding relationships and has been able to receive increased levels of funding capacity as needed.

COVID-19

The outbreak of COVID-19 and associated lock-downs and government interventions are a rapidly evolving situation without historical precedent for comparison and prediction purposes. Management believes the greatest impact to be on future loan losses, which will depend significantly on the duration of the lockdowns, the duration and effectiveness of government relief efforts, and the magnitude and timing of the subsequent economic recovery.

The lockdowns associated with the COVID-19 pandemic have significantly impacted automobile sales and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April.

While Rifco has been identified as an essential service in Alberta, management has taken the necessary precautions to protect the well being of employees, borrowers and partner dealerships:

- Rifco's entire team has been operationally tested to work from home, with the majority of employees actively working from home with full access to all necessary systems and tools
- Suspended all corporate travel and in-person sales calls
- Implemented extraordinary cleaning and hygiene practices, signage, and supplies
- Reduced office, workspace and meeting room density limits
- Adapted existing payment deferral and modification tools to accommodate affected borrowers

With the uncertainty of current circumstances, Rifco has taken steps to improve liquidity (most significantly on April 9, with a $10M securitization). Rifco has been in constant contact with existing funding partners and remains confident in its ability to access capital for funding new loans as needed. Rifco's liquidity position remains strong.

Effective June 1, through a combination of reduced paid hours via a workshare program and layoffs, Rifco has reduced its operating expenses by 12.9 FTE. Through the workshare program, Rifco will be able to adjust hours of the participants in order to meet increased capacity as needed.

Market Perspective

The majority of Canadians finance their vehicle purchases. A significant portion of Canadians will require near-prime or non-prime financing for these purchases.

Rifco's major competitors include two large Canadian banks that currently control a large portion of the near-prime ("B" & "C" credit) market in Canada. In addition, a number of mid-sized and smaller competitors exist throughout the near-prime and non-prime credit spectrum. Prior competitive behavior, which management had thought to be unprofitable and ultimately unsustainable appears to be negatively impacting some players in the industry. Management is seeing rationalization within the industry as competitors consolidate, sell assets and cease operations.

Rifco believes there is a possibility that the rationalization of the industry may accelerate in the current environment.

Yearly Highlights

- **Originations** – Originations increased 25.1% from $86.6M to $108.3M. This is the Company's highest origination year since 2015 and third highest yearly level since inception.
- **Treasury Reorganization** – A treasury reorganization has resulted in significant interest expense savings, increased treasury flexibility and better matching of borrowed funds compared to the underlying finance receivables
- **Tax Recovery –** A change in the tax basis of securitization transactions from gain on sale to IFRS basis resulted in the unwinding of temporary timing differences allowing the recovery of over $3.8M of prepaid taxes from 2015, 2016 and 2017.
- **Automated Credit Adjudication** – Rifco continues to be an industry leader in automated credit adjudication allowing increased integrity, accuracy, predictability, and reliability of decision making. This allows the Company to manage its operating expenses while the overall market is experiencing an overall decline in ultimate booking rates compared to applications seen.
- **Corporate Citizenship** – Rifco employees once again spearheaded fundraising efforts, throughout the year, to raise funds in excess of $37,000 for the Central Alberta Humane Society.
- **COVID-19 Response** – Despite the rapidly evolving news and guidelines related to the COVID-19 outbreak, the Company has had no interruptions in accessing its sources of capital and all core Company functions have continued to operate without interruption. The Company continues to operate as an exempted "Essential Service" under new Alberta legislation with a significant portion of the Company's core functions now being performed by work-from-home employees.

Strategic Review

On February 3, 2020 Rifco Inc. announced that they had entered into a definitive arrangement agreement pursuant to which CanCap Group Inc. would acquire all of the issued and outstanding common shares of Rifco. The agreement was subject to approval of 66 2/3% of the votes to be cash by Rifco shareholders at a special meeting of Rifco shareholders that was held on April 3, 2020. The motion passed.

CanCap delivered written notice to Rifco on March 27, 2020 that it is alleging termination of the arrangement agreement among the Parties dated February 2, 2020 in respect of a statutory plan of arrangement under the *Business Corporations Act* of Alberta. CanCap alleges that what it describes as "recent events" constitute a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser has communicated that it does not intend to close the Arrangement.

Rifco has subsequently filed a Statement of Claim that names both ACC and CanCap as a defendant, and asserts that ACC and CanCap breached the terms of the arrangement agreement by failing to attend at closing and fund the transaction contemplated by the Arrangement Agreement, and by actively opposing the issuance of a final order. Rifco seeks specific performance of the Arrangement Agreement as a remedy.

CanCap has further filed a Statement of Claim that seeks an amount of "no less than" $1 million as an "Expense Reimbursement Payment" as a result of what the Purchaser says was a breach of the Arrangement Agreement, which was that Rifco failed to warn the Purchaser about COVID-19 and a decline in oil prices which the Purchaser says constituted a "Material Adverse Effect" on Rifco.

Rifco categorically disagrees with the Purchaser's allegation that "recent events" constitute a Material Adverse Effect under the Arrangement Agreement, and strongly asserts that neither the Purchaser nor CanCap has any basis on which to terminate the Arrangement. Rifco intends to vigorously enforce its rights, and the obligations of the Purchaser and CanCap, under the binding Arrangement Agreement.

Rifco will continue to pursue all remedies reasonably available against the Purchaser and CanCap for their failure to close the Arrangement in accordance with its terms.

Results of Operations

The results of operations and cash flows for the year ended March 31, 2020 are presented in accordance with IFRS except for the adjusted line items.

The Company is reporting the following results over the comparable year:

	As at	
	Mar 31, 2020	**Mar 31, 2019**
($, 000's except %)		
Finance receivables	228,959	228,535
Total assets	228,328	230,145
Total liabilities	202,270	201,421
Adjusted Equity [1]	37,321	36,833
Equity	26,058	28,724
Delinquency Rate	5.55%	5.46%

[1] See the section "Description of Non-IFRS Measures" for these definitions

	Year ended	
	Mar 31, 2020	**Mar 31, 2019**
($, 000's except per share and %)		
Financial revenue	39,374	40,670
Credit losses	15,893	16,333
Credit Spread	23,481	24,337
Adjusted Operating Expenses[1]	11,057	12,789
Adjusted Net Income (Loss) before Taxes[1]	1,279	(112)
Net loss before taxes	(3,533)	(1,618)
Adjusted Net Income (Loss) before Taxes per Common Share - Basic[1]	$0.059	($0.005)
Adjusted Net Income (Loss) before Taxes per Common Share - Diluted[1]	$0.059	($0.005)
Net loss per common share - Basic	($0.133)	($0.070)
Net loss per common share - Diluted	($0.133)	($0.070)
Originations	108,326	86,602
Average loan receivables	225,252	233,633
Net Portfolio Yield	17.48 %	17.41 %
Credit Loss Rate	7.06 %	6.99 %
Credit Spread Rate	10.42 %	10.42 %
Financial Expense Ratio	4.95 %	4.99 %
Adjusted Operating Expense Ratio[1]	4.92 %	5.47 %
Adjusted Return Pre-Tax on Adjusted Equity[1]	3.45 %	(0.31%)

[1] See the section "Description of Non-IFRS Measures" for these definitions

The Company posted Originations for the year of $108.3M, a 25.1% increase from $86.6M in the prior year. Originations of $24M for the current quarter are an increase of 18.8% from the comparable quarter. This is the third best origination year in the history of the Company behind the 2015 and 2014 fiscal years.

The Net Portfolio Yield improved 7 basis points for the year from 17.41% in the prior year to 17.48% in the current year. Net Portfolio Yield improved 59 basis points to 17.35% in the current quarter from 16.76% in the comparable quarter.

Credit losses, including costs and net of recoveries, for the year decreased by 2.7% from $16.3M in the prior year to $15.9M in the current year. Credit losses, including costs and net of recoveries, for the quarter decreased by 5.4% from $3.7M to $3.5M in the comparable quarter. The annualized Credit Loss Rate for the year increased by 7 basis points to 7.06% from 6.99% in the prior year. The annualized Credit Loss Rate for the quarter decreased by 34 basis points to 6.17% from 6.51% in the comparative quarter.

Adjusted Net Income Before Taxes for the year of $1.3M is $1.4M higher than the prior year. Adjusted Net Income Before Taxes in the quarter was $0.7M, an improvement of $0.7M from the comparable quarter. Adjusted Net Income (Loss) Before Taxes removes the effect of the non-cash provisions and the strategic review process expenses on net income (loss) before tax. Adjusted Net Income (Loss) Before Taxes accounts for the actual credit losses incurred in the period and is the measure that management uses to evaluate the performance of the Company in the period as it removes the volatility associated with the effect of estimates, assumptions and the strategic review expenses. Net loss before tax for the year increased by $1.9M to $3.5M from a net loss before tax of $1.6M in the prior year. This change reflects the significant increase in loan loss provisioning in anticipation of the impact of COVID-19.

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a period. Credit Spread declined by 3.5% from $24.3M in the comparable year to $23.5M in the current year. Credit Spread for the quarter increased by 7.8% from the comparable quarter to $6.3M. The Credit Spread Rate remained consistent at 10.42% between the years. The Credit Spread Rate during the quarter increased by 93 basis points over the comparable quarter and remained consistent to the preceding quarter.

Total financial revenue year to date decreased 3.2% to $39.4M from $40.7M in the prior year due to the relatively faster run off rate of the portfolio of assets acquired in June 2018. Total financial revenue increased by 2.4% to $9.7M from $9.5M in the comparable quarter and decreased by 0.8% from the preceding quarter.

The Financial Expense Ratio for the year decreased by 4 basis points to 4.95% from 4.99% in the prior year. The Financial Expense Ratio for the quarter decreased by 21 basis points to 4.82% from 5.03% in the comparable quarter. The Financial Expense Ratio for the decreased by 16 basis points from the prior quarter at 4.98%.

The Delinquency Rate increased by 9 basis points to 5.55% from 5.46% at the beginning of the year. The Delinquency Rate increased 23 basis points from 5.32% in the prior quarter. The Delinquency Rate decreased 9 basis points over the comparable quarter.

Adjusted Operating expenses continue to decline, both the dollars and as a ratio of average loan receivables. Adjusted Operating expenses in the current year decreased by 13.5% to $11.1M from $12.8M in the prior year. Adjusted Operating expenses during the quarter decreased 0.7% to $2.9M from $2.9M in the comparable quarter. The Adjusted Operating Expense Ratio decreased by 1 basis points to 5.19% compared to 5.18% in the comparable quarter. The Adjusted Operating Expense Ratio decreased 55 basis points year to date to 4.92% from 5.47% in the prior year.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of bank borrowing and securitized facilities.

Rifco has leveraged its recent investments in its loan origination system and new credit model to enhance the automation of its credit decisioning. While all loans are verified prior to funding, approximately 77% of its credit decisioning is automated. This is an increase from 23% in the comparable quarter. Rifco believes that automation will increase the integrity, accuracy, predictability and reliability of decision making, improving ultimate credit spread. This transition also helps Rifco manage its operating expenses while the overall market is experiencing a decline in ultimate booking rates on applications seen.

The Company's management is focused on improving its credit performance. Predictable credit performance is imperative to achieving the Company's long-term vision of $500M in annual loan Originations.

Comparative Results for the Year

All income and expense items are measured against the average outstanding loan receivables in the year.

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except % and per share)				
Average loan receivables for the year	225,252		233,633	
Financial revenue	39,374	17.48%	40,670	17.41%
Credit losses	15,893	7.06%	16,333	6.99%
Credit Spread	**23,481**	**10.42%**	**24,337**	**10.42%**
Financial expenses	11,145	4.95%	11,660	4.99%
Adjusted Net Financial Income before Operating Expenses[1]	**12,336**	**5.47%**	**12,677**	**5.43%**
Adjusted Operating Expenses[1]	11,057	4.92%	12,789	5.47%
Adjusted Net Income (Loss) before Taxes[1]	**1,279**	**0.55%**	**(112)**	**(0.04%)**
Strategic review expenses	(700)	(0.31%)	-	0.00%
Increase in provision for impairment	(4,113)	(1.83%)	(1,506)	(0.64%)
Net loss before tax	**(3,534)**	**(1.59%)**	**(1,618)**	**(0.68)**
Income tax recovery	651	0.29%	112	0.05%
Net loss	**(2,883)**	**(1.30%)**	**(1,506)**	**(0.63%)**
Adjusted Net Income (Loss) before Taxes per Common Share:[1]				
Basic	$0.059		$(0.005)	
Diluted	$0.059		$(0.005)	
Net loss per common share:				
Basic	$(0.133)		$(0.070)	
Diluted	$(0.133)		$(0.070)	

[1] See the section "Description of Non-IFRS Measures" for these definitions

Financial Revenue

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except %)				
Average loan receivables for the year	225,252		233,633	
Interest income	37,564	16.68%	39,044	16.71%
Discount income	3,368	1.50%	4,056	1.74%
Fee income	1,880	0.83%	1,121	0.48%
Gross Financial Revenue	42,812	19.01%	44,221	18.93%
Loan origination and acquisition costs	(3,438)	(1.53%)	(3,551)	(1.52%)
Financial revenue	39,374	17.48%	40,670	17.41%

Financial revenue for the year decreased 3.2% to $39.4M from $40.7M in the prior year. Financial revenue increased by 2.4% to $9.7M from $9.5M in the comparable quarter and decreased by 0.8% from the preceding quarter.

The majority of loan receivables are comprised of near-prime vehicle purchase loans that are generally priced at risk-adjusted annual interest rates between 10% and 25%. Additionally, the Company has a non-prime lending program that is being offered through limited dealer partners. As part of the program, GPS and starter interrupter devices are required to be installed on each financed vehicle. The program delivers the Company a Net Portfolio Yield between 33% and 44%. Dealer partners pay a discount fee to the Company which increases the Net Portfolio Yield to the Company. As the portfolio purchased in June 2018 rapidly pays down, interest and discount income will start to normalize as the purchased portfolio had a significantly higher return and discount rate than Rifco originated loans.

Gross Portfolio Yield is comprised of the interest, discount, and fees earned before expensing the amortization of origination costs. Gross Portfolio Yield increased by 8 basis points for the year from 18.93% in the prior year to 19.01% in the current year. Gross Portfolio Yield during the quarter was 18.81%, a 56 basis point increase from 18.25% in the comparable period. Net Portfolio Yield increased by 7 basis points for the year from 17.41% in the prior year to 17.48% in the current year. Net Portfolio Yield during the quarter was 17.35%, a 59 basis point improvement from 16.76% in the comparable quarter.

When the Company originates a loan receivable, certain expenses are incurred. These expenses include commission paid to dealers, security registration, credit reports obtained, internet portal costs, and vehicle valuation reports. The largest of these expenses is the commission paid to dealers. The origination expenses are amortized over the life of the loan receivable and are netted against interest income. While the amortization of origination expenses decreased by 3.20% from the previous year, the rate as a percentage of average loan receivables increased by 1 basis point to 1.53%.

Credit Losses

Management intends to originate a portfolio of finance receivables that will generate interest income sufficient to compensate for the underwriting risk and to maintain a positive profit margin. Credit losses are budgeted as a significant expense. Credit losses are a trailing indicator of credit quality. The impact of credit underwriting policy may not be fully observed for up to 24 subsequent months. Rifco management focuses on achieving attractive threshold Credit Spread Rate, rather than targeting a specific loss rate.

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except %)				
Average loan receivables for the year	225,252		233,633	
Credit losses – net of recoveries	14,056	6.24%	14,301	6.12%
Repossession and recovery costs	1,837	0.82%	2,032	0.87%
Total Credit Losses	**15,893**	**7.06**%	**16,333**	**6.99%**

Credit losses, including costs and net of recoveries, for the year decreased by 2.7% from $16.3M in the prior year to $15.9M in the current year. Credit losses, including costs and net of recoveries, for the quarter decreased by 5.4% to $3.5M from $3.7M in the comparable quarter. The annualized Credit Loss Rate for the year increased by 7 basis points to 7.06% from 6.99% in the prior year. The annualized Credit Loss Rate for the quarter decreased by 34 basis points to 6.17% from 6.51% in the comparable quarter.

The Delinquency Rate increased by 9 basis points to 5.55% from 5.46% at the beginning of the year.

Credit Loss Policy

The Company maintains a corresponding Credit loss policy for its most severely delinquent finance receivables. Specifically, and on a monthly basis, finance receivables are allocated as credit losses when they either exceed 120 days or are deemed to be otherwise uncollectable. Credit loss balances are continually pursued either through Rifco's employed collectors or through third party collection agency services. Recoveries are applied accordingly.

Credit Spread

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except %)				
Average loan receivables for the year	225,252		233,633	
Financial revenue	39,374	17.48%	40,670	17.41%
Credit losses	15,893	7.06%	16,333	6.99%
Credit Spread	**23,481**	**10.42**%	**24,337**	**10.42%**

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a period. Credit Spread declined by 3.5% from $24.3M in the comparable year to $23.5M in the current year. Credit Spread for the quarter declined by 7.8% from the comparable quarter to $6.3M. The Credit Spread Rate remained consistent at 10.42% between the years. The Credit Spread Rate during the quarter increased by 93 basis points over the comparable quarter and remained consistent to the preceding quarter.

Financial Expenses

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except %)				
Average loan receivables for the year	225,252		233,633	
Financial expense	11,145	4.95%	11,660	4.99%

Financial expense includes interest paid on bank borrowings, securitization debt, and unsecured debentures and also includes fees paid on bank borrowing.

The Financial Expense Ratio decreased for the year by 4 basis points to 4.95% from 4.99% in the prior year. The Financial Expense Ratio decreased by 21 basis points to 4.82% from 5.03% in the comparable quarter. The Financial Expense Ratio decreased from 4.96% in the preceding quarter.

Operating Expenses

	For the year ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
($,000's except %)				
Average loan receivables for the year	225,252		233,633	
Wages and benefits	7,808	3.47%	8,289	3.54%
Professional fees	312	0.14%	620	0.27%
Office and general	2,096	0.93%	3,029	1.29%
GST/HST Input taxes	-	0.00%	279	0.12%
Stock based compensation	216	0.10%	275	0.12%
Depreciation and amortization	625	0.28%	297	0.13%
Adjusted Operating Expenses[1]	**11,057**	**4.92%**	**12,789**	**5.47%**
Strategic review process	700	0.31%	-	0.00%
Operating Expenses	**11,757**	**5.23%**	**12,789**	**5.47%**

Adjusted Operating expenses continue to decline, both the dollars and as a ratio of average loan receivables. Adjusted Operating Expenses in the current year decreased by 13.5% to $11.1M from $12.8M in the prior year. Adjusted Operating Expenses during the quarter decreased 0.7% to $2.9M from $2.9M in the comparable quarter. The Adjusted Operating Expense Ratio decreased by 1 basis points to 5.19% compared to 5.18% in the comparable quarter. The Adjusted Operating Expense Ratio decreased 55 basis points in the current year to 4.92% from 5.47% in the prior year.

The improvement of the Efficiency Ratio from its peak of 35.76% in the third quarter of fiscal year 2019 has levelled out to the current quarter's ratio of 29.75%. This is an increase of 24 basis points from preceding quarter.

Summary of Quarterly Results

For the fiscal periods ended	2020				2019				2018
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
($,000's except per share & ratios)									
Finance receivables	228,959	230,356	229,787	230,101	228,535	234,507	242,274	253,848	232,750
Total assets	228,328	233,081	232,324	232,222	230,145	235,254	243,204	255,303	241,286
Total liabilities	202,270	204,030	203,503	203,023	201,421	206,447	214,649	225,962	207,337
Adjusted Equity	37,321	37,372	37,507	37,449	36,833	37,017	37,213	37,917	36,965
Shareholders' equity	26,058	29,051	28,821	29,199	28,724	28,807	28,555	29,341	33,949
Adjusted Book Value Per Share	$ 1.73	$ 1.73	$ 1.74	$ 1.73	$ 1.71	$ 1.71	$ 1.72	$ 1.76	$ 1.71
Stock price	$ 0.79	$ 0.85	$ 0.85	$ 0.85	$ 0.90	$ 0.80	$ 1.15	$ 1.25	$ 1.09
For the Period:									
Finance receivables originated	24,021	27,155	27,336	29,814	20,223	21,276	19,295	25,809	21,663
Average loan receivables	224,580	225,815	226,248	224,553	227,008	233,276	244,613	234,041	231,407
Total financial revenue	9,744	9,819	9,926	9,885	9,518	10,194	10,947	10,011	8,766
Adjusted Net Income (Loss) before Taxes [1]	660	(81)	113	588	37	(330)	637	(457)	(310)
Net income (loss) before taxes	(3,801)	398	(492)	362	177	283	525	(2,604)	(296)
Net income (loss)	(3,030)	185	(437)	400	(118)	182	(870)	(701)	(248)
Adjusted Net Income (Loss) before Taxes per Common Share:									
Basic	$ 0.031	$ (0.004)	$ 0.004	$ 0.027	$ 0.002	$ (0.015)	$ 0.029	$ (0.021)	$ (0.012)
Diluted	$ 0.031	$ (0.004)	$ 0.004	$ 0.027	$ 0.002	$ (0.015)	$ 0.029	$ (0.021)	$ (0.012)
Net income (loss) per common share:									
Basic	$ (0.140)	$ 0.009	$ (0.020)	$ 0.019	$ (0.005)	$ 0.008	$ (0.040)	$ (0.032)	$ (0.011)
Diluted	$ (0.140)	$ 0.009	$ (0.020)	$ 0.019	$ (0.005)	$ 0.008	$ (0.040)	$ (0.032)	$ (0.011)
Loan Receivable Performance Measures: [2]									
Net Portfolio Yield	17.35%	17.38%	17.56%	17.60%	16.76%	17.48%	17.90%	17.11%	15.15%
Credit Loss Rate	6.17%	7.66%	7.72%	6.64%	6.51%	6.73%	6.48%	8.13%	6.28%
Credit Spread Rate	11.18%	9.72%	9.84%	10.96%	10.25%	10.75%	11.42%	8.98%	8.87%
Delinquency Rate (over 30 days)	5.55%	5.32%	6.15%	5.69%	5.46%	5.33%	5.19%	5.26%	6.44%
Performance Measures: [2]									
Efficiency Ratio	29.90%	29.51%	26.53%	28.07%	30.82%	35.76%	29.92%	29.34%	32.68%
Leverage Ratio	8.76	8.02	8.06	7.95	8.01	8.17	8.52	8.70	7.11
Adjusted Return Pre-Tax on Adjusted Equity [3]	7.07%	(0.87%)	1.21%	6.33%	0.40%	(3.56%)	6.78%	(4.88%)	(3.35%)
Ratios: [1]									
Financial Expense Ratio	4.82%	4.96%	4.98%	5.04%	5.03%	5.06%	5.03%	4.75%	4.45%
Adjusted Operating Expense Ratio	5.19%	4.92%	4.64%	4.88%	5.17%	6.25%	5.36%	5.02%	4.95%
Adjusted Return Pre-Tax on Earning Assets	1.18%	(0.14%)	0.20%	1.05%	0.07%	(0.57%)	1.04%	(0.78%)	(0.54%)

[1] Definition for Adjusted Net Income before Taxes has been adjusted to exclude the strategic review expenses and Q1, Q2 and Q3 2020 have been adjusted accordingly.

[2] Percentages have been annualized except Efficiency Ratio and Delinquency Rate

[3] Q1 2019 Adjusted Return on Adjusted Equity impacted by $1.9M income tax recovery

Asset Review

Finance Receivables

Finance receivables increased by $0.5M from $228.5M at March 31, 2019 to $229.0M at current year end.

The Company originates finance receivables from credit applications submitted by approved dealers. All finance receivables are installment loan obligations with a fixed interest rate and term. All finance receivables are secured by motor vehicle collateral and are registered with the applicable provincial personal property registry.

The Company posted Originations for the year of $108.3M, a 25.1% increase from $86.6M in the prior year. Originations of $24.0M for the current quarter are an increase of 12.9% from the comparable quarter and an 12.1% decrease from the preceding quarter.

	As at			
	Mar 31, 2020		Mar 31, 2019	
($,000's except %)				
Finance receivables – securitized	169,938	74.22%	121,754	53.28%
Finance receivables – securitized (over-collateralization)[1]	23,442	10.24%	17,174	7.51%
Finance receivables – Rifco Trust	-	0.00%	13,156	5.76%
Finance receivables – owned	35,579	15.54%	76,451	33.45%
Total	**228,959**	**100.00%**	**228,535**	**100.00%**

[1] Additional finance receivable collateral is provided as over-collateralization security to some securitizers.

Average loan receivables during the quarter decreased 1.1% to $224.6M from $227.0M in the comparable quarter which was unusually high due to the inclusion of an acquired portfolio.

Cash Holdback and Over-Collateralization in Finance Receivables Securitized

When securitizing finance receivables, finance receivable over-collateralization is used. In some cases, this is used in combination with cash holdback in order to protect against the risk of prepayment and credit losses. The securitizers have recourse to draw down on the cash holdback balance held by the securitizers in the event of individual finance receivables default or prepayment. The amount of cash holdback is determined at the time of sale based on average loan terms, credit grades, and finance receivable over-collateralization. Utilizing an over-collateralization component allows for a lower level of the cash holdback. This reduces the Company's financial expense.

At year end, the total cash holdback was $18.8M compared to $5.7M at the prior year end. During the year, the Company received cash holdback releases of $6.1M compared to $6.3M in the prior year. The Company had a letter of credit to Securcor Trust for $3.0M in return for cash released from its cash holdback. The letter of credit had an expiry date of April 1, 2020. The Company also had a letter of credit to a Canadian Schedule I Chartered Bank for $2.0M in return for cash released from its cash holdback. The letter of credit had an expiry date of December 8, 2020. As both of the letters of credit formed part of the $50.0M syndicated secured revolving credit facility, they were cancelled and replaced with cash in January 2020.

Funds in the cash holdback are restricted cash as they are subject to a number of predetermined formulas and financial covenants. Cash releases increase the Company's working capital position.

The cash holdback and over-collateralization is the Company's theoretical maximum exposure to credit losses on securitized finance receivables. However, management is of the opinion that in typical circumstances the entirety of the credit losses will be borne by the Company.

Each of the Company's securitization facilities feature loan over-collateralization. The ratio of over-collateralization is between 5% and 20%, resulting in a fraction of the finance receivables payment stream being securitized. As payments are collected from borrowers, the Company is obligated to remit a portion of each payment to the securitizer. The remaining collected payments are retained by the Company.

In the event that the Company breached its facility covenants, or if the cash holdback fell below the required percentage (applicable for facilities which have a requirement for cash holdback) of the total debt in the securitization facility, the Company would be required to remit the borrowers' entire monthly payment (100%) to the securitizer. Under this scenario, the Company's share of each borrower's payment would be deposited into a cash holdback account until the facility default is resolved.

The following table shows the effect that the total cash holdback has on the securitized debt.

	As at	
	Mar 31, 2020	**Mar 31, 2019**
($,000's)		
Total securitization debt	196,364	134,348
Total cash holdback	(18,797)	(5,714)
Securitization debt	**177,567**	**128,634**

Deferred Income Tax Asset

Prior to March 31, 2019 the Company recognized gain on sale events from securitization transactions. This temporary timing difference along with other differences between net income and taxable income were recognized as changes to the Company's deferred income tax asset. Since March 31, 2019 the Company has opted to change the tax basis of securitization transactions from gain on sale to IFRS basis. This resulted in the unwinding of temporary timing differences creating a significant tax loss. To avoid having to carry the loss forward to future years, Rifco applied to the Canada Revenue Agency to amend its 2018 return allowing the loss to the be carried back as far as 2015. This has created a significant change in the composition of deferred income tax assets. In prior periods, the company reflected this balance in its deferred income tax asset to reflect uncertainty over whether the prior year amended return would be accepted. Refunds totaling $3.8M were received in February 2020.

Provision for Impairment

As detailed in notes 3.e.A and 6 of the Notes to the Consolidated Financial Statements for the years ended March 31, 2020 and 2019 the Company adopted IFRS 9 at the beginning of the prior fiscal year. IFRS 9 replaces the previous incurred loss model with an expected credit loss model. Comparative information has not been restated.

The adoption of IFRS 9 does not impact the ultimate net charge-off rate of the Company's finance receivable portfolio, which is driven by borrowers' credit profile and behavior. The Company will continue to write off loans when they either exceed 120 days or are deemed to be otherwise uncollectable. IFRS 9 only changes the timing of the recognition of loan losses. Likewise, the cash flows used in and generated by the Company's finance receivables are not impacted by the adoption of IFRS 9 as any change in the estimated allowance for loan losses is a non-cash item.

The provisions applied through IFRS 9, and ultimate carrying value of finance receivables, are not a reflection of the actual economic value of the loan portfolio, but rather, a calculation of the acquisition cost minus future expected losses with no recognition of inherent value or future revenue.

Determining the inputs listed and the associated ECLs requires significant estimation uncertainty. In particular, overlaying the COVID-19 effects and the related factors such as: the duration of the lock-down conditions, the effectiveness and duration of government relief programs, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a rapidly evolving situation, the scenarios applied, and results obtained could be especially susceptible to volatility.

($,000's)	Year ended Mar 31, 2020	Mar 31, 2019
Credit losses net of recoveries for the period	14,056	14,301
Repossession and recovery costs for the period	1,837	2,032
Provision for impairment and credit losses for the period	(20,005)	(17,839)
Increase in provision for impairment	**(4,113)**	**(1,506)**

The impact on net income from the effects of the provision for impairment was to decrease it by $4.1M in the current year, as compared to decreasing it by $1.5M in the prior year. The provisions applied through IFRS 9 on a portfolio of assets acquired on June 4, 2018 accounted for $2.0M of the $1.5M decrease in the prior year to date.

Financial Capacity, Liability, and Liquidity Review

Rifco's Origination and Servicing Platform is its most valuable asset. The ability to leverage this Platform requires the financial capacity to employ appropriately priced and structured funding.

To fund the origination of finance receivables, the Company uses two bank borrowing facilities of $22.5M and three securitization facilities totaling $137.4M. The Company's combined credit facilities total $160.0M of which there was $77.5M in remaining capacity at year end.

On June 4, 2018, Rifco announced an agreement to acquire a $24.8M loan receivables portfolio consisting of 1,857 consumer automobile loans. The purchase of the portfolio was financed through a combination of a $16.0M loan made by funds managed by Ares Management L.P., $4.5M of unsecured debentures issued, and cash on hand. On December 20, 2019, the loan managed by Ares Management L.P. was paid in full.

Facility Availability Summary

As at ($,000's)	Limit	Utilized	Available	Renewal Date
Bank Borrowing – Connect First Credit Union Ltd.	2,500	2	2,498	Non-Expiring
Bank Borrowing – Canadian Schedule I Chartered Bank	20,000	1,410	18,590	29-Jan-21
Securitization – Securcor Trust [1]	50,000	38,892	11,108	31-Aug-20
Securitization – Connect First Credit Union Ltd. [2]	47,500	42,225	5,275	Non-Expiring
Securitization – Canadian Schedule I Chartered Bank	40,000	-	40,000	29-Jan-21
Total active facilities	**160,000**	**82,529**	**77,471**	
Non-readvanceable facilities [3]	125,486	125,486	-	
Total	**285,486**	**208,015**	**77,471**	

[1] Calculated as the sum of Tranches received, does not include repayments, and does not equal Securitized Debt
[2] Revolving Securitization Facility
[3] Reported as the Securitized Debt that is now removed from facility utilization. Amounts are not readvanceable.

The Company manages its liquidity and capital resources by utilizing financial leverage through a diversified and balanced approach. The Company's ability to access funding at competitive rates through various economic cycles, enables it to maintain necessary liquidity and is an important condition to future success.

The Company's primary sources of liquidity are (i) cash flows from operations, (ii) bank borrowing, (iii) securitization, (iv) unsecured debentures (v) term debt, and (vi) equity. The Company's primary use of cash is the funding of finance receivables and the funding of working capital.

In order to maintain access to liquidity from external sources, certain financial covenants must be maintained. From time to time, and typically at facility renewal, these covenants are subject to negotiation and revision.

Rifco's increased loan loss provision created a covenant violation with its funders relating to EBITDA, despite being a non-cash forward-looking estimate. However, Rifco's funders have repeatedly expressed confidence in and support for Rifco in working through the current pandemic. This has been evidenced by securitization fundings subsequent to year end. Subsequent to year end (see note 28 of the consolidated financial statements), a renewal of the facility of comparable size and terms was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility.

Total Debt to Tangible Net Worth Ratio	**As at**	
No greater than 10.0x	**Mar 31, 2020**	**Mar 31, 2019**
($,000's except ratios)		
Total liabilities	189,113	189,030
Tangible Net Worth	37,200	40,731
Total liabilities to Tangible Net Worth Ratio	5.08	4.64

EBITDA Interest Coverage Ratio	**For the years ending**	
	Mar 31, 2020	**Mar 31, 2019**
($,000's except ratios)		
EBITDA	8,275	10,628
Interest	11,145	8,883
Rolling EBITDA Ratio [1]	0.74 : 1	1.20 : 1

[1] For the period ended Mar 31, 2019, minimum ratio of 1.15 : 1, three quarter used in calculating. For the period ended Mar 31, 2020, minimum ratio of 1.00 : 1, 12 month rolling used in calculating.

Bank Borrowing

Bank borrowings is comprised of two credit facilities.

The Company had a syndicated secured committed revolving credit facility of $50.00M with Wells Fargo Corporation Canada (Wells Fargo) and ATB Corporate Financial Services (ATB) (registered senior debt holders). The facility had a February 17, 2020 term renewal date. The Company had provided a general security agreement over all the assets of the Company. The Company had to meet certain financial covenants. This facility was paid out in full and discharged on January 30, 2020.

As at June 30, 2019 the Company was not in compliance with its syndicated secured committed revolving credit facility EBITDA covenant. The company was in active communication with Wells Fargo and obtained a restructured agreement on August 6, 2019 with a reduction in the EBITDA covenant requirement that brought the Company back in compliance with a retrospective waiver to June 30, 2019. As of March 31, 2019, and since the retrospective waiver, the Company was in compliance with all financial covenants.

The Company continues to have a revolving credit facility Connect First Credit Union Ltd. of $2.5M. The Company has provided a general security agreement covering all Company assets that is subordinated to the registered senior debt holders. The facility does not have any expiry date and is due on demand. The amount drawn on this facility at year end was Nil.

The Company secured a revolving credit facility with a Canadian Schedule I Chartered Bank for $20.0M effective January 29, 2020. This facility functions as a warehouse facility and finances the capital cost of an originated loan less one month's payment for up to 90 days. After 90 days, the Company must either securitize the loan with the Canadian Schedule I Chartered Bank or another approved financial institution. The facility has a January 29, 2021 renewal date. The amount drawn on this facility at year end was $1.4M.

Unsecured Debentures

The Company issues unsecured debentures. Unsecured debentures allow Rifco the right to redeem the debenture in the last year of the agreement without penalty. The unsecured debenture holders do not have early retraction rights and have no right to convert into common shares. All unsecured debentures allow Rifco certain rights to redeem the debentures upon a change of control of the Company. The unsecured debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable. The Company was compliant for the reporting period. The unsecured debentures are non-retractable with maturity dates that vary between August 2020 and February 2025. The Company has been successful in renewing or replacing maturing unsecured debentures in the past.

Unsecured debentures issued and outstanding decreased by $0.9M during the year, from $12.4M at March 31, 2019 to $11.5M at year end.

Securitization Facilities

The Company maintains securitization facilities with Securcor Trust and a Canadian Schedule I Charter Bank. The securitization debt with Securcor Trust and a Canadian Schedule I Charter Bank are annual committed facilities and future renewals are independent of previous facilities. The current annual commitment of the Securcor Trust facility is $50M and was utilized to $38.9M at March 31, 2020.

The Company's securitization facility with a Canadian Schedule I Charter Bank facility was not yet utilized at March 31, 2020. This facility has an annual expected utilization of $40.0M and a renewal date of January 29, 2021.

The securitization facility with Securcor Trust is subject to certain covenants. These covenants include a maximum debt to tangible net worth ratio, a minimum tangible net worth covenant and maximum delinquency and credit loss ratios. Non-compliance with any of these covenants could result in the securitizer declaring an event of default and restricting the Company from selling finance receivables into the facility, receiving future releases from the cash holdback or be forced to remit the full payment stream from over collateralized loans.

As at March 31, 2020, the Company was in compliance with all covenants. The EBITDA covenant is calculated subsequent to completion of the financial statements. The current results suggest that the EBITDA covenant will not be in compliance in the next reporting period due to the impact of the significant increase in loan loss provisioning associated with COVID-19. Subsequent to year end (see note 28 of the consolidated financial statements), a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility.

The Company maintains a revolving $47.5M securitization facility with Connect First Credit Union Ltd. The securitization facility includes three additional Alberta Credit Unions, with Connect First Credit Union Ltd. The facility has no expiry date. The facility has a fixed limit of $47.5M and was utilized to $42.2M at March 31, 2020.

The Company regularly securitizes loans in order to free up bank borrowing capacity, increase working capital and fix funding rates and terms.

Management determines securitization transaction levels by weighing a number of factors, some of which are as follows:

- Growth rate of originations
- Availability of bank borrowing margin and working capital to finance current assets
- Management of key financial ratios
- Securitization pricing in context of other financing alternatives
- Income tax impact

If required, the Company's liquidity can be positively impacted by securitizing owned finance receivables. Owned finance receivables have decreased by $40.9M to $35.6M at March 31, 2020 from $76.5M at March 31, 2019. Securitization of finance receivables would typically contribute net cash proceeds at the time of the transaction.

The Company originated $108.3M in finance receivables in the year and securitized $137.9M in loan principal representing 127.3% of originations.

The Company is in regular contact with all of its funders and remains optimistic regarding the availability of bank borrowing facilities and securitized facilities through the current fiscal year and beyond. The Company manages origination rates, credit facilities, and Net Financing Margin in order to maximize liquidity and maintain acceptable profitability. The financial expense rates and credit facility limits currently being received are expected to allow for profitable growth.

Term Debt

In order to partially finance the purchase of a portfolio of loan receivables the Company arranged a term loan of $16.0M provided by funds managed by Ares Management L.P. As outlined in note 8 of the Notes to the consolidated financial statements, the term debt was owed by Rifco Trust, which was set up exclusively to finance the acquired portfolio. The loan was paid in full on December 20, 2019. The loan could not be increased, was not re-advanced and had a term of four years. Principal payments of the loan were linked to the balances of the acquired portfolio. Management expects the acquired portfolio to have a run off rate faster than Rifco originated loan receivables. The loan had certain covenants related to the performance of the loan receivables that were purchased with the proceeds of the loan. The Company was in compliance with all of the covenants, and had been in compliance for the existence of the loan.

Cash flow measurements

The following tables contain non-IFRS measures and therefore should not be considered, in isolation or as a substitute for measures prepared and presented in accordance with IFRS.

Modified Funds Flow from Operations

	Year ended	
	Mar 31, 2020	**Mar 31, 2019**
($,000's except per share)		
Net cash flows from operating activities	4,685	10,622
Funds advanced on finance receivables	108,326	111,416
Principal collections of finance receivables	(93,846)	(101,330)
Credit losses net of recoveries	(14,056)	(14,301)
Income taxes received	(3,765)	(1,502)
Origination costs and discounts - net	4,984	1,319
Other receivables, payables and prepaid expenses	(1,883)	(2,472)
Modified Funds Flow from Operations	4,445	3,752
Weighted average number of common shares	21,597	21,597
Modified Funds Flow from Operations per share	$0.21	$0.17

The Modified Funds Flow from Operations table provides useful information as it is not directly impacted by variability in the level of loan Originations. Modified Funds Flow from Operations represents cash generation for the period excluding activities relating to the finance receivables balance.

Transaction costs paid and amortized have been reclassified from operating activities section to the financing activities section and consolidated into the repayments of the applicable borrowings and debt.

Modified Funds Flow from Operations was $4.4M in the current year, a 18.9% increase from $3.8M in the prior year. Modified Funds Flow from Operations of $0.21 per share for the year is a $0.04 increase from $0.17 per share in the prior year.

Equity

	As at	
	Mar 31, 2020	Mar 31, 2019
($,000's except per share)		
Adjusted Equity	37,321	36,833
Less: Provision for impairment – after tax [1]	11,263	8,109
Equity	**26,058**	**28,724**
Shares outstanding	21,597	21,597
Adjusted Book Value per Share	$1.73	$1.71
Book value per share	$1.21	$1.33

[1] Current weighted average tax rate of 26% assumed constant for life of provision for impairment for Mar 31, 2020. Current tax rate of 27% assumed constant for life of provision for impairment for Mar 31, 2019.

Equity decreased to $26.1M from $28.7M at March 31, 2019. Adjusted Equity increased by $0.5M to $37.3M from $36.8M. Adjusted Book Value Per Share increased by $0.02 from $1.71 at year end to $1.73 at current quarter end.

Leverage Measurements

	As at	
	Mar 31, 2020	Mar 31, 2019
($,000's except per ratio)		
Total assets	228,328	230,145
Equity	26,058	28,724
Leverage Ratio	8.76	8.01

The Leverage Ratio has increased to 8.76 from 8.01 at year end. Part of the increase is due to the inclusion in total assets of a $1.2M right of use asset related to the leasing of the Company's premises and the associated new accounting standard (IFRS 16) adopted on April 1, 2019, as detailed in note 5 of the Notes to the consolidated financial statements. Additionally, the provision increasing by $3.77M due to the uncertainty associated with COVID-19 significantly decreased Equity, resulting in a large change in the Ratio.

Contractual Obligations

The following table sets forth short and long-term obligations as at period end and the timing of future payments under those obligations. The obligations include the operating leases for premises, unsecured debentures, securitized debt, and software hosting agreements.

The lease liability consists of premises lease commitments. Penalties would be incurred if early termination was required.

($,000's)	Payments due by period				
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Securitization debt – undiscounted [1]	54,442	118,810	28,225	2,236	203,713
Unsecured debentures [2]	4,514	5,356	4,028	-	13,898
Lease liability	254	518	615	613	2,000
Purchase obligations [3]	224	-	-	-	224
Total contractual obligations	**59,434**	**124,684**	**32,868**	**2,849**	**219,835**

[1] Securitization debt – undiscounted includes gross repayments of principal and interest less cash holdback

[2] Unsecured debentures – repayments of principal and future interest

[3] Purchase obligations – an agreement to purchase goods or services that is enforceable and legally binding to the Company. The Company's obligations are for its software agreements.

Management and Board of Directors Compensation

As at March 31, 2020, the Company had four executive officers that receive regular employment income (including bonuses). The total amount paid to the four executive officers during the year was $1.0M which is an increase of $0.1M from $0.9M compared to the prior year. Executive officers also receive certain approved itemized expense reimbursement.

The Company has six directors, five of which are independent. Each director, other than the CEO, receives an annual retainer of $13,333 and an additional $3,333 for Chairman of the Board and $2,000 for Committee Chairman positions held. Non-management directors receive meeting fees of $500 per day and reimbursement of normal travel expenses. The fees and non-cash stock based compensation paid to independent directors in the year remained consistent at $0.2M compared to the prior year, in addition to normal itemized expense reimbursement.

The CEO is a director but does not receive any additional compensation for services rendered in such capacity.

Related Party Balances and Transactions

During the quarter, related parties were holders of unsecured debentures in the Company. The terms offered to related parties for the unsecured debentures are identical to those offered to non-related debenture holders.

At year end, the total debentures held by related parties is $3.0M (March 31, 2019 - $3.3M). None of the related parties are officers or directors. The related parties are comprised of relatives of certain officers and employees of the Company who currently hold $1.7M (March 31, 2019 - $1.8M) in debentures with varying terms. In addition, $1.3M (March 31, 2019 - $1.5M) in debentures with varying terms are held by relatives and companies related to a non-management insider. These transactions are in the normal course of business and consideration established and agreed to by the related parties is at arm's length. Total interest paid to related parties in the year was $0.2M (March 31, 2019 - $0.3M).

	As at (except Interest Paid)			
	Mar 31, 2020		Mar 31, 2019	
	Unsecured debenture balance	**Interest Paid Year**	**Unsecured debenture balance**	**Interest Paid Year**
Relatives of Chief Financial Officer	100	11	100	10
Relatives of Chief Marketing Officer	565	51	915	78
Relatives of Chief Credit Officer	300	25	250	24
Relatives of Director	745	54	480	34
Large Shareholder and Relatives	1,265	106	1,515	127
Total	**2,975**	**247**	**3,260**	**273**

Discussion of Fourth Quarter Results

($,000's except % and per share)	For the quarters ended			
	Mar 31, 2020	% of loan receivables	Mar 31, 2019	% of loan receivables
Average loan receivables for the period	224,580		227,008	
Financial revenue	9,744	17.35%	9,518	16.76%
Credit losses	3,465	6.17%	3,692	6.51%
Credit Spread	**6,279**	**11.18%**	**5,826**	**10.25%**
Financial expenses	2,706	4.82%	2,856	5.03%
Adjusted Net Financial Income before Operating Expenses[1]	**3,573**	**6.36%**	**2,970**	**5.22%**
Operating expenses				
Wages and benefits	2,135	3.80%	2,047	3.61%
Professional fees	67	0.12%	217	0.38%
Office and general	505	0.90%	532	0.94%
Stock based compensation	38	0.07%	37	0.07%
Depreciation	168	0.30%	100	0.18%
Adjusted Operating Expenses[1]	**2,913**	**5.19%**	**2,933**	**5.18%**
Adjusted Net Income before Taxes	**660**	**1.17%**	**37**	**0.04%**
Strategic review expenses	(537)	(0.96%)	**-**	**0.00%**
(Increase) decrease in provision for impairment	(3,924)	(6.99%)	140	0.25%
Net (loss) income before taxes	**(3,801)**	**(6.78%)**	**177**	**0.29%**
Income tax recovery (expense)	771	1.37%	(295)	(0.52%)
Net loss	**(3,030)**	(5.41%)	**(118)**	**(0.23%)**
Adjusted Net Income (Loss) before Taxes per Common Share:				
Basic		$0.031		$0.002
Diluted		$0.031		$0.002
Net income (loss) per common share:				
Basic		$(0.140)		($0.005)
Diluted		$(0.140)		($0.005)

The Company had originations of $24.0M for the current quarter are an increase of 18.8% from the comparable quarter's originations of $20.2M.

Financial revenue increased 2.4% from $9.5M in the comparable quarter to $9.7M in the current quarter. Net Portfolio Yield improved 59 basis points to 17.35% in the current quarter from 16.76% in the comparable quarter.

Credit losses decreased by 5.4% from the comparable quarter to $3.5M from $3.7M in the comparable quarter. Credit losses decreased 19.9% from $4.3M in the preceding quarter. The annualized Credit Loss Rate for the quarter decreased by 34 basis points to 6.17% from 6.51% in the comparative quarter. The annualized Credit Loss Rate decreased 149 basis points from 7.66% in the preceding quarter.

Financial expenses decreased 21 basis points from the comparable quarter dropping from 5.03% to 4.82% and decreased 14 basis points from 4.96% in the preceding quarter.

The Delinquency Rate increased 23 basis points from 5.32% in the prior quarter. The Delinquency Rate decreased 9 basis points over the comparable quarter.

Risk Factors and Management

In addition to the other information contained in the Management's Discussion and Analysis, shareholders and prospective investors should give careful consideration to the following factors.

General

There are trends and factors that may be beyond management's control which affect the Company's operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for Rifco products and services, the conditions in the broader market for vehicle and consumer financing and the conditions in the domestic or global economy generally. Although the Company's performance is affected by the general condition of the economy, not all of its service areas are affected equally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on the Company's performance.

Consumer Protection Laws and Government Regulations Risk

Consumer protection legislation specifically targeting high rate lenders is being introduced and/or being signed into law in various jurisdictions across Canada. Management is actively monitoring proposed and effective legislation, as well as participating in in feedback exercises, primarily through its legal advisors and trade associations. Any legislation currently proposed is not expected to materially impact the Company's operations. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. Courts have applied general equitable principles to secured parties pursuing repossession or litigation involving deficiency balances. These equitable principles may have the effect of relieving an obligor from some or all of the legal consequences of default.

Rifco currently operates in an unregulated environment with regards to capital requirements. However, the Criminal Code of Canada imposes a restriction on the cost of borrowing in any lending transaction of 60%. The application of capital requirements or a reduction in the maximum cost of borrowing could impact the Company's ability to operate profitably.

Lending Risk

Rifco's finance receivables consist primarily of non-traditional loans to borrowers who may have had previous financial difficulties or may not yet have a sufficient credit history. These are borrowers that cannot meet the credit standards required by traditional lenders. There is a higher degree of risk associated with these borrowers. For this reason Rifco charges higher interest rates and expects to experience higher levels of delinquencies and credit losses than traditional lenders. Rifco cannot guarantee that delinquency and credit loss levels will correspond with historical levels experienced. There is risk that Delinquency Rates and Credit Loss Rates could increase significantly.

Rifco maintains a uniform set of credit standards and a Credit Model to support the credit approval process. Rifco utilizes risk-based pricing through its pricing matrix system to accurately reflect increasing levels of risk. Many applications are approved with a significant number of conditions and many contracts are not funded due to the borrower's inability to comply with approval conditions.

Rifco maintains a proactive position on collection of its finance receivables. The Company's systems collect payments electronically which provides for quick notification of delinquencies. Delinquent borrowers are normally contacted on the same day the Company learns that a payment has not cleared their account. Rifco reports to both credit reporting agencies in order to provide customers with additional motivation to make timely payments.

For each finance receivable granted, Rifco obtains a registered charge against the collateral through the Personal Property Security Acts (PPSA) in the applicable province. Any failure to obtain such a registration as contemplated in the PPSA may result in not perfecting a lien/security interest position in the related financed vehicle and may jeopardize the Company's ability to realize on the collateral.

In addition to the payment performance of the obligor, certain factors may affect the ability to recoup the full amount due on a finance receivable include:

- Depreciation, damage, or loss of any financed vehicle.
- Insufficient or no insurance coverage being maintained.
- Fraud or forgery by the persons financing their vehicle.
- Fraud by the dealer offering Rifco financing.
- Priority liens on financed vehicles.
- The application of federal and provincial bankruptcy and insolvency laws.
- Federal or provincial laws may prohibit, limit, or delay repossession and sale of the vehicles to recover losses on defaulted finance receivables, as well as limit Rifco's right to sue for any deficiency.

The lockdowns associated with the COVID-19 pandemic have significantly impacted automobile sales and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April. The current COVID-19 pandemic and associated lock-downs could also foreseeably impact the timing and values obtained in vehicle liquidation.

Liquidity Risk

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through the issuance of unsecured debentures, increasing or decreasing debt or by undertaking other activities, such as new share issuances, as deemed appropriate under the specific circumstances. The Company's liquidity and funding strategies and objectives have not changed significantly from the prior year.

The Company's bank borrowing facility and securitization facilities must be negotiated and renewed on a periodic basis. If the Company were unable to renew these facilities, on acceptable terms, when they became due, there could be a material adverse effect on the Company's financial condition, liquidity, and results of operations.

The unsecured debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable.

The Securcor Trust securitization facility is subject to certain covenants. These covenants include a minimum EBITDA interest coverage ratio (removed in the renewal obtained on July 13, 2020), a minimum net worth ratio, a maximum debt to tangible net worth ratio and a maximum delinquency and Credit Loss Rate. Non-compliance with any of these covenants could restrict the Company from selling finance receivables into the trust, receiving future releases from the cash holdback or be forced to remit the full payment stream from over collateralized loans.

The Canadian Schedule 1 Chartered Bank facility is subject to certain covenants. These covenants include a minimum net worth, and a maximum delinquency and Credit Loss Rate. Non-compliance with any of these covenants could restrict the Company from selling finance receivables into the trust, receiving future releases from the cash holdback or be forced to remit the full payment stream from over collateralized loans.

Should the Company default on any of its facilities or on its unsecured debentures, there could be a material adverse effect on the Company's financial condition, liquidity, and results of operations.

Rifco has successfully funded tranches with all of its securitization relationships since March 31, 2020 suggesting current liquidity resources remain sound. However, as a precaution, Rifco securitized a tranche of approximately $10M in loans on April 9, 2020 to increase cash holdings in case of any liquidity disruptions.

Competition Risk

Vehicle purchase financing is a highly competitive market place. Some of the companies that compete in this market place on a national level often have significantly more financial, technical and human resources than Rifco. They may have solid reputations with dealers, debt providers, and greater market experience. Competitors are sometimes considerably larger and may be funded at a lower cost than Rifco can currently obtain.

Personnel Risk

Certain Rifco employees are important to its continued success. Senior executive management is not governed by management contracts. If any of these persons would be unable or unwilling to continue in their employment with the Company there could be a material adverse effect on delinquency, default, credit loss rates, originations, and financial results.

Technology Risk

Rifco is dependent upon the successful and uninterrupted functioning of its computer, internet, and data processing systems. The failure of these systems could interrupt operations or materially impact management's ability to originate and service customer accounts. If sustained or repeated, a system failure could negatively affect financial results.

Although Rifco has an extensive disaster recovery plan, which includes:
- Routinely backing up key software applications.
- Databases and hardware are subject to strict security controls.
- Off-site data backup storage with remote facility set up capabilities.

Unforeseen information loss to the Company could occur.

Economic Conditions Risk

Rifco is subject to changes in general economic conditions that are beyond its control. During times of economic slowdown or recession Rifco would generally expect to see higher delinquencies, defaults, repossessions, and credit losses which could result in the following:

- Decreased consumer demand.
- Reduced returns on repossessed vehicles.
- Delayed timing on repossession sales.
- Increase in collection staff to handle higher delinquency.
- Increased operating expenses with potentially no revenue increase.
- Sustained poor economic conditions could affect the liquidity of the Company.

Interest Rate Risk

Although, Rifco's interest rate risk has declined due to its financing strategy of matched funding through securitizations with fixed rates and locked in terms for unsecured debentures, Rifco does maintain minimal bank borrowing with variable rates.

An increase in interest rates would have an effect on Net Financing Margin through the pricing of securitizations at the time of sale. Generally, an increased rate environment would negatively affect Rifco's business as market conditions may limit the Company's ability to increase rates charged. Marginal interest rates could rise to the point where the Company's business model could be stressed.

Dealer Risk

Each dealer is required to sign an agreement outlining the terms of conduct required to enable them to process applications to Rifco. There is no recourse against a dealer for non-performance by the obligor. Rifco maintains a dealer network in all provinces except Quebec. Management monitors portfolio originations, delinquencies and credit losses by dealer on a regular basis. Ongoing negative trends or an indication of misrepresentation by a dealer will result in the relationship being terminated. There is no guarantee that the dealer network will continue to generate referrals at the current rate.

Environmental Risk

Rifco and its activities have no direct significant impact on the environment.

Description of Non-IFRS Measures

Throughout this MD&A, management uses the following terms and ratios not found in IFRS and which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers, and therefore require definition. Management uses these measures to evaluate performance of the Company. These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Adjusted Book Value Per Share – Adjusted Equity divided by the total number of issued and outstanding common shares.

Adjusted Equity – Shareholders equity plus after tax provision for impairment.

Adjusted Net Income Before Taxes – Income before taxes adjusted for non-cash change in provision for impairment and expenses related to the Strategic review process.

Adjusted Net Financial Income Before Operating Expenses – Net financial income before operating expenses adjusted for non-cash change in provision for impairment.

Adjusted Net Income Before Tax Per Common Share – Adjusted Net Income Before Taxes divided by average common shares outstanding.

Adjusted Operating Expenses – Operating expenses less expenses associated with the Strategic review process

Adjusted Operating Expense Ratio – Adjusted Operating Expenses as a percentage of average loan receivables.

Adjusted Return Pre-Tax on Adjusted Equity – Adjusted Net Income Before Taxes as a percent of average Adjusted Equity.

Adjusted Return Pre-Tax on Earning Assets – Adjusted Net Income Before Taxes as a percent of average loan receivables.

Modified Funds Flow from Operations – Includes cash generation for the period excluding activities relating to finance receivables advanced and collected, origination costs, income taxes and others shown on statement of cash flows in the financial statements.

Modified Funds Flow from Operations Per Share – Modified Funds Flow from Operations divided by the average number of issued and outstanding common shares.

Glossary of Other Terms and Measures

Contract Interest Rate – The implicit interest rate that is utilized to calculate the borrower's regularly schedule payment.

Credit Loss Rate – The total of all credit losses, including all repossession and recovery expenses for the period divided into the average loan receivables, expressed as an annualized percentage.

Credit Spread – Total financial revenue less total credit losses.

Credit Spread Rate – Net Portfolio Yield less Credit Loss Rate.

Credit Model – The policies and processes that are followed in order to adjudicate credit applications with the goal of predictable credit losses and attractive Return on Earning Assets.

Delinquency Rate – Delinquent finance receivables divided by the total finance receivables expressed as a percentage.

Efficiency Ratio – Operating expenses divided by financial revenue reported as an annualized percentage.

Financial Expense Ratio – Financial expenses for the period as a percentage of average loan receivables, annualized.

Gross Portfolio Yield – The sum of interest income, discount income and fee income divided by average loan receivables reported as an annualized percentage.

Gross Financial Revenue – Financial revenue plus amortization of origination costs.

Leverage Ratio – Assets divided by equity. This is an important industry standard measurement that can be used to compare Companies and an increasing trend to a higher Leverage Ratio could indicate increasing risk.

Net Financing Margin - Net financing income before impairment divided by average finance receivables reported as an annualized percentage.

Net Portfolio Yield – Financial revenue divided by average loan receivables reported as an annualized percentage.

Operating Expense Ratio – Total operating expenses divided by average finance receivables reported as an annualized percentage.

Platform (Origination and Servicing Platform) – The proprietary systems and processes used to originate and service finance receivables with predictable credit performance. Also see Credit Model.

Tangible Net Worth – Total equity less any loss reserve shortfall

New Accounting Standards and Interpretations

New Accounting Standards and Interpretations adopted

IFRS 16 'Leases'

The Company adopted IFRS 16 April 1, 2019. IFRS 16 supersedes IAS 17, Leases ("IAS 17"), IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. IFRS 16 eliminates the distinction between operating and finance leases for lessees bringing most leases on-balance sheet under a single model. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

In accordance with IFRS 16, using a modified retrospective adoption on April 1, 2019, the Company recognized right-of-use assets and lease liabilities for its leases for the premises and parking spaces. The lease liabilities were recognized based on the present value of the remaining lease payments as at April 1, 2019, discounted using the incremental borrowing rate on leases at the date of initial application.

The net effect of adopting IFRS 16 on the consolidated statement of comprehensive loss is to decrease office and general expense while increasing depreciation and amortization expense and financial expenses with an insignificant impact on net income. The adoption of IFRS 16 increased the assets and liabilities of the Company. The adoption of IFRS 16 has no impact on the cash flows of the Company.

Rifco Inc.

Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

Rifco Inc.
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For the years ended March 31, 2020 and 2019

Independent auditor's report

To the Shareholders of Rifco Inc.

Our opinion

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

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2020 and 2019;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk pwc

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Ashley Yanke.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
July 14, 2020

Rifco Inc.
Consolidated Statements of Financial Position
(in thousands of dollars)

As At

	Notes	March 31, 2020 $	March 31, 2019 $
ASSETS			
Cash	23	6,039	3,204
Finance receivables - net	6, 15, 23	217,326	219,238
Other receivables and prepaid expenses		619	951
Income taxes receivable		3	626
Property and equipment	7	610	752
Right of use asset	5, 8	1,117	-
Software	9	239	507
Deferred income tax asset	10	2,375	4,867
Total Assets		**228,328**	**230,145**
LIABILITIES AND EQUITY			
Accounts payable and accruals	11, 16, 22, 23	10,163	9,300
Bank borrowings	12, 22, 23	1,384	43,870
Unsecured debentures	13, 21, 22, 23	11,471	12,390
Term debt	14, 22, 23	-	7,227
Securitization debt	15, 16, 22, 23	177,567	128,634
Lease liabilities	5, 8, 16	1,685	-
Total Liabilities		**202,270**	**201,421**
Equity			
Share capital	17	7,614	7,614
Contributed surplus	17	4,084	3,868
Retained earnings		14,360	17,242
Total Equity	**22**	**26,058**	**28,724**
Total Liabilities and Equity		**228,328**	**230,145**
Commitments	24		
Subsequent events	28		

The accompanying notes are an integral part of these consolidated financial statements.

Rifco Inc.
Consolidated Statements of Comprehensive Loss
(in thousands of dollars, except per share amounts)

For the years ended

	Notes	March 31, 2020 $	March 31, 2019 $
Financial revenue		39,374	40,670
Financial expense		11,145	11,660
Net financial income before impairment and credit losses		**28,229**	**29,010**
Provision for impairment and credit losses	6	20,005	17,839
Net financial income before operating expenses		**8,224**	**11,171**
Operating expenses			
Wages and benefits	21	7,808	8,289
Professional fees		312	620
Office and general	20	2,096	3,308
Stock based compensation	17, 18, 21	216	275
Depreciation and amortization	7, 8, 9	625	297
Strategic review process	28	700	-
Total operating expenses		**11,757**	**12,789**
Net loss before taxes		**(3,533)**	**(1,618)**
Current income tax recovery	10	3,143	609
Deferred income tax expense	10	(2,492)	(497)
Total income tax recovery		**651**	**112**
Net loss and comprehensive loss for the year attributable to equity holders		**(2,882)**	**(1,506)**
Net loss per common share			
Basic	19	$ (0.133)	$ (0.070)
Diluted	19	$ (0.133)	$ (0.070)

The accompanying notes are an integral part of these consolidated financial statements.

Rifco Inc.
Consolidated Statements of Changes in Equity
(in thousands of dollars)

	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
As at March 31, 2018		7,614	3,593	22,742	33,949
Adjustment to opening retained earnings due to IFRS 9		-	-	(3,994)	(3,994)
Net loss and comprehensive loss for the year		-	-	(1,506)	(1,506)
Stock based compensation	18, 21	-	275	-	275
As at March 31, 2019		**7,614**	**3,868**	**17,242**	**28,724**
Net loss and comprehensive loss for the year		-	-	(2,882)	(2,882)
Stock based compensation	18, 21	-	216	-	216
As at March 31, 2020		**7,614**	**4,084**	**14,360**	**26,058**

The accompanying notes are an integral part of these consolidated financial statements.

Rifco Inc.
Consolidated Statements of Cash Flows
(in thousands of dollars)

For the years ended

	Notes	March 31, 2020 $	March 31, 2019 $
Operating activities			
Net loss and comprehensive loss for the year attributable to equity holders		(2,882)	(1,506)
Adjustments for:			
Depreciation and amortization	7, 8, 9	625	297
Increase in provision for impairment	6	4,113	1,506
Stock based compensation	18, 21	216	275
Tax recovery	10	(651)	(112)
Financial expense		11,145	11,660
Interest paid		(11,308)	(11,681)
Financing costs		(364)	(317)
Amortization of origination and financing costs		3,551	3,630
Cash flows from operating activities before the following:		4,445	3,752
Funds advanced on finance receivables		(108,326)	(111,416)
Principal collections of finance receivables		93,846	101,330
Credit losses net of recoveries	6	14,056	14,301
Income taxes received		3,765	1,502
Origination costs and discounts - net		(4,984)	(1,319)
Other receivables, payables and prepaid expenses		1,883	2,472
Net cash flows from operating activities		4,685	10,622
Investing activity			
Purchase of property and equipment	7	(10)	(178)
Purchase of software	9	(43)	(561)
Net cash flows used in investing activities		(53)	(739)
Financing activities			
Repayments of bank borrowings	12	(125,077)	(66,172)
Net advances from bank borrowings	12	82,529	64,530
Repayments of unsecured debentures	13	(2,905)	(1,385)
Advances from unsecured debentures	13	1,985	5,505
Repayments of term debt	14	(7,269)	(8,770)
Advances from term debt	14	-	16,039
Repayments of securitization debt	15	(106,212)	(87,415)
Advances from securitization debt	15	155,271	69,067
Repayments of lease liability	8	(119)	-
Net cash flows used in financing activities		(1,797)	(8,601)
Increase in cash		2,835	1,282
Cash, beginning of period		3,204	1,922
Cash, end of the period		6,039	3,204

The accompanying notes are an integral part of these consolidated financial statements.

1. Incorporation and operations

Rifco Inc. ("Rifco" or the "Company") operating through its wholly owned subsidiary Rifco National Auto Finance Corporation is engaged in vehicle financing. The Company shares are traded on the TSX Venture Exchange under the symbol "RFC". The Company currently provides non-traditional vehicle financing to motorists through a growing network of select new and used vehicle retailers. The Company operates in all provinces in Canada except Quebec. The Company, and its subsidiary, are incorporated under the laws of Alberta. The Company's registered office is Suite 702, 4909 49 Street, Red Deer, Alberta, T4N 1V1.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements for the years ended March 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors on July 13, 2020.

Basis of presentation

These consolidated financial statements include the financial information of Rifco Inc., Rifco National Auto Finance Corporation, a 100% owned subsidiary and Rifco Trust, a special-purpose, bankruptcy-remote charitable trust, set up for financing of receivables, where Rifco maintains control over the servicing of the receivables and retains financial interest in the residual returns of the receivables.

These consolidated financial statements are stated in Canadian dollars, which is the functional currency of the Company, and have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgments, estimates and assumptions in applying the Company's accounting policies and the reported amounts of assets, liabilities, equity, income and expenses. Actual results may differ from the estimates.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains the power to control financial and operating policies. The Company obtains control once it has power over the investee, or is exposed, or has rights, to variable return and the power to affect its return. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. The Company continues to consolidate its subsidiaries up to the effective date of disposal or when control ceases.

All inter-company balances, income and expenses, unrealized gains and losses and dividends resulting from inter-company transactions are eliminated in full.

b) Financial revenue

The Company's revenue is comprised of interest income. Interest income includes contractual interest received from customers with yield adjustments made for amortization of direct origination costs and commissions, accretion of discount income, and fee income.

Interest income is recognized in the consolidated statement of 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 application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Once the recorded value of a financial asset, or a group of similar financial assets, has been reduced due to an impairment loss, interest income 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 provision for impairment charge to reflect the fact that this additional revenue may not be collectable.

c) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (the ROU), the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end of the useful life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

d) Cash

Cash is recorded at amortized cost and includes cash at regulated financial institutions and on hand.

e) Financial instruments

A) IFRS 9

Classification and measurement

All financial assets are classified at initial recognition as: i) fair value through profit or loss (“FVTPL”), ii) amortized cost, iii) debt financial instruments measured at fair value through other comprehensive income (“FVOCI”), iv) equity financial instruments designated as FVOCI, or v) financial instruments designated as FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed.

Financial assets are required to be reclassified when, and only when, the business model under which they are managed has changed. All reclassifications are applied prospectively from the reclassification date.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a “solely payment of principal and interest” (“SPPI”) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a “held for trading” or “fair value” basis are classified as FVTPL. Debt instruments that are managed on a “hold to collect and for sale” basis are classified as FVOCI. Debt instruments that are managed on a “hold to collect” basis are classified as amortized cost.

Consistent with IAS 39, all financial assets held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost. There were no material changes to the carrying values of financial instruments as a result of the transition to the classification and measurement requirements of IFRS 9. The classification and measurement of financial liabilities remain essentially unchanged from the IAS 39 requirements, except that changes in the fair value of liabilities designated at FVTPL using the fair value option (FVO) which are attributable to changes in own credit risk are presented in other comprehensive income (OCI), rather than profit and loss.

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 balance sheet date. The Company is required to assess and segment its loan portfolio into performing (Stage 1), underperforming (Stage 2) and credit impaired (Stage 3) categories as at each date of the statement of financial position.

Stage 1 – For performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months.

Stage 2 – Loans are categorized as under-performing if there has been a significant increase in credit risk. A significant increase in credit risk may be observed through delinquency, existence of active payment arrangements, specific events, localized economic factors, or other identifiable factors. For under-performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

Stage 3 – Loans are categorized as credit impaired if there is objective evidence that such loans will likely charge off in the future which we have determined to be when loans are delinquent for greater than 90 days, or the underlying collateral is in process of being repossessed, or there is an other identifiable factor. For credit impaired loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. In addition, the Company is expected to adjust the accrued interest to the net realizable value.

The key inputs in the modelling of ECL allowances are as follows:

- The estimated probability of default (PD) over the given time horizon;
- The estimated loss given default (LGD) in the case where a default occurs;
- The estimated exposure at default (EAD) at a future default date;

- An estimate of the effects on credit losses of natural disasters and economic shocks, including COVID-19 pandemic; and
- Forward-looking information (FLIs) used to assess how future losses may differ from previously experienced losses

Determining the inputs listed and the associated ECLs requires significant estimation uncertainty. In particular, overlaying the COVID-19 effects and the related factors such as: the duration of the lock-down conditions, the effectiveness and duration of government relief programs, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a rapidly evolving situation, the scenarios applied, and results obtained could be especially susceptible to volatility.

The ECL is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan 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 loans. Forward-looking information is considered when determining significant changes in credit risk and measuring expected credit losses. Within the Company's portfolio, the most highly correlated variable indicating a significant change in credit risk is provincially weighted-average unemployment rates.

f) Property and equipment, and software

Property and equipment, and software are stated at cost less accumulated depreciation and amortization and/or accumulated impairment losses if any.

Depreciation is calculated on a declining balance basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

Equipment	20%
Computer hardware	30%
Computer software	30% or License term

Leasehold improvements are amortized on the straight-line basis over the life of the lease.

The assets' estimated residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

g) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

h) Income taxes

Tax expense recognized in the consolidated statement of comprehensive loss comprises the sum of current and deferred tax not recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill, which is not deductible for tax purposes.

Deferred income tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

i) Stock based compensation

Stock based compensation to employees and others providing similar services are measured at the fair value of the equity instruments or goods or services received at the grant date.

The fair value determined at the grant date of the equity settled stock based compensation is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Stock based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

j) Financial expense

Finance expenses are comprised of interest expense on bank borrowing, securitization costs including prepayment penalties, amortized transaction costs on bank borrowing and finance charges.

k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company operates in one segment and the operating results from this segment are reviewed regularly by the Company's management and board of directors to make decisions about resources and assess its performance, and for which discrete financial information is available.

l) Earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of common shares) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive convertible instruments. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS. All options and other potentially dilutive convertible instruments are considered anti-dilutive when the Company is in a loss position.

4. Significant accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

a) Impairment and credit losses

ECL method is applied in determining the allowance for credit losses on gross consumer loans receivable as at March 31, 2020 and 2019. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgements, estimates and assumptions are discussed in note 2.

b) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period.

It is possible that taxation authorities may not agree with the estimates and positions; however, it is management's opinion that it is more likely than not to be accepted as stated. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company recognizes the benefit of deferred tax assets to the extent their recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

c) Stock based compensation transactions

The Company measures the cost of stock based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for stock based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the stock option.

5. New accounting standards and interpretations adopted

IFRS 16 Leases

IFRS 16 supersedes IAS 17, Leases ("IAS 17"), IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. IFRS 16 eliminates the distinction between operating and finance leases for lessees bringing most leases on-balance sheet under a single model. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

The Company has lease contracts for its head office premises and related parking spaces. 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 comprehensive loss on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company reviewed these and all other leases. IFRS 16 provides specific exemptions for short-term leases and small value leases and the accounting for those leases did not change. Only the premises and parking leases were determined to be impacted by IFRS 16.

In accordance with IFRS 16, using a modified retrospective adoption on April 1, 2019, the Company recognized right-of-use assets and lease liabilities for the leases for the premises and parking spaces. The right-of-use assets recognized as at April 1, 2019 (date of adoption) is the net carrying amount for the remaining lease payments less any lease incentives received. The lease liabilities were recognized based on the present value of the remaining lease payments as at April 1, 2019, discounted using the incremental borrowing rate on leases at the date of initial application. The incremental borrowing rate used was 4.79%. The difference between the right-of-use asset, and lease liabilities recognized at the date of initial application and the residual amounts written off in accounts payable and accruals related to the difference between the IAS 17 straight-line lease expense and related cash flows were immaterial.

The Company has the option, under its parking and premises leases to extend the terms of the lease for additional terms of one to ten years. The Company applied judgement in considering all relevant factors in evaluating whether it is reasonably certain to exercise the option to renew in determining the lease term to be capitalized.

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

	April 1, 2019
($, 000's)	
Accounts payable and accruals	525
Right of use asset	1,279
Lease liabilities	(1,804)
	-

The net effect of adopting IFRS 16 on the consolidated statements of comprehensive loss is to decrease office and general expense while increasing depreciation and amortization expense and 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.

($, 000's)	
Operating lease commitments disclosed as at March 31, 2019	2,005
Discounted using the incremental borrowing rate as at April 1, 2019	(201)
Lease liability recognized as of April 1, 2019	1,804

6. Finance receivables – net

Finance receivables - net consists of vehicle purchase loans, which generally have initial terms of 24 to 84 months with fixed rates of interest. Finance receivables - net for March 31, 2020 and March 31, 2019 include the impact of the portfolio purchase discussed in note 25. The Company's experience has shown that a portion of contracts will be paid in full prior to the loan maturity date. Accordingly, the maturities of finance receivables shown in the table below are not to be regarded as a forecast of future cash collections.

Contractual loan payments, including principal and interest due under finance receivables in 12-month increments are as follows:

	March 31, 2020	**March 31, 2019**
($, 000's)		
Next 12 months	77,592	77,170
13 to 24 months	72,785	72,579
35 to 36 months	66,174	65,778
37 to 48 months	56,047	56,230
49 to 60 months	42,007	41,648
61 months and over	33,755	30,248
Gross finance receivables	**348,360**	**343,653**
Less unearned interest	(124,561)	(119,233)
Loan receivables	223,799	224,420
Accrued interest and fees	5,160	4,115
Finance receivables	**228,959**	**228,535**
Unamortized origination costs	5,860	5,663
Unamortized discounts	(2,273)	(3,853)
Less provision for impairment	(15,220)	(11,107)
Finance receivables – net	**217,326**	**219,238**

Gross finance receivables include all scheduled payments of principal and interest to be made by the customer. Finance receivables are secured by motor vehicle collateral and registered with the applicable provincial personal property registry.

The aging analysis of finance receivables is as follows:

	March 31, 2020		March 31, 2019	
($,000's except %)				
Current	216,242	94.45%	216,059	94.54%
31 – 60 days	7,121	3.11%	7,877	3.45%
61 – 90 days	3,425	1.50%	3,341	1.46%
> 90 days	2,171	0.94%	1,258	0.55%
Finance receivables	**228,959**	**100.00%**	**228,535**	**100.00%**

The following table outlines the internal credit grading at time of origination or acquisition of loan receivables.

	March 31, 2020	March 31, 2019
($, 000's)		
Near-prime	198,786	194,141
Non-prime	25,013	30,279
Loan receivables	**223,799**	**224,420**

The Company sometimes modifies the terms of loans provided to customers due to renegotiations, or for distressed loans, with a view of maximizing recovery. Such modification activities include extended payment term arrangements, interest rate adjustments and payment forgiveness. Modification policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The COVID-19 pandemic has required a significant variation from normal loan modification volumes. Management has authorized the use of existing payment arrangement programs designed to help a borrower transition from employment income, to government assistance and back to employment income by providing temporary partial and full deferrals of payments for up to three months. Management believes this program will provide the best net present value of payments result possible. While these COVID-19 payment arrangement options were available towards the very end of the current fiscal year, only a nominal amount were granted prior to year end. The payment arrangements were largely granted subsequent to year end (see note 27).

As at March 31, 2020, there were $10.3M (March 31, 2019 – $14.4M) of finance receivables, constituting 4.5% (March 31, 2019 – 6.3%) of the total balance, that have been modified such that the cash flow of those loans has been significantly (>10%) impacted.

A summary of the changes in provision for impairment by stage is as follows:

	Provision carrying amount			
	Stage 1 (performing)	**Stage 2 (under performing)**	**Stage 3 (credit impaired)**	**Total**
($, 000's)				
Provision for impairment as at April 1, 2018	7,218	1,041	1,342	9,601
Provision on loans originated, at time of origination	3,138	-	-	3,138
Provision for impairment on portfolio acquisition	1,518	7	435	1,960
Change in provision for impairment, after origination or acquisition	(4,162)	(416)	986	(3,592)
Provision for impairment as at March 31, 2019	**7,712**	**632**	**2,763**	**11,107**
Provision on loans originated, at time of origination	5,795	-	-	5,795
Change in provision for impairment, after origination	(3,084)	368	1,034	(1,682)
Provision for impairment as at March 31, 2020	**10,423**	**1,000**	**3,797**	**15,220**

The provision for impairment and credit losses includes the impact of the previously acquired loan portfolio discussed in note 25. Upon acquisition of the portfolio, a charge for impairment was recorded reflecting future expected credit losses as required by IFRS. The breakdown of the provision for impairment and credit losses for the year is as follows:

	March 31, 2020	**March 31, 2019**
($, 000's)		
Provision for impairment at end of year	15,220	11,107
Provision for impairment at beginning of year	11,107	9,601
(Decrease) Increase in provision for impairment	**4,113**	**1,506**
Credit losses net of recoveries for the year	14,056	14,301
Repossession and recovery costs for the year	1,836	2,032
Provision for impairment and credit losses for the year	**20,005**	**17,839**

The significant increase in the provision was due to a change in forward-looking estimates that overlay a weighted-average of various scenarios of how the COVID-19 pandemic might impact loan receivables. An analysis of the changes in the classification of loan receivables is as follows:

	Loans Receivable			
	Stage 1 (performing)	**Stage 2 (under performing)**	**Stage 3 (credit impaired)**	**Total**
($, 000's)				
Balances as at April 1, 2018	**213,226**	**14,132**	**2,039**	**229,397**
Originated	86,602	-	-	86,602
Loans purchased	24,084	68	662	24,814
Payments & other adjustments (1)	(85,761)	(13,011)	(1,288)	(100,060)
Transfer to (from):				
Stage 1 (performing) (1)	(30,734)	30,734	-	-
Stage 2 (under performing) (1)	4,257	(23,769)	19,512	-
Stage 3 (credit impaired)	77	29	(106)	-
Charge offs (net of recoveries and costs)	-	-	(16,333)	(16,333)
Balances as at March 31, 2019	**211,751**	**8,183**	**4,486**	**224,420**
Originated	108,326	-	-	108,326
Payments & other adjustments	(80,900)	(5,108)	(7,046)	(93,054)
Transfer to (from):				
Stage 1 (performing)	(32,659)	32,659	-	-
Stage 2 (under performing)	1,953	(26,862)	24,909	-
Stage 3 (credit impaired)	380	172	(552)	-
Charge offs (net of recoveries and costs)	-	-	(15,893)	(15,893)
Loan receivables as at March 31, 2020	**208,851**	**9,044**	**5,904**	**223,799**

1 Presentation has been adjusted

Charge offs are the principal value of loans charged off net of recoveries and associated costs. Loans over 120 days past due are reported as a credit loss against the provision for impairment balance.

7. Property and equipment

	Equipment	Computer hardware	Leasehold improvements	Total
($, 000's)				
Cost				
At March 31, 2018	**359**	**214**	**485**	**1,058**
Additions	8	170	-	178
At March 31, 2019	**367**	**384**	**485**	**1,236**
Additions	-	10	-	10
At March 31, 2020	**367**	**394**	**485**	**1,246**
Depreciation and amortization				
At March 31, 2018	**160**	**132**	**53**	**345**
Charge for the year	40	50	49	139
At March 31, 2019	**200**	**182**	**102**	**484**
Charge for the year	36	63	53	152
At March 31, 2020	**236**	**245**	**155**	**636**
Net book value				
At March 31, 2019	**167**	**202**	**383**	**752**
At March 31, 2020	**131**	**149**	**330**	**610**

8. Right of use asset

($, 000's)	
Right of use asset	
Value of right of use asset as at April 1, 2019 (note 5)	**1,279**
Depreciation	(162)
Value of right of use asset as at March 31, 2020	**1,117**
Lease liability	
Lease liability recognized as of April 1, 2019 (note 5)	1,804
Lease payments	(196)
Interest	77
Lease liability recognized as of March 31, 2020	**1,685**

9. Software

	Software
($, 000's)	
Cost	
At March 31, 2018	**703**
Additions	561
At March 31, 2019	**1,264**
Additions	43
At March 31, 2020	**1,307**
Depreciation and amortization	
At March 31, 2018	**599**
Charge for the year	158
At March 31, 2019	**757**
Charge for the year	311
At March 31, 2020	**1,068**
Net book value	
At March 31, 2019	**507**
At March 31, 2020	**239**

10. Income taxes

Net deferred income tax assets are comprised of the following:

	March 31, 2020	March 31, 2019
($, 000's)		
Deferred income tax assets		
Provision for impairment	2,340	1,470
Loss carry forward	39	3,396
Other	142	171
	2,521	5,037
Deferred income tax liabilities		
Property and equipment	146	170
	146	170
Net deferred income tax asset	**2,375**	**4,867**

Reconciliation between the tax expense and the accounting profit multiplied by the federal and provincial tax rates is as follows:

	March 31, 2020	**March 31, 2019**
($, 000's)		
Loss before taxes	(3,533)	(1,618)
Statutory income tax rate	26.00%	27.00%
Income tax recovery	(918)	(437)
Adjustment relating to securitization methodology change	-	233
Adjustment relating to tax rate decrease	118	-
Non-deductible expenses for tax purposes	72	90
Other	77	2
Net Income tax recovery	(651)	**(112)**
Effective income tax rate	18.4%	6.9%
Current	(3,143)	(609)
Deferred	2,492	497
Net income tax recovery	**(651)**	**(112)**

11. Accounts payable and accruals

	March 31, 2020	**March 31, 2019**
($, 000's)		
Payable to securitizers	4,622	3,944
Accounts payable and accrued expenses	5,541	5,356
	10,163	**9,300**

Accounts payable are non-interest bearing and are normally settled on 30-day terms. Payables to securitizers are normally settled within 30 days.

12. Bank borrowings

Bank borrowings is comprised of two credit facilities.

The Company had a syndicated secured committed revolving credit facility of $50.00M with Wells Fargo Corporation Canada (Wells Fargo) and ATB Corporate Financial Services (ATB) (registered senior debt holders). The facility had a February 17, 2020 term renewal date. The Company had provided a general security agreement over all the assets of the Company. The Company had to meet certain financial covenants. This facility was paid out in full and discharged on January 30, 2020.

As at June 30, 2019 the Company was not in compliance with its syndicated secured committed revolving credit facility EBITDA covenant with respect to bank borrowings. The company was in active communication with Wells Fargo and obtained a restructured agreement on August 6, 2019 with a reduction in the EBITDA covenant requirement that brought the Company back in compliance with a retrospective waiver to June 30, 2019. As of March 31, 2019, and since the retrospective waiver, the Company was in compliance with all financial covenants.

The Company had a letter of credit to Securcor Trust for $3.00M in return for cash released from its cash holdback. The letter of credit had an expiry date of April 1, 2020. The Company also had a letter of credit to a Canadian Schedule I Chartered Bank for

$2.00M in return for cash released from its cash holdback. The letter of credit had an expiry date of December 8, 2020. As both of the letters of credit formed part of the $50.00M syndicated secured revolving credit facility, they were cancelled and replaced with cash in January 2020.

The Company continues to have a revolving credit facility with Connect First Credit Union Ltd. of $2.50M. The Company has provided a general security agreement covering all Company assets that was subordinated to the registered senior debt holders. The facility does not have any expiry date and is due on demand.

The Company secured a revolving credit facility with a Canadian Schedule I Chartered Bank for $20.00M effective January 29, 2020. This facility functions as a warehouse facility and finances the capital cost of an originated loan less one month's payment for up to 90 days. After 90 days, the Company must either securitize the loan with the Canadian Schedule I Chartered Bank or another approved financial institution. The facility has a January 29, 2021 renewal date.

($, 000's)	
At March 31, 2018 - Bank borrowing	**45,484**
Advances from bank borrowings	64,537
Repayments of bank borrowings	(66,151)
At March 31, 2019 - Bank borrowing	**43,870**
Advances from bank borrowings	82,591
Repayments of bank borrowings	(125,077)
At March 31, 2020 - Bank borrowing	**1,384**

The change for deferred financing costs for bank borrowing for the year is as follows:

($, 000's)	
At March 31, 2018 - Deferred financing costs	**91**
Amount of deferred financing costs expensed in the year	(96)
Additional deferred financing costs incurred in the year	68
At March 31, 2019 - Deferred financing costs	**63**
Amount of deferred financing costs expensed in the year	(79)
Additional deferred financing costs incurred in the year	45
At March 31, 2020 - Deferred financing costs	**29**

13. Unsecured debentures

Unsecured debentures are non-retractable by the noteholder within the specific terms. Maturity dates vary from August 1, 2020 to February 1, 2025 and bear interest on a monthly basis. The unsecured debentures are subordinated in favour of the registered senior debt holders. The Company must meet certain financial covenants and report to the unsecured debenture holders on a quarterly basis. As at March 31, 2020, March 31, 2019 and throughout the years then ended, the Company was in compliance with all covenants.

A summary of unsecured debenture activity is as follows:

($, 000's)	
At March 31, 2018 - Unsecured debentures	**8,270**
Debentures matured	(2,465)
Debentures renewed	1,080
New debentures	5,505
At March 31, 2019 - Unsecured debentures	**12,390**
Debentures matured	(3,905)
Debentures renewed	1,001
New debentures	1,985
At March 31, 2020 - Unsecured debentures	**11,471**

	March 31, 2020	**March 31, 2019**
($, 000's)		
5.5% debentures outstanding	-	200
6.5% debentures outstanding	885	80
7.5% debentures outstanding	3,310	3,365
8.5% debentures outstanding	1,645	1,620
9.5% debentures outstanding	5,631	4,125
12.0% debentures outstanding	-	3,000
Unsecured debentures	**11,471**	**12,390**
Portion issued to related parties (note 21)	2,975	3,260

14. Term debt

Term debt to Rifco Trust for the portfolio acquisition discussed in note 25 was provided by funds managed by Ares Management L.P. The interest rate on the term debt was floating tied to CDOR. The loan was not re-advanceable, had a term of 4 years, expiring May 2022, and had principal payments which were linked to the balances of the underlying receivables owned by Rifco Trust and pledged as collateral.

The loan had certain covenants related to the performance of the receivables held by Rifco Trust as well as covenants related to maximum leverage of Rifco as the servicer of the receivables. As at March 31, 2019 and throughout the year then ended, the Company was in compliance with all covenants.

On December 20, 2019 the term debt was paid in full. At that time, and throughout the year ended March 31, 2020, the Company was in compliance with all covenants.

($, 000's)	
At March 31, 2018 - Term debt	**-**
Advances from term loan	16,039
(Repayments of term loan)	(8,812)
At March 31, 2019 - Term debt	**7,227**
(Repayments of term loan)	(7,227)
At March 31, 2020 - Term debt	**-**

The change in deferred financing costs for term debt for the year is as follows:

($, 000's)	
At March 31, 2018 - Deferred financing costs	**-**
Deferred financing costs incurred in the year	80
Amount of deferred financing costs expensed in the year	(38)
At March 31, 2019 - Deferred financing costs	**42**
Amount of deferred financing costs expensed in the year	(42)
At March 31, 2020 - Deferred financing costs	**-**

15. Securitization

Securitization debt

The Company expects to fund a large percentage of its loan growth through loan securitization. The Company sells finance receivables to third party securitizers, in which the Company is not a beneficiary, in order to provide cash resources for loan originations. Securitization debt represents funding secured by finance receivables composed of principal and interest sold directly to the securitizers. The Company securitizes its finance receivables with Securcor Trust, a Canadian Schedule I Chartered Bank, and Connect First Credit Union Ltd. (referred to collectively as the "securitizers"). As the securitization of finance receivables does not qualify for de-recognition under IFRS, the net proceeds received through securitization of these finance receivables are recorded as securitization debt on the consolidated statements of financial position.

The total amount of securitization debt outstanding (excluding the cash holdbacks) as at March 31, 2020 amounted to $196.36M (March 31, 2019 - $134.35M).

The securitization debt is recorded at amortized cost using the effective interest method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the debts. The effective interest rate is the discount rate that exactly discounts estimated future cash out flows and proceeds over the expected life of the debts. Transaction costs, premiums, or discounts are applied to the carrying amount of the debts.

Securitization debt is reduced on a monthly basis by scheduled payments and prepayments relative to amounts collected from securitized finance receivables during the month. Tranches of securitization debt have fixed maturities, fixed interest rates, and fixed repayment schedules based on the underlying pledged securitized finance receivables. Securitization debt is non-recourse to the Company.

As at March 31, 2019 and throughout the current year, the Company was in compliance with all covenants. As at March 31, 2020 the Company was not in compliance with its EBITDA covenant with respect to securitization debt due to the significant increase in loan loss provisioning in anticipation of the impact of COVID-19. Subsequent to year end (note 28), a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility.

($, 000's)	
At March 31, 2018 - Securitization debt	**146,940**
Gross sale proceeds from securitizers	69,067
(Repayments to securitizers)	(87,843)
(Additions to securitization holdback)	(5,600)
Received from securitization holdback	6,028
Securitization costs incurred in the year	(169)
Securitization costs expensed in the year	211
At March 31, 2019 - Securitization debt	**128,634**
Gross sale proceeds from securitizers	155,271
(Repayments to securitizers)	(98,362)
(Additions to securitization holdback)	(13,985)
Received from securitization holdback	6,135
Securitization costs incurred in the year	(354)
Securitization costs expensed in the year	228
At March 31, 2020 - Securitization debt	**177,567**

The change in deferred financing costs for securitized debt for the year is as follows:

($, 000's)	
At March 31, 2018 - Unamortized securitization costs	**281**
Securitization costs incurred in the year	169
Securitization costs expensed in the year	(211)
At March 31, 2019 - Unamortized securitization costs	**239**
Securitization costs incurred in the year	354
Securitization costs expensed in the year	(228)
At March 31, 2020 - Unamortized securitization costs	**365**

Securitization facilities call for a combination of cash holdback and finance receivables over-collateralization from the purchase price of finance receivables sold to securitizers.

To protect against the risk of prepayment and credit losses, the securitizers maintain, in trust, a cash holdback account. The securitizers have recourse to draw down on the cash holdback balance held by the securitizers in the event of individual finance receivables default or prepayment. The amount of cash holdback is determined at the time of sale based on average loan terms, credit grades, and over-collateralization. The holdback is netted against the securitized debt and is not disclosed separately on the consolidated statements of financial position. As at March 31, 2020 the total cash holdbacks held by the securitizers amounted to $18.80M (March 31, 2019 - $5.71M).

Each of the Company's securitization facilities operates with a loan over-collateralization feature which ranges from 5% to 20%. Utilizing an over-collateralization component allows for a lower level of the cash holdback. The cash holdback and over-collateralization is the Company's maximum exposure to credit losses on securitized finance receivables. However, management is of the opinion that in typical circumstances the entirety of the credit losses will be borne by the Company.

	March 31, 2020		March 31, 2019	
($, 000's except %)				
Finance receivables – securitized	169,938	74.22%	121,754	53.28%
Finance receivables – securitized over-collateralization	23,442	10.24%	17,174	7.51%
Finance receivables – sold to Rifco Trust	-	0.00%	13,156	5.76%
Finance receivables – owned	35,579	15.54%	76,451	33.45%
Finance receivables	**228,959**	**100.00%**	**228,535**	**100.00%**

Securitized finance receivables

Once the finance receivables are securitized, the Company assigns the underlying finance receivables to the securitizers. Under the terms of the securitization agreements, the Company is responsible for advancing all scheduled or received principal and a portion of the interest payments to the securitizers depending on the facility. Servicing of the finance receivables remains the Company's responsibility. In these securitization transactions, the Company retains prepayment risk. The cash holdback and over-collateralization is the Company's maximum exposure to credit losses on securitized finance receivables. Due to retention of these risks, assigned finance receivables are not derecognized, and the securitization proceeds are accounted for as securitization debt.

Finance receivables pledged as collateral

Finance receivables used in securitization activities are pledged against the associated securitization debt. As a requirement of the securitization agreements, the Company assigns, transfers, and sets over to the securitizers, all of its rights, title, and interest in the specified finance receivables. If the Company fails to make timely payment under the securitization agreement, the securitizers may take direct control of the finance receivables and assign loan management to a back-up servicer. The Company's liability pertaining to securitization will be extinguished.

16. Contractual repayments

	Less than one year	1 to 3 years	4 to 5 years	Over 5 years	Total
(000's)					
Accounts payable and accruals	10,163	-	-	-	10,163
Bank borrowings (1)	1,412	-	-	-	1,412
Unsecured debentures (2)	4,514	5,356	4,028	-	13,898
Securitization debt (3)	54,442	118,810	28,225	2,236	203,713
Lease liabilities(4)	254	518	615	613	2,000
	70,785	**124,684**	**32,868**	**2,849**	**231,186**

(1) Bank borrowings is before unamortized transaction costs.
(2) Unsecured debentures are presented with the interest expense due in the corresponding year.
(3) Securitization debt is presented as the total stream of payments less the offset of the cash holdback released in the corresponding year. No provisions have been made for credit losses or loan prepayments.
(4) Lease liabilities is presented as total stream of payments.

17. Share capital and contributed surplus

a) **Authorized shares**

Unlimited number of Common shares, no par value
Unlimited number of Preferred shares, no par value

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges and conditions attached to the shares of each series.

b) **Common shares issued and outstanding**

	March 31, 2020 Shares	$	March 31, 2019 Shares	$
(000's)				
Opening balance	21,597	7,614	21,597	7,614
Stock options exercised	-	-	-	-
Closing balance	**21,597**	**7,614**	**21,597**	**7,614**

Contributed surplus

The Company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiary are eligible to receive stock options.

The contributed surplus reserve is used to recognize the fair value of stock options granted to employees, including key management personnel, as part of their remuneration. When stock options are subsequently exercised, the fair value of such stock options in contributed surplus is credited to share capital.

	March 31, 2020	March 31, 2019
($, 000's)		
Opening balance	3,868	3,593
Stock based compensation	216	275
Closing balance	**4,084**	**3,868**

18. Stock based compensation

Stock option plan

The company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiary are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any optionee shall not exceed 5% of the outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed ten years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

	March 31, 2020 Number of options	March 31, 2020 Weighted average exercise price $	March 31, 2019 Number of options	March 31, 2019 Weighted average exercise price $
(000's except weighted average exercise price)				
Outstanding at beginning of year	1,742	2.46	1,634	3.11
Granted	280	1.10	509	1.27
(Expired)	(401)	5.85	(327)	4.08
(Forfeited)	(38)	1.22	(74)	1.43
(Exercised)	-	-	-	-
Outstanding at end of year	**1,583**	**1.39**	**1,742**	**2.46**
Exercisable at end of year	736	1.54	808	3.71

The total outstanding number of options is 7.33% of the number of shares outstanding at March 31, 2020 (March 31, 2019 – 8.07%).

A summary of the status of the Company's stock options outstanding at March 31, 2020 is as follows:

	Date issued	# Granted and outstanding	# Vested	Exercise price ($)	Expiry Date
(000's except Exercise price)					
	2016/02/16	30	30	1.13	2021/02/16
	2016/07/08	70	70	1.69	2021/07/08
	2016/08/15	153	153	1.62	2021/08/15
	2017/01/03	125	125	1.94	2022/01/03
	2017/08/30	359	184	1.45	2022/08/30
	2017/11/20	100	50	1.37	2022/11/20
	2018/06/27	328	84	1.26	2023/06/27
	2018/07/26	158	40	1.29	2023/07/26
	2019/04/09	260	-	1.10	2024/04/09
Total		**1,583**	**736**		

The Company uses the fair value method of accounting for stock based compensation to employees and directors. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. The weighted average remaining life of the options is 2.72 years (2019 – 2.73 years).

	March 31, 2020	March 31, 2019
Fair value at grant date	$0.48	$0.49 – 0.57
Exercise price	$1.10	$1.27
Stock price	$1.10	$1.26
Risk free interest rate	1.44%	2.02%
Expected lives (years)	3.98	3.98
Expected volatility	56%	58%
Dividend yield	-	-

Expected volatility is based on historical data of the Company. Options are granted with a 5-year life with full vesting ranging up to 48 months. There were no share options exercised in 2020 or 2019.

19. Earnings per share ("EPS")

The calculation of the diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of outstanding options (which are in the money) and their equivalents is reflected in diluted earnings per share by determining the number of shares that could have been acquired at fair value (determined as the period weighted average market share price of the Company's shares) based on the intrinsic monetary value of the exercise rights attached to outstanding share options.

Weighted average number of common shares is calculated as follows:

	March 31, 2020	March 31, 2019
($, 000's)		
Weighted average number of shares outstanding	21,597	21,597
Effect of potential dilutive securities due to stock options	-	-
Weighted average number of shares outstanding for use in determining diluted income per share	**21,597**	**21,597**
Net loss and comprehensive loss for the year attributable to equity holders	**(2,882)**	**(1,506)**

20. Office and general expenses

	March 31, 2020	March 31, 2019
($, 000's)		
Technology and communication	923	992
Office rent	280	465
Training and recruiting	36	231
Promotional and subscriptions	145	324
Travel	282	489
Other	430	807
Total office and general	**2,096**	**3,308**

21. Related party disclosures

Unsecured Debentures

During the year, related parties were holders of unsecured debentures in the Company. The terms offered to related parties for the unsecured debentures are identical to those offered to non-related party unsecured debenture holders.

At year end, the total unsecured debentures held by related parties is $2.98M (March 31, 2019 - $3.26M). None of the related parties are officers or directors. The related parties are comprised of relatives of certain officers and employees of the Company who currently hold $1.71M (March 31, 2019 - $1.75M) in unsecured debentures with varying terms. In addition, $1.27M (March 31, 2019 - $1.52M) in unsecured debentures with varying terms is held by relatives and companies related to a non-management insider. These transactions are in the normal course of business and consideration established and agreed to by the related parties is at arm's length.

	March 31, 2020	March 31, 2019
($, 000's)		
Total interest paid to related parties	247	273

Compensation of key management personnel

The Company has four executive officers who are considered key management personnel. The remuneration of these officers for the years ended was as follows:

	March 31, 2020	March 31, 2019
($, 000's)		
Compensation, including bonuses	880	745
Stock based compensation	151	162
Total	**1,031**	**907**
Number of stock options granted	260	263

The Company has six directors, five of which are independent. Each director, other than the CEO, receives an annual retainer of $13,333 and an additional $3,333 for Chairman of the Board and $2,000 for Committee Chairman positions held. Non-management directors receive meeting fees of $500 per day and reimbursement of normal travel expenses.

	March 31, 2020	March 31, 2019
($, 000's)		
Fees	122	93
Stock based compensation	68	109
Total	**190**	**202**
Number of stock options granted	-	246

22. Capital management

The Company's capital is comprised of bank borrowing, securitization debt, unsecured debentures, term debt and equity in order to fund the origination of vehicle finance receivables. The Company's objective, when managing capital, is to maintain sufficient liquidity at an acceptable average costs, in order to grow new loan originations, at a rate consistent with its financial objectives and strategic plan.

	March 31, 2020	March 31, 2019
($, 000's)		
Bank borrowings	1,384	43,870
Unsecured debentures	11,471	12,390
Term debt	-	7,227
Securitization debt	177,567	128,634
Equity	26,058	28,724
Total	216,480	220,845

While the Company typically carries a low level of cash on hand, this amount is insignificant in relation to its overall capital and generally in an amount determined for short-term changes in working capital balances and to fund finance receivable origination. However, in light of the current COVID-19 pandemic, subsequent to year end, the Company has increased the level of cash on hand by securitizing previously un-margined receivables to create an additional cushion against uncertainty as described in note 27.

The Company does not intend to permanently repay the existing debt obligation under the secured revolving credit facility. The Company's cash flows and borrowed balances will fluctuate as finance receivables are originated, repaid and securitized.

The unsecured debentures are currently serving to increase leverage. In order to fund the origination of finance receivables and grow the finance receivable portfolio, the Company attempts to optimize the financial leverage available under the bank secured revolving credit facility. When additional capital is required, it is raised through loan securitization, unsecured debentures or issuance of common shares. The Company anticipates that a significant portion of the unsecured debentures will be rolled over in future on similar terms at their individual maturity dates. The Company has not focused on reducing debt and expects to reinvest all earnings into growing loan originations.

The Company's debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. All financial ratios and tests have been met as of March 31, 2019. As at March 31, 2020 the Company was not in compliance with its EBITDA covenant due to the significant increase in loan loss provisioning in anticipation of the impact of COVID-19. Subsequent to year end (note 28), a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility.

The current level of capital is considered adequate in the context of current operations and the strategic plan of the Company. The Company has two bank borrowings facilities with a combined limit of $22.5M (March 31, 2019 - $67.5M), which are re-advanceable limits. The secured revolving credit facility is a one-year committed facility. The Company has three securitization facilities. Two of the securitization facilities are not re-advanceable and are subject to annual renewals with limits set independent of previous advances. The current combined securitization facilities' limit is $137.5M (March 31, 2019 - $137.5M). The third securitization facility has a re-advanceable limit. The Company had term debt that was not re-advanceable with a term of 4 years, which was paid in full on December 20, 2019.

The Company chooses bank borrowings as part of its capital strategy for the following reasons:

- Lower costs of funds available to the Company.
- Increases the overall funding capacity of the Company in order to support finance receivables growth.
- Provides opportunity for the Company to sell larger securitization tranches of more mature finance receivables, and potentially receive improved securitization interest rates based on transaction scale.

The Company chooses securitization as part of its capital strategy for the following reasons:

- The leverage achievable by the Company may be higher than with bank borrowings alone. Higher leverage may improve returns on equity.
- Funding rates are fixed for the term of loans securitized, achieving desirable interest rate and term matching.
- The Company's loss exposure is limited to the cash holdback and/or finance receivable over-collateralization on loans securitized. This provides the Company with a ceiling on possible loan losses. Securitization debt is non-recourse to the Company.
- Provides potential access to multiple funding entities. Multiple funding entities may reduce overall funding risk.

Two of the three securitization facilities are subject to annual renewals. Discount rates for future tranches are reviewed and set on a quarterly basis for two of the facilities.

23. Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the Financial Statements and how the fair value of financial instruments is measured.

Fair values
Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the financial instruments that are carried on the Financial Statements at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value level		March 31, 2020 Carrying value	Fair value	March 31, 2019 Carrying value	Fair value
(000's)						
Assets measured at amortized cost:						
Cash	(1)		6,039	6,039	3,204	3,204
Finance receivables – net	(3)	(A)	217,326	217,326	219,238	233,837
Other receivables	(1)		154	154	240	240
Liabilities measured at amortized cost:						
Bank borrowings	(1)		1,384	1,412	43,870	43,932
Unsecured debentures	(3)	(B)	11,471	11,698	12,390	12,561
Term debt	(2)		-	-	7,227	7,269
Securitization debt	(1)	(C)	177,567	181,130	128,634	128,041

A) As of March 31, 2019, the fair value of finance receivables was appropriately calculated by discounting the estimated future cash flows of the portfolio at rates commensurate with the underlying risk of assets, net of a provision for credit losses, provision for prepayment losses, and servicing costs. However, the offer by CanCap Management Inc. (CanCap) to acquire all of the issued and outstanding shares of Rifco (note 28) provides an implied market value of Rifco's finance receivables. Therefore, Rifco has revised the fair value calculation of its receivables as of March 31, 2020 to align with that implied market value, after considering transaction costs and other relevant factors. This valuation aligns with current discounted cash flow calculations after considering the anticipated impact of COVID-19 on loan losses.

B) The fair value of unsecured debentures is determined based on an internal valuation model which factors in discount rates and future cash flows.

C) The fair value of securitization debt is determined based on an internal valuation model which factors in the discount rate, expected future impaired loans and prepayment rates.

Risk management

The Company is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which the Company is exposed are described below:

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.

The Company generates indirect auto loans through franchise and independent dealerships in Canada. The target borrowers are of a 'less than prime credit grade', meaning they typically would not be approved for financing at prime rates. These customers may have had credit related problems, less than adequate credit history, or may be purchasing a vehicle that falls outside of prime auto lending guidelines.

For the Company, credit risk arises principally through the Company's finance receivables. Risk exists that the Company's borrowers' actual default rates exceed business model expectations. The Company is at risk of loss of principal and earned interest income. In the segment that the Company operates, some delinquency, impairment of loans, and ultimate credit loss is expected.

The Company manages credit risk in the following ways:

Dealer relationships

The Company believes that, as an indirect lender, the role of the dealership is integral in risk assessment and risk reduction for individual applications. The Company's credit analysts rely on information compiled and communicated by the dealer and as such, a level of trust is required in extending credit on indirect loan applications. It is the Company's philosophy that trust is best established within a relationship based on principles of partnership, fairness, equity, and transparency. It has been the Company's experience that credit performance can vary widely between originating dealerships. It is among the Company's most important principles of underwriting that only trustworthy dealers who share the Company's philosophy be permitted to submit credit applications. In evaluating potential originating-dealerships, each dealer has submitted to a detailed due diligence process including review of a detailed dealer profile, financial information, license checks, credit checks, inventory evaluations and one or more 'site visits'. The Company and its dealers are bound by an agreement, which gives the Company certain charge back remedies.

The Company will only accept applications submitted by approved dealerships. Specific criteria for dealership enrolment must be met.

Credit adjudication

The Company maintains certain minimum standards that are required in order to extend credit. Applications that fail to meet these minimum standards will result in an immediate decline.

The Company believes that it can extend credit to applicants with non-traditional credit and obtain acceptable returns for shareholders. Applicants are often people of average income, average employment, who drive average vehicles. In compensation for extending credit in higher risk situations, the Company requires higher than prime interest rates on its auto loans.

Rifco believes that it is an industry leader in automated credit adjudication allowing increased integrity, accuracy, predictability, and reliability of decision making. This allows the Company to manage its operating expenses while the overall market is experiencing an overall decline in ultimate booking rates compared to applications seen.

All funded loans are reviewed by an experienced credit underwriter employee. Significant training, oversight, and evaluation of authorized analysts ensure compliance with the Company's credit policies and procedures.

Credit policies and procedures

The Company employs a detailed credit policy which is the broad policy for underwriting of its non-traditional auto loans. Within the policy, individual credit programs specify, along with pricing, more restrictive frameworks for granting credit. Individual underwriters are delegated specific authority to grant credit within the policy and within individual programs.

The policy and programs seek to achieve optimal pricing and predictable credit performance for the Company's finance receivable assets. Factors that are assessed during the underwriting process include applicants' credit history, income type and history, current financial ratios, vehicle age and condition, and the structure of the proposed consumer loan including price and down payment.

Vehicle purchases

The Company believes that the nature of the vehicles financed at the dealership is material to evaluating the likelihood of successful loan performance. Loan approval terms such as rate, down payment, and interest rates vary, to some degree, based on the age, mileage, and condition of the vehicle financed.

Concentration

The Company's portfolio of finance receivables contains thousands of individual consumer obligations that each carries a relatively small proportionate balance.

In the event of significant changes to regional economic situations, geographic concentration may influence ultimate credit performance. The geographic distribution of the Company's loan portfolio is as follows:

	Western Canada	**Eastern Canada**	**Total**
($, 000's except for %)			
At March 31, 2019			
Finance receivables [1]	140,340	88,195	228,535
Percentage of finance receivables	61%	39%	100%
At March 31, 2020			
Finance receivables [1]	145,907	83,052	228,959
Percentage of finance receivables	64%	36%	100%

(1) Finance receivables shown here are before provisions for impairment and unamortized origination costs but include accrued interest and fees

Exposure to credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount for cash, other receivables, and finance receivables. For the Company, collateral risk exists that in the event of borrower default, the realized value of the vehicle security is insufficient to pay off the entire loan without shortfall. In the auto lending industry in Canada, vehicles are typically financed for their retail transaction price and, if seized for default, are liquidated at their wholesale value. In addition, automobiles depreciate over time.

As each automobile loan progresses, the vehicle asset depreciates and the borrower's principal amount owing reduces. The Company does not finance transactions with lump sum residual values or balloon payments. A vehicle's depreciation in value partially corresponds with the declining loan principal.

In the event of vehicle liquidation, the Company typically has a shortfall (credit loss). Risk exists that the average shortfall rate (loss severity) is greater than anticipated. The current COVID-19 pandemic and associated lock-downs could foreseeably impact the timing and values obtained in vehicle liquidation.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable requirements.

As at March 31, 2020, the Company's undiscounted cash flows from finance receivables principal and interest payments (no provision has been made for credit losses or prepayments) are receivable as follows:

	Less than one year	1 – 2 years	After 2 years	Total
($, 000's)				
Gross finance receivables	77,592	72,785	197,983	348,360

In addition to working capital, the Company utilizes debt and securitization as sources of funds for originating finance receivables. Certain debt providers have a general assignment over corporate assets and require that the Company maintain financial covenants. Failure to maintain these financial covenants could result in cancellation and demand of the debt facilities.
Management believes that its existing credit lines, securitization facilities and operational cash flow are sufficient to meet its business plan. Bank borrowings are committed, revolving facilities and subject to renewal. The securitization debt with Securcor Trust and a Canadian Schedule I Charter Bank are annual committed facilities and future renewals are independent of previous facilities. The Connect First Credit Union Ltd. securitization facility is a revolving facility with no maturity date.

Failure to renew these facilities is a liquidity risk. Management has historically been able to negotiate renewal of these facilities as they come due. Management expects that any actual capital shortfall would be met with additional unsecured debentures or an issuance of common shares.

In light of the current COVID-19 pandemic, subsequent to year end, the Company has increased the level of cash on hand by securitizing previously un-margined receivables to reduce liquidity risk as described in note 27.

Interest rate risk

Finance receivables, securitization debt and unsecured debentures payable bear interest at a fixed rate and are not subject to interest rate risk, as a result of changes in market rates.

The bank borrowings and term debt bear interest at a floating rate. The floating rate debt is subject to interest 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 on bank borrowings and term debt by +/-50 basis points, can impact net income by +/- $0.00M (March 31, 2019 – $0.30M) for the reporting year based on a combined gross borrowing balance of $1.41M as at March 31, 2020 (March 31, 2019 – $51.20M).

Once a new securitization tranche is sold, the discount rate is fixed for the life of the tranche. The premium over benchmark bond rates, for new tranches, on one of the three securitization facilities, are reset quarterly. As a result, the Company is subject to interest rate risk on quarterly market fluctuations in the benchmark bond rates for future tranches of loans to be securitized. The Company is exposed to interest rate price risk on its fixed rate securitization debt resulting from changes in fair value from market fluctuations in interest rates.

Counterparty risk

The Company is susceptible to counterparty risk on their holdback account on securitized loans. The possibility exists that the counterparty will default on its obligation under the securitization agreement and the Company will have no recourse or rights against the assets of the counterparty.

Foreign exchange risk

The Company does not have significant exposure to foreign currency risk.

24. Commitments

The Company entered into a 10-year lease commitment for its business premises commencing March 1, 2017 and expiring February 28, 2027.

The Company is responsible for a software hosting commitment with a minimum monthly value of $22,393. The commitment has a three year term commencing February 1, 2018 and expiring January 31, 2021.

The payment schedules are as follows:

	Less than one year	1 – 3 years	4 – 5 years	Over 5 years	Total
($, 000's)					
Rent commitment	254	518	615	613	2,000
Software commitment	224	-	-	-	224

25. Portfolio acquisition

On June 4, 2018 the Company announced that it had acquired a $25M loan portfolio originated by a competing Canadian auto loan corporation. The purchase was accounted for as an asset acquisition as no continuing originations or existing obligations were acquired or assumed.

The acquisition was completed pursuant to a loan purchase and sale agreement dated June 5, 2018 comprised of:

a) Rifco National Auto Finance Corporation purchased the loans from the seller and immediately sold the loans into Rifco Trust, a special-purpose, bankruptcy-remote charitable trust. Rifco maintains control of the servicing of the assets and receives the residual interest from the trust in the form of deferred purchase price. Rifco Trust is consolidated for accounting purposes.
b) Principal balance of loans acquired was $24.8M plus accrued interest and fees
c) Purchase price calculated on a loan-by-loan basis using a contractual formula that considered delinquency, recency, and other factors to evaluate the collectability of the loans.
d) Total consideration paid was $20.2M
e) Funding raised for the purchase consisted of a $16.0M term loan to Rifco Trust provided by funds managed by Ares Management L.P. and the issuance of $4.5M in subordinated debt by Rifco National Auto Finance.
f) The difference between the acquired finance receivables balance and the purchase price consideration was recorded as an unamortized discount. The unamortized discount was reflected as part of the finance receivables – net balance and will accrete into financial revenue over time on an effective interest method as the loan balances reduce.
g) The Company had been servicing the loans since April 2018 as replacement servicer and is continuing to service the loans.

Upon acquisition of the portfolio, and under IFRS 9, the Company had to immediately recognize loan loss provisions for expected credit losses. Note that this provision, recorded at acquisition, is not related to, or indicative of, the valuation of the portfolio in any way. The provisions do not consider the discount between the purchase price and the underlying loan balances. For details of the provision, see note 6.

26. Reclassification

The following change was made to the comparative figure

a) Consolidated statements of cash flows
    i. Transaction costs paid and amortized have been reclassified from operating activities section to the financing activities section and consolidated into the repayments of the applicable borrowings and debt

27. COVID-19 Response

The outbreak of COVID-19 and associated lock-downs and government interventions are a rapidly evolving situation without historical precedent for comparison and prediction purposes. Management believes the greatest impact to be on future loan losses, which will depend significantly on the duration of the lockdowns, the duration and effectiveness of government relief efforts, and the shape and timing of the subsequent economic recovery.

Beginning in late March 2020, Rifco increasingly began offering payment arrangement options to customers. The options are typically a full monthly deferral, a partial three-month deferral or a combination or variation of the two. As of July 13, 2020, Rifco has provided COVID-19 related deferrals on 12.5% of its accounts.

Rifco has successfully funded tranches with all of its securitization relationships since March 31, 2020 suggesting current liquidity resources remain sound. Rifco securitized a tranche of approximately $10M in receivables on April 9, 2020 to prudently increase cash holdings.

Rifco has not had any layoffs subjecting it to termination payments subsequent to year end.

As at March 31, 2020 the Company was not in compliance with its EBITDA covenant with respect to securitization debt due to the significant increase in loan loss provisioning in anticipation of the impact of COVID-19. Subsequent to year end (note 28), a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility. Rifco has successfully completed securitization fundings with all funders subsequent to year end.

The lockdowns associated with the COVID-19 pandemic has significantly impacted automobile sales and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April.

28. Subsequent Events

a) CanCap delivered written notice to Rifco on March 27, 2020 that it is alleging termination of the arrangement agreement among the Parties dated February 2, 2020 in respect of a statutory plan of arrangement under the *Business Corporations Act* of Alberta. CanCap alleges that what it describes as "recent events" constitute a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser has communicated that it does not intend to close the Arrangement.

    Rifco has subsequently filed a Statement of Claim that names both ACC and CanCap as a defendant, and asserts that ACC and CanCap breached the terms of the arrangement agreement by failing to attend at closing and fund the transaction contemplated by the Arrangement Agreement, and by actively opposing the issuance of a final order. Rifco seeks specific performance of the Arrangement Agreement as a remedy.

    CanCap has further filed a Statement of Claim that seeks an amount of "no less than" $1 million as an "Expense Reimbursement Payment" as a result of what the Purchaser says was a breach of the Arrangement Agreement, which include that Rifco failed to warn the Purchaser about the impact of COVID-19 and a decline in oil prices which the Purchaser says contributed to a "Material Adverse Effect" on Rifco.

The Court issued a new procedural order setting out a new timetable and steps to be taken in connection with the consolidated actions and Special Application hearing. The hearing for all matters will now take place by way of a two-week trial commencing November 16, 2020.

b) On July 13, 2020 the Company received an early renewal on its securitization facility with Securcor Trust. The annual renewal has a $50M limit with an expiry date of July 31, 2021. The size and terms of the new facility are consistent with prior facilities. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the renewed facility. Previous securitizations do not impact current limit availability.