For the year ended March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2021 and 2020 (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 June 15, 2021.

The financial statements of Rifco Inc. (the Company) have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the Chartered Professional Accountants of Canada (CPA).

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

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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 built on a foundation of trust, respect, empowerment, accountability and passion which are exhibited by each and every member of the Rifco team, as we collaboratively pursue our collective vision and do so in a manner that is consistent with our purpose.

Rifco's operations are currently through its sole, wholly owned subsidiary, Rifco National Auto Finance Corporation (RNAF). RNAF operates with a purpose to help its clients obtain a safe and reliable vehicle by providing alternative finance solutions. RNAF currently distributes its alternative finance products indirectly through select automotive dealer partners.

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 $1.2 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.

The Company funds its originated finance receivables through its own equity, 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 COVID-19 pandemic and associated lockdowns and government interventions are a continuously evolving situation without historical precedent for comparison and prediction purposes.

Rifco was identified as an essential service in Alberta and has remained operational since the start of the pandemic.

The Company has undertaken a number of initiatives:

- Rifco's entire team has been operationally tested to work from home with full access to all necessary systems and tools;
- Implemented extraordinary cleaning and hygiene practices, signage, and supplies;
- Reduced office, workspace and meeting room density limits;
- Reduced its human resources expenses;
- Credit tightening, increased proof of income thresholds, prohibited lending to borrowers employed in certain industries and tightened business rules deliberately reduced originations; and
- Adapted existing payment deferral and modification tools to accommodate affected borrowers.

Rifco's increased credit restrictions and documentation requirements had a meaningful impact on current year origination levels.

In the quarter ended March 31, 2020, the company increased its provision for loan losses associated with otherwise unimpaired loans. The Company has maintained elevated provision ratios for unimpaired loans. To date, delinquency and loan losses have not increased versus the pre-COVID periods.

While many financial services providers offered 6-months 'no-payment' loan deferrals, Rifco focused on 1 to 3 months 'reduced-payment' deferrals. The COVID deferrals and loan payment modifications, that were previously granted, are now resolved. At the April 2020 peak, 10.9% of our loans had some degree of payment deferral in the month. At the end of the current fiscal year, only 3.3% of accounts were remaining in some sort of temporary modified payment arrangement. Most of the accounts that did receive COVID deferrals, received them early in the fiscal year, and are now reporting as having full scheduled payments due. As such, these accounts are either paying as scheduled, or are reported as delinquent.

Market Perspective

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

Rifco's major competitors include three large Canadian financial institutions 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.

Strategic Review

On February 3, 2020 Rifco Inc. announced that they had entered into a definitive arrangement agreement pursuant to which CanCap Management Inc. (CanCap) 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 cast 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 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 alleged that what it described as "recent events" constituted a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser communicated that it did not intend to close the Arrangement.

Rifco subsequently filed a Statement of Claim that named both ACC Holdings Inc. (ACC) and CanCap as a defendant, and asserted 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 sought specific performance of the Arrangement Agreement as a remedy.

CanCap filed a Statement of Claim that sought an amount of "no less than" $1 million as an "Expense Reimbursement Payment" as a result of what the Purchaser said 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 said constituted a "Material Adverse Effect" on Rifco.

The parties entered into a full and final mutual release and settlement agreement dated July 29, 2020, whereby the parties have, inter alia, released each other from all claims in connection with the Arrangement Agreement in exchange for a payment by CanCap and ACC Holdings Inc. of an aggregate of $1.5M (the "Settlement Amount") to Rifco. The Settlement Amount was paid to Rifco on July 30, 2020. The income is netted against the strategic review process expenses.

Corporate Update

On December 14, 2020 Rifco Inc. announced the results of its Annual General and Special Meeting. The shareholders replaced the existing board and elected Tim Peterson, Jeffrey Newhouse, Jared Priestner, and Sean Aylward to serve as directors. In addition, Jeffrey Newhouse succeeded Bill Graham as Chief Executive Officer (CEO) of the Company.

The Board has established the following near-term objectives for RNAF:

- Right-size the organization relative to its current client base, and work towards achieving a consistent 4% return on assets (ROA) managed, as measured by net income before tax, adjusted for non-cash changes in provision for impairment;
- Grow our existing client base and vehicle units financed by 10% organically;
- Grow our existing client base and vehicle units financed through accretive acquisitions; and
- Foster a culture of innovation and continuous improvement and focus on delivering an exceptional client experience to all our stakeholders.

Rifco further announced on April 15, 2021 a strategic initiative to foster a culture of innovation and continuous improvement and focus on delivering an exceptional client experience to all our stakeholders. Rifco will be collaborating with autologiQ Inc. ("autologiQ"), an online, consumer-focused, vehicle management company, co-founded by Rifco's CEO, Jeffrey Newhouse, and based in Oakville, Ontario.

This initiative expands Rifco's shelf of specialty automotive financial solutions to include autologiQ's 'Easy Monthly Payments' ™ (EMP) program, an online, and physical point-of-sale repair financing solution for consumers. Additionally, autologiQ Clients will gain direct access to Rifco's specialty automotive financial solutions, delivered through autologiQ's digital platform and network of autologiQ Service Providers, commencing in Ontario.

The board is continuing its work on a full strategic review of Rifco and RNAF with the objective of determining its future strategic direction. Additional updates will follow in due course.

Results of Operations

The results of operations and cash flows for the year ended March 31, 2021 are presented in accordance with IFRS except for the adjusted line items.

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

	As at	
	Mar 31, 2021	Mar 31, 2020
($,000's)		
Finance receivables	197,789	228,959
Total assets	201,874	228,328
Total liabilities	178,399	202,270
Adjusted Equity [1,3]	34,279	37,321
Equity [3]	23,475	26,058
Delinquency Rate	2.74%	5.55%

	Year ended	
	Mar 31, 2021	Mar 31, 2020
($,000's except per share and ratios)		
Financial revenue	34,818	39,374
Credit losses	8,989	15,892
Credit Spread	25,829	23,482
Adjusted Operating Expenses [1,2]	11,229	11,057
Adjusted Net Income before Taxes [1,2]	4,908	1,280
Net income (loss) before taxes	6,506	(3,533)
Adjusted Net Income before Taxes per Common Share - Basic [1,2]	$0.226	$0.059
Adjusted Net Income before Taxes per Common Share - Diluted	$0.226	$0.059
Net income (loss) per common share - Basic	$0.221	$(0.133)
Net income (loss) per common share - Diluted	$0.221	$(0.133)
Originations	57,259	108,326
Average loan receivables	203,647	225,252
Net Portfolio Yield	17.10%	17.48%
Credit Loss Rate	4.41%	7.06%
Credit Spread Rate	12.69%	10.42%
Financial Expense Ratio	4.76%	4.95%
Adjusted Operating Expense Ratio [1,2]	5.52%	4.92%
Adjusted Return Pre-Tax On Adjusted Equity [1,2,3]	13.71%	3.45%

[1] See the section "Description of Non-IFRS Measures" for these definitions
[2] Definition for Adjusted Net Income before Taxes has been revised to exclude the strategic review expenses and comparative year has been revised accordingly.
[3] Equity ratios and figures were impacted by a dividend of $7.6M paid to shareholders on December 7, 2020.

Adjusted Net Income before Taxes, for the year, was $4.9M, which is $3.6M higher than the prior year's $1.3M. Adjusted Net Income before Taxes in the quarter of $1.1M was $0.4M higher than the comparable quarter's $0.7M and $0.4M higher than the preceding quarter's $0.7M. Adjusted Net Income before Taxes removes the effect of the non-cash forward-looking provisions and the strategic review process expenses from net income before tax. Adjusted Net Income before Taxes includes the actual credit losses incurred in the year and is the measure that management uses to evaluate the performance of the Company as it removes the volatility associated with the effect of estimates, assumptions and the strategic review expenses.

Net income before tax, for the year, increased by $10.0M to $6.5M from $3.5M loss in the prior year. Net income before tax, for the quarter, increased by $4.7M to $0.9M from $3.8M loss in the comparable quarter and an increase of $0.7M from a net income before tax of $0.2M, in the preceding quarter. The comparable quarter's net income was heavily impacted by the increase in loan loss provisions associated with the uncertainty of the lockdowns in response to the COVID-19 pandemic.

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a year. The Credit Spread Rate increased 227 basis points for the year from 10.42% to 12.69%. The Credit Spread rate increased by 116 basis points over the comparative quarter from 11.18% to 12.34% and decreased 70 basis points from preceding quarter's rate of 13.04%. Credit Spread has been positively impacted by improved results from the new custom credit model and pricing model.

Credit losses, including costs and net of recoveries, for the year, decreased by 43.44% from $15.9M, in the prior year, to $9.0M in the current year. Credit losses, including costs and net of recoveries, for the quarter, decreased by $1.2M from $3.5M in the comparable quarter to $2.3M and increased by $0.1M from $2.1M, in the preceding quarter. The annualized Credit Loss Rate, for the year, decreased by 265 basis points to 4.41% from 7.06%, in the prior year. The annualized Credit Loss Rate, for the quarter, decreased by 153 basis points to 4.64% from 6.17% in the prior quarter and increased by 30 basis points from 4.34%, in the preceding quarter. While credit underwriting associated with the new custom credit model and improved collections and recovery procedures have had a positive impact on credit losses, the credit loss rate has also benefited from COVID-19 government support programs for affected borrowers.

The Financial Expense Ratio, for the year, decreased by 19 basis points from 4.95%, in the prior year, to 4.76%. The Financial Expense Ratio, for the quarter, decreased by 18 basis points from 4.82% in the prior quarter to 4.64% and decreased 7 basis points from 4.71%, in the preceding quarter. In addition to the current low interest rate environment, the treasury reorganization previously announced February 2020 has contributed to an improved overall cost of borrowing.

The Delinquency Rate improved by 281 basis points to 2.74% from 5.55%, in the prior year. Government support programs for those impacted by COVID-19 had a strong initial impact on the Company's Delinquency Rate.

Adjusted Operating Expenses, for the year, increased by 1.56% from $11.1M to $11.2M, when compared to the prior year. Adjusted Operating Expenses, during the quarter, decreased 8.48% from $2.9M in the comparable quarter to $2.7M, and decreased by 21.66% from $3.4M, in the preceding quarter. The Adjusted Operating Expense Ratio increased by 60 basis points to 5.52% compared to 4.92% in the prior year. The Adjusted Operating Expense Ratio, for the quarter, decreased 30 basis points to 5.49% from 5.19%, in the comparative quarter, and 140 basis points from 6.89%, in the preceding quarter. The increased Adjusted Operating Expense Ratio was driven primarily by the declining average loan receivables balance and the transition costs associated with the severance of the former CEO and costs incurred by the Concerned Shareholders Group.

The Company posted Originations for the year of $57.3M, a 47.14% decrease from $108.3M, in the prior year. The Company posted Originations for the current quarter of $20.6M which is a decrease of 14.31% to the comparable year which had Originations of $24.0M. This decrease is primarily due to consumer trends and the internal restrictions on credit quality imposed by the Company due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. With the lifting of some restrictions, Originations increased by 15.11% from $17.9M, in the preceding quarter, to $20.6M, in the current quarter.

Total financial revenue decreased 11.57% to $34.8M from $39.4M, in the prior year, due to the shrinkage of the average portfolio size as principal reductions exceeded originations during the year. Total financial revenue decreased by 4.01% from $8.6M, in the preceding quarter, and 15.44% from $9.7M, in the comparative quarter, to $8.2M, in the current quarter.

Comparative Results for the Year

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

	Year ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan receivables		% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Financial revenue	34,818	17.10%	39,374	17.48%
Credit losses	8,989	4.41%	15,892	7.06%
Credit Spread	**25,829**	**12.69%**	**23,482**	**10.42%**
Financial expenses	9,692	4.76%	11,145	4.95%
Adjusted Net Financial Income before Operating Expenses[1]	**16,137**	**7.93%**	**12,337**	**5.47%**
Adjusted Operating expenses [1]	11,229	5.52%	11,057	4.92%
Adjusted Net Income before Taxes [1]	**4,908**	**2.41%**	**1,280**	**0.55%**
Strategic review process	500	0.25%	(700)	(0.31%)
Decrease (increase) in provision for impairment	1,098	0.54%	(4,113)	(1.83%)
Net income (loss) before taxes	**6,506**	**3.20%**	**(3,533)**	**(1.59%)**
Income tax (expense) recovery	(1,716)	(0.84%)	651	0.29%
Net income (loss)	**4,790**	**2.36%**	**(2,882)**	**(1.30%)**
Adjusted Net Income before Taxes per Common Share: [1]				
Basic	$0.226		$0.059	
Diluted	$0.226		$0.059	
Net income (loss) per common share:				
Basic	$0.221		$(0.133)	
Diluted	$0.221		$(0.133)	

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

Financial Revenue

	Year ended			
	Mar 31, 2021	% of loan receivables	Mar 31, 2020	% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Interest income	34,416	16.90%	37,564	16.68%
Discount income	2,030	1.00%	3,368	1.50%
Fee income	1,221	0.60%	1,880	0.83%
Gross Financial Revenue	**37,667**	**18.50%**	**42,812**	**19.01%**
Loan origination and acquisition costs	(2,849)	(1.40%)	(3,438)	(1.53%)
Financial revenue	**34,818**	**17.10%**	**39,374**	**17.48%**

Gross Portfolio Yield is comprised of the interest income, amortized discount income, and fees earned before expensing the amortization of origination costs. Gross Portfolio Yield decreased by 51 basis points, for the year, from 19.01%, in the prior year, to 18.50% in the current year due to the diminishing discount income associated with the shrinkage of the portfolio purchased in June 2018. Gross Portfolio Yield decreased by 32 basis points from 18.81%, in the comparative quarter, to 18.49%, in the current quarter. Gross Portfolio Yield decreased 47 basis points from 18.96%, in the preceding quarter.

Net Portfolio Yield decreased by 38 basis points, for the year, from 17.48% in the prior year to 17.10% in the current year. Net Portfolio Yield during the quarter decreased 37 basis points from 17.35% in the comparable quarter to 16.98%. Net Portfolio Yield during the quarter decreased 40 basis points from 17.38% in the preceding quarter.

As the portfolio purchased in June 2018 rapidly pays down, elevated interest and discount income has largely normalized. The purchased portfolio represents 1.66% of the total portfolio as of March 31, 2021 compared to 9.82% at time of purchase in June 2018.

Total financial revenue decreased 11.57% to $34.8M from $39.4M in the prior year, due to the shrinkage of the average portfolio size as principal reductions exceeded originations during the year. Total financial revenue decreased by 4.01% from $8.6M, in the preceding quarter, and 15.44% from $9.7M, in the comparative quarter, to $8.2M, in the current 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.

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. The amortization of origination expenses decreased by 17.13% from $3.4M in the prior year to $2.8M in the current year. The rate as a percentage of average loan receivables decreased by 13 basis points from 1.53% to 1.40% in the current year. The amortization of origination expenses decreased by 11.07% from $0.8M in the comparative quarter to $0.7M. The rate as a percentage of average loan receivables increased by 5 basis points from 1.46% to 1.51%, in the current quarter.

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. The custom credit model was implemented November 1, 2018. The custom credit model now accounts for

67% of the loan portfolio as at March 31, 2021 (49% - March 31, 2020). Rifco management focuses on achieving an attractive threshold Credit Spread Rate, rather than targeting a specific loss rate.

	Year ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan receivables		% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Credit losses - net of recoveries	7,904	3.88%	14,056	6.24%
Repossession and recovery costs	1,085	0.53%	1,836	0.82%
Total Credit Losses	**8,989**	**4.41%**	**15,892**	**7.06%**

Credit losses, including costs and net of recoveries, for the year, decreased by 43.44% from $15.9M, in the prior year, to $9.0M in the current year. Credit losses, including costs and net of recoveries, for the quarter, decreased by $1.2M from $3.5M in the comparable quarter to $2.3M and increased by $0.1M from $2.1M, in the preceding quarter. The annualized Credit Loss Rate, for the year, decreased by 265 basis points to 4.41% from 7.06%, in the prior year. The annualized Credit Loss Rate, for the quarter, decreased by 153 basis points to 4.64% from 6.17% in the prior quarter and increased by 30 basis points from 4.34%, in the preceding quarter. While credit underwriting associated with the new custom credit model and improved collections and recovery procedures have had a positive impact on credit losses, the credit loss rate has also benefited from COVID-19 government support programs for affected borrowers.

The Delinquency Rate decreased by 281 basis points to 2.74% from 5.55%, in the prior year. The Delinquency Rate decreased from 3.97% in the preceding quarter. Government support programs for those impacted by COVID-19 had a strong initial impact on the Company's Delinquency Rate. Loan modification and payment deferral programs are not longer having a material impact on delinquency results.

While many financial services providers offered 6-months 'no-payment' loan deferrals, Rifco focused on 1 to 3-months 'reduced-payment' deferrals. The COVID deferrals and loan payment modifications, that were previously granted, are now resolved. At the April 2020 peak, 10.9% of our loans had some degree of payment deferral in the month. At the end of March 2021, only 3.3% of accounts were remaining in some sort of temporary modified payment arrangement. Most of the accounts that did receive COVID deferrals, received them early in the fiscal year, are now, since August 2020, reporting as having full scheduled payments due. As such, these accounts are either paying as scheduled, or are reported as delinquent.

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

	Year ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan receivables		% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Financial revenue	34,818	17.10%	39,374	17.48%
Credit losses	8,989	4.41%	15,892	7.06%
Credit Spread	**25,829**	**12.69%**	**23,482**	**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. The Credit Spread Rate increased 227 basis points for the year from 10.42% to 12.69%. The Credit Spread Rate increased by 116 basis points over the comparative quarter from 11.18% to 12.34% and decreased 70 basis points from preceding quarter's rate of 13.04%. Credit Spread has been positively impacted by improved results from the new custom credit model and pricing model.

Financial Expenses

	Year ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan receivables		% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Financial expense	9,692	4.76%	11,145	4.95%

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

The Financial Expense Ratio, for the year, decreased by 19 basis points from 4.95%, in the prior year, to 4.76%. The Financial Expense Ratio, for the quarter, decreased by 18 basis points from 4.82% in the prior quarter to 4.64% and decreased 7 basis points from 4.71%, in the preceding quarter. In addition to the current low interest rate environment, the treasury reorganization previously announced February 2020 has contributed to an improved overall cost of borrowing.

Operating Expenses

	Year ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan receivables		% of loan receivables
($,000's except ratios)				
Average Loan Receivables for the Year	203,647		225,252	
Wage and benefits	7,761	3.81%	7,808	3.47%
Professional fees	989	0.49%	312	0.14%
Office and general	1,987	0.98%	2,096	0.93%
Stock based compensation	50	0.02%	216	0.10%
Depreciation and amortization	442	0.22%	625	0.28%
Adjusted Operating Expenses	**11,229**	**5.52%**	**11,057**	**4.92%**
Strategic review process	(500)	(0.25%)	700	0.31%
Operating Expenses	**10,729**	**5.27%**	**11,757**	**5.23%**

Adjusted Operating Expenses, for the year, increased by 1.56% from $11.1M to $11.2M, when compared to the prior year. Adjusted Operating Expenses, during the quarter, decreased 8.48% from $2.9M in the comparable quarter to $2.7M, and decreased by 21.66% from $3.4M, in the preceding quarter. The Adjusted Operating Expense Ratio increased by 60 basis points to 5.52% compared to 4.92% in the prior year. The Adjusted Operating Expense Ratio, for the quarter, decreased 30 basis points to 5.49% from 5.19%, in the comparative quarter, and 140 basis points from 6.89%, in the preceding quarter.

The increased Adjusted Operating Expense Ratio was driven primarily by the declining average loan receivables balance and the transition costs associated with the severance of the former CEO and costs incurred by the Concerned Shareholders Group.

The strategic review expenses netted in a recovery of $0.5M due to a legal settlement received.

Summary of Quarterly Results

For the fiscal periods ended	2021		2020				2019		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
($,000's except per share & ratios)									
Finance receivables	197,789	200,290	205,174	215,069	228,959	230,356	229,787	230,101	228,535
Total assets	201,874	201,593	210,406	220,871	228,328	233,081	232,324	232,222	230,145
Total liabilities	178,399	178,827	180,370	192,967	202,270	204,030	203,503	203,023	201,421
Adjusted Equity [4]	34,279	33,408	40,250	38,311	37,321	37,372	37,507	37,449	36,833
Shareholders' equity [4]	23,475	22,766	30,036	27,904	26,058	29,051	28,821	29,199	28,724
Book Value Per Share [4]	$1.08	$1.05	$1.39	$1.29	$1.21	$1.35	$1.33	$1.35	$1.33
Adjusted Book Value Per Share [4]	$1.58	$1.54	$1.86	$1.77	$1.73	$1.73	$1.74	$1.73	$1.71
Stock price	$0.77	$0.90	$0.94	$0.70	$0.79	$0.85	$0.85	$0.85	$0.90
For the Period:									
Finance receivables originated	20,584	17,882	11,261	7,532	24,021	27,155	27,336	29,814	20,223
Average loan receivables	194,058	197,611	204,689	216,988	224,580	225,815	226,248	224,553	227,008
Total financial revenue	8,240	8,584	8,947	9,047	9,744	9,819	9,926	9,885	9,518
Adjusted Net Income (Loss) before Taxes [1]	1,075	711	2,295	827	660	(81)	113	588	37
Net income (loss) before taxes	893	208	2,752	2,653	(3,801)	398	(492)	362	177
Net income (loss)	700	177	2,103	1,810	(3,030)	185	(437)	400	(118)
Adjusted Net Income (Loss) before Taxes per Common Share:									
Basic	$0.049	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005	$0.027	$0.002
Diluted	$0.049	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005	$0.027	$0.002
Net income (loss) per common share:									
Basic	$0.032	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)	$0.019	$(0.005)
Diluted	$0.032	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)	$0.019	$(0.005)
Loan Receivable Performance Measures: [2]									
Net Portfolio Yield	16.98%	17.38%	17.48%	16.68%	17.35%	17.38%	17.56%	17.60%	16.76%
Credit Loss Rate	4.64%	4.34%	3.24%	5.40%	6.17%	7.66%	7.72%	6.64%	6.51%
Credit Spread Rate	12.34%	13.04%	14.24%	11.28%	11.18%	9.72%	9.84%	10.96%	10.25%
Delinquency Rate (over 30 days)	2.74%	3.97%	3.43%	1.91%	5.55%	5.32%	6.15%	5.69%	5.46%
Performance Measures: [2]									
Adjusted Efficiency Ratio	32.35%	39.64%	28.32%	29.03%	29.90%	28.26%	26.47%	27.73%	30.82%
Leverage Ratio [3, 4]	5.89	6.03	5.23	5.77	6.12	6.24	6.19	6.20	6.25
Adjusted Return Pre-tax on Adjusted Equity[4]	12.71%	7.72%	23.37%	8.75%	7.07%	(0.87%)	1.21%	6.33%	0.40%
Ratios: [2]									
Financial Expense Ratio	4.64%	4.71%	4.80%	4.90%	4.82%	4.96%	4.96%	5.04%	5.03%
Adjusted Operating Expense Ratio	5.49%	6.89%	4.95%	4.84%	5.19%	4.93%	4.63%	4.88%	5.18%
Adjusted Return Pre-tax on Earning Assets [4]	2.21%	1.44%	4.49%	1.54%	1.17%	(0.17%)	0.25%	1.04%	0.07%

[1] Definition for Adjusted Net Income before Taxes has been revised to exclude the strategic review expenses and Q1, Q2 and Q3 2020 have been revised accordingly.
[2] Percentages have been annualized except Efficiency Ratio and Delinquency Rate
[3] Definition for Leverage Ratio has been revised to use Adjusted Equity which reflects management's view of the leverage of the Company
[4] Equity ratios and figures were impacted by a dividend of $7.6M paid to shareholders on December 7, 2020.

Asset Review

Finance Receivables

Finance receivables decreased by $31.2M from $229.0M at March 31, 2020 to $197.8M at the end of the current year.

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 $57.3M, a 47.14% decrease from $108.3M, in the prior year. The Company posted Originations for the current quarter of $20.6M which is a decrease of 14.31% to the comparable year which had Originations of $24.0M. This decrease is primarily due to consumer trends and the internal restrictions on credit quality imposed by the company due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. With the lifting of some restrictions, Originations increased by 15.11% from $17.9M, in the preceding quarter, to $20.6M, in the current quarter.

	As at			
	Mar 31, 2021		**Mar 31, 2020**	
($,000's)				
Finance receivables - securitized	154,218	77.97%	169,938	74.22%
Finance receivables - securitized (over-collateralization) [1]	20,299	10.26%	23,442	10.24%
Finance receivables - owned	23,272	11.77%	35,579	15.54%
Total	**197,789**	**100.00%**	**228,959**	**100.00%**

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

Average loan receivables for the year decreased 9.59% to $203.6M from $225.3M, in the comparable year. The decline can be primarily attributed to extremely low origination volumes due to the impact of the COVID-19 pandemic.

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 $17.0M compared to $18.8M as of the prior year end. During the year, the Company received cash holdback releases of $8.0M compared to $6.1M, in the prior year.

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, 2021	**Mar 31, 2020**
($,000's)		
Total securitized debt	173,337	196,364
Total cash holdback	(17,038)	(18,797)
Securitized debt	**156,299**	**177,567**

Deferred Income Tax Asset

The Company's Deferred Income Tax Asset consists primarily of the temporary timing difference of the loan loss provision. Taxable income is calculated using actual loan losses and does not consider provisioning.

Provision for Impairment

The provision for impairment 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. The provision for impairment 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 provision for impairment as any change in the estimated allowance for loan losses is a non-cash item.

The provision for impairment 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 of the loan portfolio.

Determining the provision for impairment required 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.

	Year ended	
	Mar 31, 2021	**Mar 31, 2020**
($,000's)		
Credit losses net of recoveries for the year	7,904	14,056
Repossession and recovery costs for the year	1,085	1,836
Provision for impairment and credit losses for the year	(7,891)	(20,005)
Decrease (increase) in provision for impairment	**1,098**	**(4,113)**

The increase in the provision for impairment and credit loss for the year is due to the increased weighting placed on the downside scenario and increased estimates of loss given default due to the uncertainty associated with the third wave of the COVID-19 pandemic and associated lockdowns partially offset by the declining balance of finance receivables.

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 totaling $12.5M and three securitization facilities totaling $137.5M. The Company's combined credit facilities total $150.0M of which there was $82.3M in remaining capacity at year end. While this represents the currently available capacity, the annually renewing nature of two of the securitization facilities, and our 15-year history of successfully obtaining these renewals suggests actual future availability may be much higher.

Facility Availability Summary

As at Mar 31, 2021	**Limit**	**Utilized**	**Available**	**Renewal Date**
($,000's)				
Bank Borrowing - Connect First Credit Union Ltd.	2,500	-	2,500	Non-Expiring
Bank Borrowing - Canadian Schedule 1 Chartered Bank	10,000	2	9,998	30-Jan-22
Securitization - Securcor Trust [1]	50,000	25,466	24,534	31-Jul-21
Securitization - Connect First Credit Union Ltd. [2]	47,500	34,901	12,599	Non-Expiring
Securitization - Canadian Schedule 1 Chartered Bank	40,000	7,299	32,701	30-Jan-22
Total active facilities	**150,000**	**67,668**	**82,332**	
Non-readvanceable facilities [3]	97,145	97,145	-	
Total	**247,145**	**164,813**	**82,332**	

[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, and (v) 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 in quarter four of fiscal 2020 relating to the uncertainty created by the COVID-19 pandemic created a covenant violation with its funders relating to EBITDA, despite being a non-cash forward-looking estimate. Subsequent to March 31, 2020, 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, 2021**	**Mar 31, 2020**
($,000's except ratios)		
Total Debt	168,256	189,113
Tangible Net Worth	33,335	37,200
Total Debt to Tangible Net Worth Ratio	5.05	5.08

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

Bank Borrowing

Bank borrowings is comprised of two credit facilities.

The Company has a revolving credit facility with 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 has a revolving credit facility with a Canadian Schedule I Chartered Bank for $10.0M. 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 30, 2022 renewal date. The amount drawn on this facility at year end was $0.0M.

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 April 2021 and February 2026. The Company has been successful in renewing or replacing maturing unsecured debentures in the past.

Unsecured debentures issued and outstanding decreased by $1.3M from $11.5M at the prior year end to $10.1M.

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 $50.0M and has a $25.5M utilization for the current year. Rifco has a 15-year history of successfully renewing its annual securitization facilities.

The Company's securitization facility with a Canadian Schedule I Charter Bank facility had $7.3M utilization for the current year. This facility has an annual expected utilization of $40.0M and a renewal date of January 30, 2022.

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 being forced to remit the full payment stream from over collateralized loans.

As at March 31, 2021, 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 March 31, 2020, a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The new covenants were applied retroactively to March 31, 2020. 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 $34.9M at March 31, 2021.

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

- Management of key financial ratios
- Securitization pricing in context of other financing alternatives

If required, the Company's liquidity can be positively impacted by securitizing owned finance receivables. Owned finance receivables have decreased by $12.3M to $23.3M at March 31, 2021 from $35.6M at March 31, 2020. Securitization of finance receivables would typically contribute net cash proceeds at the time of the transaction.

The Company originated $57.3M in finance receivables in the year and securitized $66.9M in loan principal representing 116.8% 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 interest rates and credit facility limits currently being received are expected to allow for profitable growth.

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, 2021	**Mar 31, 2020**
($,000's except per share)		
Net cash flows from operating activities	36,724	4,685
Funds advanced on finance receivables	57,259	108,326
Principal collections of finance receivables	(80,524)	(93,846)
Credit losses net of recoveries	(7,904)	(14,056)
Income taxes paid	10	(3,765)
Origination costs and discounts - net	2,826	4,984
Settlement received	(1,500)	-
Other receivables, payables and prepaid expenses	1,839	(1,883)
Modified Funds Flow From Operations	**8,730**	**4,445**
Weighted average number of common shares	21,646	21,597
Modified Funds Flow From Operations per share	**$ 0.40**	**$ 0.21**

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

Modified Funds Flow from Operations was $8.7M in the current year, a 96.40% increase from $4.4M in the comparative year. Modified Funds Flow from Operations of $0.40 per share for the year, compared with $0.21 per share in the comparative year.

Equity

	As at	
	Mar 31, 2021	Mar 31, 2020
($,000's except per share)		
Adjusted Equity	34,279	37,321
Less: Provision for impairment - after tax [1]	10,804	11,263
Equity	**23,475**	**26,058**
Shares outstanding	21,750	21,597
Adjusted Book Value per Share	$1.58	$1.73
Book value per share	$1.08	$1.21

[1] Average tax rate of 23.50% assumed constant for life of provision for impairment for Mar 31, 2021. Average tax rate of 26% assumed constant for life of provision for impairment for Mar 31, 2020.

Equity decreased to $23.5M from $26.1M at March 31, 2020. Adjusted Equity decreased by $3.0M to $34.3M from $37.3M. Adjusted Book Value Per Share decreased to $1.58 from $1.73 at March 31, 2020. The decrease is due to the $0.35 per common share dividend declared and paid in December 2020, for a total distribution of $7.6M, offset by earnings in the year.

Leverage Measurements

	As at	
	Mar 31, 2021	Mar 31, 2020
($,000's except ratio)		
Total assets	201,874	228,328
Adjusted Equity	34,279	37,321
Leverage Ratio	**5.89**	**6.12**

The Leverage Ratio has decreased from 6.12 March 31, 2020 to 5.89. The decrease is due to the larger decrease in total asset balance offset by the smaller decrease in Adjusted Equity, which was impacted by the common share dividend paid.

Contractual Obligations

The following table sets forth short and long-term obligations as at year 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
Accounts payable and accruals	9,703	-	-	-	9,703
Income taxes payable	743	-	-	-	743
Bank borrowings	2	-	-	-	2
Unsecured debentures [1]	3,635	4,150	3,750	-	11,535
Securitization debt [2]	55,129	114,405	23,034	1,498	194,066
Lease liabilities [3]	254	571	619	302	1,746
Purchase obligations [4]	348	47	-	-	395
Total contractual obligations	**69,814**	**119,173**	**27,403**	**1,800**	**218,190**

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

[2] 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.

[3] Lease liabilities is presented as total stream of payments.

[4] 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, 2021, the Company had four executive officers that receive regular employment income (including bonuses). On December 11, 2020 the existing CEO resigned from the Company and was replaced. The total amount paid to the four executive officers, including contractual severance to the previous CEO, during the year was $1.4M which is an increase of $0.4M from the $1.0M paid in the comparative year. Executive officers also receive certain approved itemized expense reimbursement.

On December 11, 2020, the number of directors was reduced from six directors, five of which were independent, to four directors, three of which are independent. The unvested stock options of the exiting directors were cancelled. Vested stock options expiry dates were revised to 90 days from the date of the directors' resignation.

Prior to December 11, 2020, each director, other than the CEO, received 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 received meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses.

After December 11, 2020, each non-management director receives $25,000 annually and the chair receives an additional $5,000 annually. Should any special committees be struck, committee members will receive an additional $5,000 monthly for the period the special committee is functioning.

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 was $1.7M (March 31, 2020 - $3.0M). The related parties are comprised of directors and relatives of certain officers and employees of the Company who currently hold $1.7M (March 31, 2020 - $1.7M) in debentures with varying terms. In addition, $0.0M (March 31, 2020 - $1.3M) 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 compared to $0.2M, in the prior year.

Costs incurred by the concerned shareholder group in conjunction with the December 11, 2020 Annual General and Special Meeting of the Company were reimbursed by the Company in the amount of $0.4M. These amounts were recorded as operating expenses in the quarter.

The Company has made several payments to companies owned or controlled by the CEO. Payments include reimbursement of customary employment expenses, rent and vehicle allowance, as well as the purchase of a portfolio of loans. The purchased portfolio of loans will be serviced by the Company, for which it will earn fees comparable to similar existing arrangements with arms-length companies. Credit losses will be born by the originating company.

Discussion of Fourth Quarter Results

	For the three months ended			
	Mar 31, 2021		Mar 31, 2020	
		% of loan		% of loan
($,000's except ratios)				
Average Loan Receivables for the Year	194,058		224,580	
Financial revenue	8,240	16.98%	9,744	17.35%
Credit losses	2,250	4.64%	3,465	6.17%
Credit Spread	**5,990**	**12.34%**	**6,279**	**11.18%**
Financial expenses	2,249	4.64%	2,706	4.82%
Adjusted Net Financial Income before Operating Expenses[1]	**3,741**	**7.70%**	**3,573**	**6.36%**
	-	**0.00%**	**-**	**0.00%**
Adjusted Operating expenses [1]	2,666	5.49%	2,913	5.19%
Adjusted Net Income before Taxes [1]	**1,075**	**2.21%**	**660**	**1.17%**
Strategic review process	-	0.00%	(537)	(0.96%)
Increase in provision for impairment	(182)	(0.38%)	(3,924)	(6.99%)
Net income (loss) before taxes	**893**	**1.83%**	**(3,801)**	**(6.78%)**
Income tax (expense) recovery	(193)	(0.40%)	771	1.37%
Net income (loss)	**700**	**1.43%**	**(3,030)**	**(5.41%)**
Adjusted Net Income before Taxes per Common Share: [1]				
Basic	$0.049		$0.031	
Diluted	$0.049		$0.031	
Net income (loss) per common share:				
Basic	$0.032		$(0.140)	
Diluted	$0.032		$(0.140)	

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

Adjusted Net Income before Taxes in the quarter of $1.1M was $0.4M higher than the comparable quarter's $0.7M and $0.4M higher than the preceding quarter's $0.7M. Net income before tax, for the quarter, increased by $4.7M to $0.9M from $3.8M loss in the comparable quarter and an increase of $0.7M from a net income before tax of $0.2M, in the preceding quarter. The comparable quarter's net income was heavily impacted by the increase in loan loss provisions associated with the uncertainty of the lockdowns in response to the COVID-19 pandemic.

The Credit Spread rate increased by 116 basis points over the comparative quarter from 11.18% to 12.34% and decreased 70 basis points from preceding quarter's rate of 13.04%. Credit Spread has been positively impacted by improved results from the new custom credit model and pricing model.

Credit losses, including costs and net of recoveries, for the quarter, decreased by $1.2M from $3.5M in the comparable quarter to $2.3M and increased by $0.1M from $2.1M, in the preceding quarter. The annualized Credit Loss Rate, for the quarter, decreased by 153 basis points to 4.64% from 6.17% in the prior quarter and increased by 30 basis points from 4.34%, in the preceding quarter.

The Financial Expense Ratio, for the quarter, decreased by 18 basis points from 4.82% in the prior quarter to 4.64% and decreased 7 basis points from 4.71%, in the preceding quarter.

Adjusted Operating Expenses, during the quarter, decreased 8.48% from $2.9M in the comparable quarter to $2.7M, and decreased by 21.66% from $3.4M, in the preceding quarter. The Adjusted Operating Expense Ratio, for the quarter, decreased 30 basis points to 5.49% from 5.19%, in the comparative quarter, and 140 basis points from 6.89%, in the preceding quarter.

The Company posted Originations for the current quarter of $20.6M which is a decrease of 14.31% to the comparable period which had Originations of $24.0M. This decrease is primarily due to consumer trends and the internal restrictions on credit quality imposed by the company due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. With the lifting of some restrictions, Originations increased by 15.11% from $17.9M, in the preceding quarter, to $20.6M, in the current quarter.

Total financial revenue decreased by 4.01% from $8.6M, in the preceding quarter, and 15.44% from $9.7M, in the comparative quarter, to $8.2M, in the current 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 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; or
- 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 non-prime consumers and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April 2020. 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 net worth ratio, a maximum debt to tangible net worth ratio and a maximum delinquency and Credit Loss Rate and a Marginal Asset Test covenant. 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.

Competition Risk

Vehicle purchase financing is a highly competitive market place. Some of the companies that compete in this marketplace 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; and
- 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; or
- 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 Efficiency Ratio – Adjusted Operating Expenses divided by financial revenue reported as an annualized percentage.

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.

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 Adjusted 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 loan 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 plus unsecured debentures minus intangible assets (including unamortized leasehold improvements), amounts due by officers, subsidiaries and/or related parties.

Total Debt – Total bank debt, accounts payable and accruals, income taxes payable and securitization debt.

Rifco Inc.
Consolidated Financial Statements
For the years ended March 31, 2021 and 2020

Rifco Inc.
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For the years ended March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of comprehensive income 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 significant accounting policies and other explanatory information.

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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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 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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 17, 2021

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

As At

	Notes	March 31, 2021 $	March 31, 2020 $
ASSETS			
Cash	22	10,925	6,039
Finance receivables - net	5, 13, 20, 22	187,363	217,326
Other receivables and prepaid expenses	22	515	619
Income taxes receivable		-	3
Property and equipment	6	527	610
Right of use asset	7	956	1,117
Software	8	172	239
Deferred income tax asset	9	1,416	2,375
Total Assets		**201,874**	**228,328**
LIABILITIES AND EQUITY			
Accounts payable and accruals	10, 15	9,703	10,163
Income taxes payable		743	-
Bank borrowings	11, 15, 21, 22	2	1,384
Unsecured debentures	12, 15, 21, 22	10,144	11,471
Securitization debt	13, 15, 21, 22	156,299	177,567
Lease liabilities	14, 15	1,508	1,685
Total Liabilities		**178,399**	**202,270**
Equity			
Share capital	16, 17	7,870	7,614
Contributed surplus	16, 17	4,056	4,084
Retained earnings		11,549	14,360
Total Equity	21	**23,475**	**26,058**
Total Liabilities and Equity		**201,874**	**228,328**
Commitments	23		

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

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

For the years ended

	Notes	March 31, 2021 $	March 31, 2020 $
Financial revenue		34,818	39,374
Financial expense	20	9,692	11,145
Net financial income before impairment and credit losses		**25,126**	**28,229**
Provision for impairment and credit losses	5	7,891	20,005
Net financial income before operating expenses		**17,235**	**8,224**
Operating expenses			
Wages and benefits	19, 20	7,761	7,808
Professional fees	20	989	312
Office and general	19	1,987	2,096
Stock based compensation	16, 17, 20	50	216
Depreciation and amortization	6, 7, 8	442	625
Strategic review process	24	(500)	700
Total operating expenses		**10,729**	**11,757**
Net income before taxes		**6,506**	**(3,533)**
Current income tax (expense) recovery	9	(809)	3,143
Deferred income tax expense	9	(907)	(2,492)
Total income tax (expense) recovery		**(1,716)**	**651**
Net income (loss) and comprehensive income (loss) for the year attributable to equity holders		**4,790**	**(2,882)**
Net income (loss) per common share			
Basic	18	$0.221	$ (0.133)
Diluted	18	$0.221	$ (0.133)

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

Rifco Inc.
Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
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	16, 17	-	216	-	216
As at March 31, 2020		**7,614**	**4,084**	**14,360**	**26,058**

	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
As at March 31, 2020		7,614	4,084	14,360	26,058
Net income and comprehensive income for the year		-	-	4,790	4,790
Dividends declared	16	-	-	(7,601)	(7,601)
Exercise of Options	16, 17	256	(78)	-	178
Stock based compensation	16, 17	-	50	-	50
As at March 31, 2021		**7,870**	**4,056**	**11,549**	**23,475**

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

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

For the years ended

	Notes	March 31, 2021 $	March 31, 2020 $
Operating activities			
Net income (loss) and comprehensive income (loss) for the year attributable to equity holders		4,790	(2,882)
Adjustments for:			
Depreciation and amortization	6, 7, 8	442	625
(Decrease) increase in provision for impairment	5	(1,098)	4,113
Stock based compensation	16, 17, 20	50	216
Income tax expense (recovery)	9	1,716	(651)
Financial expense		9,692	11,145
Interest paid		(9,705)	(11,308)
Financing costs		(150)	(364)
Amortization of origination and financing costs		2,993	3,551
Cash flows from operating activities before the following:		8,730	4,445
Funds advanced on finance receivables		(57,259)	(108,326)
Principal collections of finance receivables		80,524	93,846
Credit losses net of recoveries	5	7,904	14,056
Income taxes (paid) received		(10)	3,765
Origination costs and discounts - net		(2,826)	(4,984)
Settlement received	24	1,500	-
Other receivables, payables and prepaid expenses		(1,839)	1,883
Net cash flows from operating activities		36,724	4,685
Investing activity			
Purchase of property and equipment	6	(41)	(10)
Purchase of software	8	(90)	(43)
Net cash flows used in investing activities		(131)	(53)
Financing activities			
Repayments of bank borrowings	11	(5,468)	(125,077)
Net advances from bank borrowings	11	4,057	82,529
Repayments of unsecured debentures	12	(1,605)	(2,905)
Advances from unsecured debentures	12	275	1,985
Repayments of term debt		-	(7,269)
Repayments of securitization debt	13	(97,025)	(106,212)
Advances from securitization debt	13	75,659	155,271
Repayments of lease liability	14	(177)	(119)
Issuance of Common Shares	16, 17	178	-
Dividends Paid	16	(7,601)	-
Net cash flows used in financing activities		(31,707)	(1,797)
Increase in cash		4,886	2,835
Cash, beginning of period		6,039	3,204
Cash, end of the period		10,925	6,039

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 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 ("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, 2021 and 2020 were approved and authorized for issue by the Board of Directors on June 15, 2021.

Basis of presentation

These 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 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 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 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 income 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

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.

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. 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 pandemic effects and the related factors such as: the duration of the lock-down conditions, the effectiveness and duration of government relief programs, and the pace of economic recovery, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a continually evolving situation, the scenarios applied, and results obtained could be especially susceptible to volatility.

The ECL is calculated based on the probability of the 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 income.

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 income.

h) Income taxes

Tax expense recognized in the consolidated statement of comprehensive income 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 legislation 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 income 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 securitization costs, debentures, bank borrowings including prepayment penalties, unused fees, amortized transaction costs 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, 2021 and 2020. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgements, estimates and assumptions are discussed in note 3.

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. 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. 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:

($, 000's)	March 31, 2021	March 31, 2020
Next 12 months	69,904	77,592
13 to 24 months	65,005	72,785
25 to 36 months	57,562	66,174
37 to 48 months	47,246	56,047
49 to 60 months	34,114	42,007
61 months and over	24,383	33,755
Gross finance receivables	298,214	348,360
Less unearned interest	(105,155)	(124,561)
Loan receivables	193,059	223,799
Accrued interest and fees	4,730	5,160
Finance receivables	**197,789**	**228,959**
Unamortized origination costs	5,170	5,860
Unamortized discounts	(1,474)	(2,273)
Less provision for impairment	(14,122)	(15,220)
Finance receivables - net	**187,363**	**217,326**

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, 2021		March 31, 2020	
($, 000's except %)				
Current	192,373	97.26%	216,242	94.45%
31 – 60 Days	3,596	1.82%	7,121	3.11%
61 – 90 Days	1,228	0.62%	3,425	1.50%
> 90 Days	592	0.30%	2,171	0.94%
Finance receivables	**197,789**	**100.00%**	**228,959**	**100.00%**

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

($, 000's)	March 31, 2021	March 31, 2020
Near-prime	172,647	198,786
Non-prime	20,412	25,013
Loan receivables	**193,059**	**223,799**

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. While in modification, the loans appear current and continue to accrue interest. Any loan that is currently under modification is classified as Stage 2 (under performing) or Stage 3 (credit impaired).

As at March 31, 2021, there were $5.0M (March 31, 2020 – $10.3M) of finance receivables, constituting 2.5% (March 31, 2020 – 4.5%) of the total balance, that have been modified such that the cash flow of those loans has been significantly (>10%) impacted. Of the loans in permanent modification, 93.71% are in Stage 1 (March 31, 2020 – 77.02%).

The COVID-19 pandemic required a significant variation from normal loan modification volumes. Management 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 provides the best net present value of cash flows possible. While these COVID-19 payment arrangement options were available towards the very end of the 2020 fiscal year, only a nominal amount were granted prior to that year end. The payment arrangements were largely granted in the first quarter of fiscal year 2021. As of March 31, 2021, Rifco had 3.3% (March 31, 2020 – 3.7%) of its accounts in a temporary payment deferral. In general, these loan modifications do not have a significant impact (>10%) on the cash flow of the loan due to the short-term nature of these modifications.

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 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**
As a percent of finance receivables				6.65%
Provision for impairment as at March 31, 2020	**10,423**	**1,000**	**3,797**	**15,220**
Provision on loans originated, at time of origination	3,308	-	-	3,308
Change in provision for impairment after origination	(3,815)	133	(724)	(4,406)
Provision for impairment as at March 31, 2021	**9,916**	**1,133**	**3,073**	**14,122**
As a percent of finance receivables				7.14%

The breakdown of the provision for impairment and credit losses for the period is as follows:

	March 31, 2021	March 31, 2020
($, 000's)		
Provision for impairment at end of period	14,122	15,220
Provision for impairment at beginning of period	15,220	11,107
(Decrease) increase in provision for impairment	**(1,098)**	**4,113**
Credit losses net of recoveries for the period	7,904	14,056
Repossession and recovery costs for the period	1,085	1,836
Provision for impairment and credit losses for the period	**7,891**	**20,005**

Determining the inputs required for the calculation of the expected credit losses (ECLs) requires significant estimation uncertainty. In particular, overlaying the COVID-19 pandemic effects and the related factors such as: the duration and extent of the lock-down conditions, the effectiveness and duration of government relief programs, and the pace of economic recover, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a continuously evolving situation, the scenarios applied, and results obtained are especially susceptible to volatility.

As at March 31, 2020, the provision was increased due to the unknown future impact of the COVID-19 pandemic. In the current year, the decrease in the provision for impairment is largely due to the declining balance of the underlying finance receivables offset by an increased weighting of the downside scenario due to current pandemic lockdowns.

The ECL estimate is sensitive to a number of assumptions including the probability weighting of each of the assumed scenarios occurring as well as the probabilities of default and loss given default in each of those scenarios. Management has prepared three scenarios (upside, base, downside). The current provision is calculated with weightings of 10% upside, 50% base, and 40% downside. Had the provision been calculated with the weightings used pre-pandemic (25% upside, 65% base, and 10% downside), the provision would have been $12.6M.

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 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)
Transfers to (from):				
Stage 1 (performing)	(32,659)	32,659	-	-
Stage 2 (under-performing)	1,953	(26,862)	24,909	-
Stage 3 (non-performing)	380	172	(552)	-
Charge offs (net of recoveries and costs)	-	-	(15,893)	(15,893)
Balances as at March 31, 2020	**208,851**	**9,044**	**5,904**	**223,799**
Originated	57,259	-	-	57,259
Payments & other adjustments	(69,627)	(1,370)	(8,013)	(79,010)
Transfers to (from):				
Stage 1 (performing)	(20,967)	20,967	-	-
Stage 2 (under-performing)	4,464	(21,133)	16,669	-
Stage 3 (non-performing)	689	178	(867)	-
Charge offs (net of recoveries and costs)	-	-	(8,989)	(8,989)
Loan receivables as at March 31, 2021	**180,669**	**7,686**	**4,704**	**193,059**

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.

6. Property and equipment

($, 000's)	Equipment	Computer hardware	Leasehold improvements	Total
Cost				
As at March 31, 2019	**367**	**384**	**485**	**1,236**
Additions	-	10	-	10
As at March 31, 2020	**367**	**394**	**485**	**1,246**
Additions	-	41	-	41
As at March 31, 2021	**367**	**435**	**485**	**1,287**
Depreciation and amortization				
As at March 31, 2019	**200**	**182**	**102**	**484**
Charge for the year	36	63	53	152
As at March 31, 2020	**236**	**245**	**155**	**636**
Charge for the year	26	51	47	124
At March 31, 2021	**262**	**296**	**202**	**760**
Net book value				
At March 31, 2020	**131**	**149**	**330**	**610**
At March 31, 2021	**105**	**139**	**283**	**527**

7. Right of Use Asset

($, 000's)	
Net book value	
As at April 1, 2019 - Right of use asset recognized	**1,279**
Depreciation	(162)
As at March 31, 2020 - Right of use asset	**1,117**
Depreciation	(161)
As at March 31, 2021 - Right of use asset	**956**

8. Intangibles

	Software
($, 000's)	
Cost	
As at March 31, 2019	**1,264**
Additions	43
As at March 31, 2020	**1,307**
Additions	90
As at March 31, 2021	**1,397**
Depreciation and amortization	
As at March 31, 2019	**757**
Charge for the year	311
As at March 31, 2020	**1,068**
Charge for the year	157
At March 31, 2021	**1,225**
Net book value	
At March 31, 2020	**239**
At March 31, 2021	**172**

9. Income taxes

Net deferred income tax assets are comprised of the following:

	March 31, 2021	March 31, 2020
($, 000's)		
Deferred income tax assets		
Provision for impairment	1,423	2,340
Loss carryforward	-	39
Other	113	142
	1,536	**2,521**
Deferred income tax liabilities		
Property and equipment	120	146
	120	**146**
Net deferred income tax asset	**1,416**	**2,375**

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

	March 31, 2021	March 31, 2020
($, 000's except %)		
Net income before taxes	6,506	(3,533)
Statutory income tax rate	23.50%	26.00%
Income tax expense (recovery)	1,529	(918)
Adjustment relating to tax rate decrease	190	118
Non-deductible expenses for tax purposes	12	72
Other	(15)	77
Total income tax expense (recovery)	**1,716**	**(651)**
Effective income tax rate	26.4%	18.4%
Allocation of expense (recovery)		
Current	809	(3,143)
Deferred	907	2,492
Income tax expense (recovery)	**1,716**	**(651)**

10. Accounts Payable and Accruals

	March 31, 2021	March 31, 2020
($, 000's)		
Payable to securitizers	4,569	4,622
Accounts payable and accrued expenses	5,134	5,541
	9,703	**10,163**

11. Bank borrowings

The Company has a revolving credit facility with Connect First Credit Union Ltd. of $2.5M. 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 has a revolving credit facility with a Canadian Schedule I Chartered Bank for $10.0M. This facility functions as a warehouse facility and finances the capital cost of an originated receivable less one month's payment for up to 90 days. After 90 days, the Company must either securitize the receivable with the Canadian Schedule I Chartered Bank or another approved financial institution. The facility has a January 30, 2022 renewal date.

The Company had a syndicated secured committed revolving credit facility of $50.0M with Wells Fargo Corporation Canada (Wells Fargo) and ATB Corporate Financial Services (ATB) (registered senior debt holders). This facility was paid out in full and discharged on January 30, 2020.

($, 000's)	
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**
Advances from bank borrowings	4,086
Repayments of bank borrowings	(5,468)
At March 31, 2021 - Bank borrowing	**2**

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

($, 000's)	
At March 31, 2019 - Deferred financing costs	**63**
Amount of deferred financing costs expensed in the period	(79)
Additional deferred financing costs incurred in the period	45
At March 31, 2020 - Deferred financing costs	**29**
Amount of deferred financing costs expensed in the period	(28)
Additional deferred financing costs incurred in the period	-
At March 31, 2021 - Deferred financing costs	**1**

12. Unsecured debentures

Unsecured debentures are non-retractable by the noteholder within the specific terms. Maturity dates vary from April 1, 2021 to February 1, 2026 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, 2021, March 31, 2020 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, 2019 - Unsecured debentures	**12,390**
Debentures matured	(3,905)
Debentures renewed and accrued interest	1,001
New debentures	1,985
At March 31, 2020 - Unsecured debentures	**11,471**
Debentures matured	(2,680)
Debentures renewed and accrued interest	1,078
New debentures	275
At March 31, 2021 - Unsecured debentures	**10,144**

	March 31, 2021	March 31, 2020
($, 000's)		
6.5% debentures outstanding	525	885
7.5% debentures outstanding	1,565	3,310
8.5% debentures outstanding	1,645	1,645
9.5% debentures outstanding	6,409	5,631
Unsecured debentures	**10,144**	**11,471**
Portion issued to related parties at year end (Note 20)	1,710	2,975

13. 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 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, 2021, 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 March 31, 2020, a renewal of the facility that was not in compliance with covenant was obtained. The EBITDA covenant was removed from the facility. All securitization facilities no longer have an EBITDA covenant. The new covenants were applied retroactively to March 31, 2020.

($, 000's)	
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 period	(354)
Securitization costs expensed in the period	228
At March 31, 2020 - Securitization debt	**177,567**
Gross sale proceeds from securitizers	75,659
Repayments to securitizers	(98,501)
Additions to securitization holdback	(6,544)
Received from securitization holdback	8,020
Securitization costs incurred in the period	(150)
Securitization costs expensed in the period	248
At March 31, 2021 - Securitization debt	**156,299**

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

($, 000's)	
At March 31, 2019 - Unamortized securitization costs	**239**
Securitization costs incurred in the period	354
Securitization costs expensed in the period	(228)
At March 31, 2020 - Unamortized securitization costs	**365**
Securitization costs incurred in the period	150
Securitization costs expensed in the period	(248)
At March 31, 2021 - Unamortized securitization costs	**267**

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, 2021 the total cash holdbacks held by the securitizers amounted to $17.0M (March 31, 2020 - $18.8M).

The total amount of securitization debt outstanding (excluding the cash holdbacks) as at March 31, 2021 amounted to $173.3M (March 31, 2020 - $196.4M).

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 legal 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, 2021		March 31, 2020	
($, 000's except %)				
Finance receivables - securitized	154,218	77.97%	169,938	74.22%
Finance receivables - securitized over collateralization	20,299	10.26%	23,442	10.24%
Finance receivables - owned	23,272	11.77%	35,579	15.54%
Finance receivables	**197,789**	**100.00%**	**228,959**	**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.

14. Lease Liability

($, 000's)	
At April 1, 2019 - Lease liabilities recognized	**1,804**
Lease Payments	(196)
Interest	77
At March 31, 2020 - Lease liabilities	**1,685**
Lease Payments	(254)
Interest	77
At March 31, 2021 - Lease liabilities	**1,508**

15. Contractual obligations

	Less than one year	1 to 3 years	4 to 5 years	Over 5 years	Total
($, 000's)					
Accounts payable and accruals	9,703	-	-	-	9,703
Income taxes payable	743	-	-	-	743
Bank borrowings [(1)]	2	-	-	-	2
Unsecured debentures [(2)]	3,635	4,150	3,750	-	11,535
Securitization debt [(3)]	55,129	114,405	23,034	1,498	194,066
Lease liabilities [(4)]	254	571	619	302	1,746
Contractual obligations - March 31, 2021	**69,466**	**119,126**	**27,403**	**1,800**	**217,795**

(1) Bank borrowings are 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 assuming no future credit losses or loan prepayments.
(4) Lease liabilities are presented as total stream of payments.

16. 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. There are no preferred shares outstanding.

b) **Common shares issued and outstanding**

	March 31, 2021		**March 31, 2020**	
	Shares	**$**	**Shares**	**$**
(000's)				
Opening balance	21,597	7,614	21,597	7,614
Stock options exercised	153	256	-	-
Closing balance	**21,750**	**7,870**	**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, 2021	**March 31, 2020**
($, 000's)		
Opening balance	4,084	3,868
Transfer to share capital on exercise of options	(78)	-
From the vesting of stock based compensation	50	216
	4,056	**4,084**

Dividend Payment

On November 27, 2020, Rifco declared a $0.35 per common share special dividend. The dividend was paid in cash on December 7, 2020 in the amount of $7.6M.

17. Stock based compensation

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, 2021			March 31, 2020		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
(000's except weighted average exercise price)						
Outstanding at beginning of year	1,583	$	1.39	1,742	$	2.46
Granted	-	$	-	280	$	1.10
(Expired)	(30)	$	1.13	(401)	$	5.85
(Forefeited)	(746)	$	1.41	(38)	$	1.22
(Exercised)	(153)	$	1.16	-	$	-
Outstanding at end of year	**654**	**$**	**1.57**	**1,583**	**$**	**1.39**
Exercisable at end of year	385	$	1.59	736	$	1.54

The total outstanding number of options is 3.00% of the number of shares outstanding at March 31, 2021 (March 31, 2020 – 7.33%). A summary of the status of the Company's stock options outstanding at March 31, 2021 is as follows:

	Date Issued	# Granted and outstanding	# Vested		Exercise price ($)	Expiry Date
($, 000's except Exercise Price)						
	8/15/2016	43	43	$	1.62	8/15/2021
	1/3/2017	125	125	$	1.94	1/3/2022
	8/30/2017	119	89	$	1.45	8/30/2022
	11/20/2017	100	75	$	1.37	11/20/2022
	6/27/2018	140	53	$	1.26	6/27/2023
	4/9/2019	127	0	$	1.10	4/9/2024
Total		**654**	**385**			

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 3.26 years (2020 – 2.72 years). No options were granted during the 2021 fiscal year. Subsequent to year end, 300,000 options were granted to non-management directors on April 22, 2021 with an exercise price of $0.75 and an expiry date of April 22, 2026.

	March 31, 2021		March 31, 2020
Fair value at grant date	N/A	$	0.48
Exercise price	N/A	$	1.10
Stock price	N/A	$	1.10
Risk free interest rate	N/A		1.44%
Expected lives (years)	N/A		3.98
Expected volatility	N/A		56%
Dividend yield	N/A		-

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.

18. 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, 2021 Shares	March 31, 2020 Shares
(000's)		
Weighted average number of shares outstanding	21,646	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	**21,646**	**21,597**

19. Office and general expenses

	Notes	March 31, 2021	March 31, 2020
($, 000's)			
Technology and communication		1,143	923
Office rent	20	206	280
Training and recruiting		25	36
Promotional and subscriptions		105	145
Travel		50	282
Other	20	458	430
Total office and general		**1,987**	**2,096**

During the year, the Company received financial support from the Government of Canada in the form of Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS). These amounts have been recorded as reductions to wages and office rent respectively. During the year ended March 31, 2021, the total amounts received were $0.4M and $0.0M.

20. Related party disclosures

Unsecured Debentures

During the period, 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 period end, the total unsecured debentures held by related parties is $1.7M (March 31, 2020 - $3.0M). The related parties are comprised of directors and relatives of certain officers of the Company who currently hold $1.7M (March 31, 2020 - $1.7M) in unsecured debentures with varying terms. In addition, $0.0M (March 31, 2020 - $1.3M) 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.

($, 000's)	March 31, 2021	March 31, 2020
Total interest paid to related parties	152	247

Compensation of key management personnel

The Company has four executive officers who are considered key management personnel. On December 11, 2020, the CEO resigned from the company and was paid contractual severance and accrued vacation time owing. In addition, the exiting CEO's unvested stock options were immediately vested with a revised expiration date of 90 days from the date of the CEO's resignation.

The remuneration of these officers for the years ended was as follows:

($, 000's)	March 31, 2021	March 31, 2020
Compensation, including bonuses	979	880
Severence payments	324	-
Stock based compensation	94	151
Total	**1,397**	**1,031**
Number of stock options granted	-	260

On December 11, 2020, the number of directors was reduced from six directors, five of which were independent, to four directors, three of which are independent. The unvested stock options of the exiting directors were cancelled. Vested stock options expiry dates were revised to 90 days from the date of the directors' resignation.

Prior to December 11, 2020, each director, other than the CEO, received 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 received meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses.

After December 11, 2020, each non-management director receives $25,000 annually and the chair receives an additional $5,000 annually. Should any special committees be struck, committee members will receive an additional $5,000 monthly for the period the special committee is functioning.

($, 000's)	March 31, 2021	March 31, 2020
Fees	85	122
Stock based compensation	(40)	68
Total	**45**	**190**
Number of stock options granted	-	-

Payments to the Concerned Shareholder Group

Costs incurred by the concerned shareholder group in conjunction with the December 11, 2020 Annual General and Special Meeting of the Company were reimbursed by the Company in the amount of $0.4M. These amounts were recorded as operating expenses in the quarter.

Payments to related companies

The Company has made several payments to a company owned or controlled by the CEO for reimbursement of customary employment expenses such as office rent and vehicle allowance. The Company also purchased a portfolio of automobile loans at

cost from a company for which Rifco's CEO is also a member of key management. The purchased portfolio of loans will be serviced by the Company, for which it will earn fees comparable to similar existing arrangements with arms-length companies. Credit losses will be born by the originating company.

	Year ended	
	March 31, 2021	March 31, 2020
($, 000's)		
Office rent	14	-
Finance receivables - net	376	-
Total	**390**	**-**

21. Capital Management

The Company's capital is comprised of bank borrowing, securitization debt, unsecured debentures 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 acceptable average costs, in order to grow new loan originations, at a rate consistent with its financial objectives and strategic plan.

	March 31, 2021	March 31, 2020
($, 000's)		
Bank borrowings	2	1,384
Unsecured debentures	10,144	11,471
Securitization debt	156,299	177,567
Equity	23,475	26,058
Total	**189,920**	**216,480**

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 and provide additional security to other lenders to improve borrowing terms. In order to fund the origination of finance receivables and grow the finance receivable portfolio, the Company attempts to optimize the financial leverage available through loan securitization, unsecured debentures or issuance of common shares.

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. The ratios and conditions deal consider leverage, portfolio performance, and capacity to act as servicer. All financial ratios and tests have been met as at March 31, 2021. 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, a renewal of the impacted facility was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility and all other facilities.

The Company primarily 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 legal 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.

22. 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).

Financial Instrument Classification	Fair value level		March 31, 2021 Carrying value	March 31, 2021 Fair value	March 31, 2020 Carrying value	March 31, 2020 Fair value
($, 000's)						
Assets measured at amortized cost:						
Cash	(1)		10,925	10,925	6,039	6,039
Finance receivables - net	(3)	(A)	187,363	187,556	217,326	217,326
Other receivables	(1)		105	105	154	154
Liabilities measured at amortized cost:						
Bank borrowings	(1)		2	2	1,384	1,412
Unsecured debentures	(2)	(B)	10,144	9,605	11,471	11,698
Securitization debt	(3)	(C)	156,299	160,524	177,567	181,130

A) The fair value of finance receivables is estimated by discounting the estimated future cash flows of the portfolio at rates commensurate with the underlying risk of assets, net of a provision for impaired loans, provision for prepayment losses, and servicing costs. Rifco revised the fair value calculation of its receivables as at March 31, 2020 consistent with the implied market value, after considering transaction costs and other relevant factors of the offer by CanCap Management Inc. (CanCap) (note 24). As at March 31, 2021, Rifco calculated the fair value of its finance receivables using the current discounted cash flow calculations after considering the potential impact of COVID-19 on future 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, 2020			
Finance receivables	145,907	83,052	228,959
Percentage of finance receivables	64%	36%	100%
At March 31, 2021			
Finance receivables	133,399	64,390	197,789
Percentage of finance receivables	67%	33%	100%

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. While current resale values are strong, this could change.

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, 2021, 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	69,904	65,005	163,305	298,214

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.

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 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, 2020 – $0.00M) for the reporting year based on a combined gross borrowing balance of $0.00M as at March 31, 2021 (March 31, 2020 – $1.41M).

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.

23. Commitments

The Company is responsible for various software hosting commitments of various durations. The payment schedules are as follows:

	Less than one year	1 to 3 years	4 to 5 years	Over 5 years	Total
($, 000's)					
Software commitment	348	47	-	-	395

24. Strategic Review

On February 3, 2020 Rifco Inc. announced that they had entered into a definitive arrangement agreement pursuant to which CanCap Management Inc. (CanCap) 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 cast 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 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 alleged that what it described as "recent events" constituted a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser communicated that it did not intend to close the Arrangement.

Rifco subsequently filed a Statement of Claim that named both ACC Holdings Inc. (ACC) and CanCap as a defendant, and asserted 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 sought specific performance of the Arrangement Agreement as a remedy.

CanCap filed a Statement of Claim that sought an amount of “no less than” $1 million as an “Expense Reimbursement Payment” as a result of what the Purchaser said 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 said constituted a “Material Adverse Effect” on Rifco.

The parties entered into a full and final mutual release and settlement agreement dated July 29, 2020, whereby the parties have, inter alia, released each other from all claims in connection with the Arrangement Agreement in exchange for a payment by CanCap and ACC Holdings Inc. of an aggregate of $1.5M (the “Settlement Amount”) to Rifco. The Settlement Amount was paid to Rifco on July 30, 2020. The income was netted against the strategic review process expenses.

25. COVID-19 Response

The outbreak of COVID-19 and associated lock-downs and government interventions are a continually 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. Current deferral levels are comparable to those seen prior to the pandemic.

Rifco has successfully funded tranches with all of its securitization relationships since March 31, 2020 suggesting current liquidity resources remain sound.

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. Subsequently, 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 and with all other facilities.

The lockdowns and supply chain impacts associated with the COVID-19 pandemic has significantly impacted automobile sales and inventory, which has impacted Rifco loan originations with the most noticeable impact beginning in April 2020. Current originations are approaching pre-pandemic levels.