easyhome Ltd.

2011 Annual Report

We've prepared for the future and **we're ready.**

We're ready

In 2011, *easyhome* helped 184,000 customers by providing access to household goods or financial services.

We worked hard to create opportunities for our customers to enhance the quality of their lives: whether it was by offering an affordable way to have an essential appliance or by making it easy to apply for – and get – a much needed loan.

We also worked hard to ensure that our business systems and processes can support sustainable growth, particularly for our high-growth financial services business.

Now we're ready for our next stage of growth.

Corporate Profile

easyhome Ltd. is a consumer focused organization that offers its customers alternatives that may not be available from other retailers or financial institutions.

easyhome is Canada's largest merchandise leasing company and the third largest in North America, offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. In addition, the Company offers a variety of financial services, including personal loans, prepaid cards and cheque cashing through its *easyfinancial Services* business.

Our Commitment

Everyone should be given the opportunity to enhance their home and lifestyle. We are the leader in helping people get exactly what they want for as long as they want.

Our Vision

Our Brand: We are North America's most affordable alternative payment store that provides a contemporary, customer-friendly environment for the leasing and financial services sectors.

Our People: We promote honesty, integrity, mutual respect and teamwork. We encourage our managers to be responsible for day-to-day decisions, including customer relationships, staffing, training, marketing and promoting transparency in all aspects of the business. We support thoughtful risk-taking, celebrate initiative and reward success.

Our Shareholders: We are an entrepreneurial company that is focused on growth. We consistently aim to grow revenues and profits by continuous expansion of our products and services.

Our Values

Integrity, Respect, Quality, Pride, and Enterprising

easyhome At-a-Glance

213
easyhome corporate stores

48
easyhome franchise stores*

88
easyfinancial locations

70,000
easyhome corporate customers

16,400
easyhome franchising customers*

23,800
easyfinancial customers

easyhome leases, with an option to purchase, brand name home entertainment products, computers, appliances and household furniture.

easyhome Leasing is an accessible, affordable and debt-free solution for consumers who are looking for alternatives.

easyhome Franchising was created to capitalize on the enormous potential for *easyhome* leasing in the United States, which is the largest merchandise leasing market in the world.

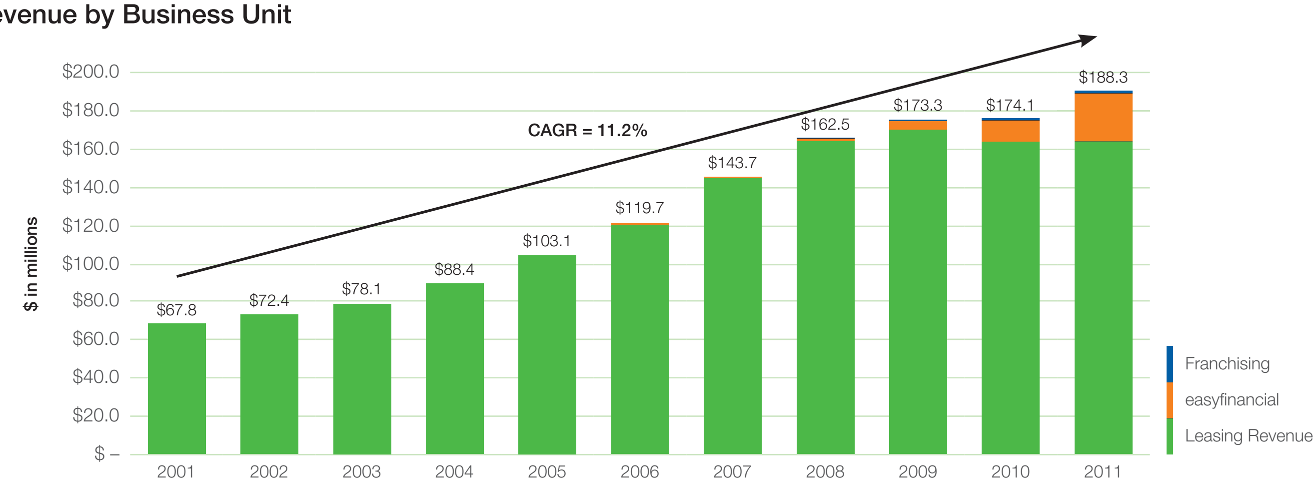
Growing through franchising allows *easyhome* to penetrate the market faster and with a lower capital investment.

easyfinancial Services provides personal loans as well as other value-added services such as cheque cashing and prepaid cards.

easyfinancial Services is a lending alternative. Its products are more affordable than payday loans and more accessible than traditional bank loans.

*Includes five franchise stores which are consolidated for financial statement purposes and whose financial results are included in the leasing segment.

Revenue by Business Unit



CAGR – Compound Annual Growth Rate
2001 to 2009 revenue stated on a Canadian GAAP basis. 2010 and 2011 revenue stated on an IFRS basis.

Highlights

Achieved 8.1% total revenue growth and 8.2% same store revenue growth

Achieved 8.7% growth in adjusted earnings

Grew *easyfinancial Services* consumer loans receivable portfolio by 100%

Completed infrastructure enhancements

Added 20 new *easyfinancial* locations including two stand-alone *easyfinancial* locations

Improved, and certified as to the effectiveness of, internal control processes as at December 31, 2011

Generated $39.8 million in operating cash flows

Total revenue growth

2011 target:	11-13%
2011 result:	8.1%
2012 target:	8-12%

New *easyfinancial* locations

2011 target:	20-25
2011 result:	20
2012 target:	15-20

New corporate leasing stores

2011 target:	1-2
2011 result:	2
2012 target:	1-2

New franchise stores

2011 target:	10-15
2011 result:	11
2012 target:	9-17

The achievement of these targets by the Company is predicated on a number of factors, including the availability of sufficient capital.

Financial Summary

(in $000s except per share amounts, employee counts and percentages)	2011	2010
Income statement		
Revenue	188,325	174,184
Operating income	15,267	9,710
Net income	9,612	6,072
Diluted earnings per share	0.81	0.58
Balance sheet		
Lease assets	66,996	67,692
Gross consumer loans receivable	47,565	23,800
Total assets	159,123	139,088
External debt	33,123	18,251
Shareholders' equity	97,542	91,511
Cash flow		
Net issuance of consumer loans receivable	29,398	16,872
Purchase of lease assets	48,614	47,130
Purchase of property and equipment and intangibles	5,584	6,226
Dividend payments	3,913	3,562
Key metrics: consolidated		
Adjusted[1] earnings	9,612	8,844
Adjusted[1] earnings per share	0.81	0.84
Operating margin (adjusted)[1]	8.1%	7.9%
Return on equity (adjusted)[1]	10.2%	10.4%
Same store revenue growth	8.2%	4.3%
Employees	1,259	1,191

[1]Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in the Management Discussion and Analysis.

Message to Shareholders

David Ingram
President and Chief Executive Officer

In 2011, our dedication to offering alternatives to traditional retail and financial services, combined with our intense focus on meeting the needs of our customers, generated revenues of $188.3 million; 8.1% ahead of last year.

If I had to choose one word to describe the past year, it would be “productive”. Although economic conditions were far from ideal, the entire *easyhome* team worked together with discipline and focus to grow *easyfinancial Services*, stabilize the leasing business and expand our U.S. franchise presence.

In particular, we made tremendous progress preparing *easyfinancial* for continued and sustainable growth. In five years, we developed our financial services business from three test kiosks to a nation-wide operation with 88 locations. Although we made changes along the way, we knew it was time to invest in a more robust infrastructure that would support ongoing growth while managing risk.

We began the year with the implementation of a new loan application management system. The system, which was developed in partnership with an international consumer credit reporting agency, is a central part of our enhanced risk management and internal control program.

The momentum continued as we strengthened every aspect of the *easyfinancial* business, improving our infrastructure and calibrating it to function on a larger scale. To advance this effort, we invested a substantial amount of time and money during the year.

If I had to choose one word to describe the past year, it would be "productive". Although economic conditions were far from ideal, the entire *easyhome* team worked together with discipline and focus to grow *easyfinancial Services*, stabilize the leasing business and expand our U.S. franchise presence.

We re-engineered many of our business processes, centralized key operations, modified our training procedures and advanced our recruiting methods. The changes we made were wide-ranging and significant, reaching deep within our organization. These enhancements will continue into 2012 as we work towards implementing a new financial services information technology platform.

As part of our improvements to *easyfinancial*, but extending to the entire business, we continued to develop the company's risk management function. We now have a dedicated risk management team that is focused on managing all aspects of corporate risk, particularly credit risk within *easyfinancial*. The risk management team is independent of operational management and is dedicated to ensuring that corporate policies and best practices are adhered to at all of our operating locations as well as focusing on business risk analytics.

Readying *easyhome* for the future also meant enhancing our internal controls over financial reporting. This required a tremendous effort by many individuals. More than a regulatory compliance exercise, this was an opportunity to assess and improve our processes to ensure the business is sustainable for the long term.

While we invested for the future, we didn't neglect the "now". We increased *easyfinancial's* consumer loan book, opened our first two stand-alone *easyfinancial* branches, improved the year-over-year performance of our corporate leasing portfolio and enlarged our franchising network.

Financially, this meant that we increased revenues by 8.1% from $174.2 million in 2010 to $188.3 million in 2011. On a same-store basis, including *easyfinancial*, revenues improved 8.2%.

On a segmented basis, *easyfinancial Services* increased revenues from $10.8 million to $24.5 million. The improvement is a result of the 100% increase in the gross consumer loans receivable portfolio from $23.8 million to $47.6 million. The Company's leasing operations recorded a modest increase in revenues from $162.2 million to $162.5 million. Franchising contributed revenues of $1.4 million, up 24.5% compared with $1.1 million last year.

Operating expenses, excluding depreciation and amortization, increased by 10.2%. This increase in costs is attributable to three key items.

First, costs increased due to the greater number of *easyfinancial* locations and franchise stores that are consolidated for financial reporting purposes. When new locations are opened, there is initially a negative drag on earnings until sufficient revenues are achieved to overcome a relatively fixed cost base.

Second, we increased advertising expenditures for the leasing business to reverse the trend of a declining lease portfolio and position the business for future growth.

Message to Shareholders

Finally, we invested in an enhanced corporate infrastructure which will support the long term sustainable growth of the business.

Net income increased to $9.6 million, or 81 cents per share in 2011, from $6.1 million or 58 cents per share in 2010. On a normalized basis, net income adjusted for unusual and non-recurring items was $9.6 million, or 81 cents per share in 2011 compared with $8.8 million or 84 cents per share in 2010.

The Company continued to improve its capital position during the year. Cash provided by operating activities was $39.8 million. Additionally, the Company increased the size of its revolving credit facility by $5.0 million during the year, completely repaid its term debt and transitioned from one lending partner to a syndicate of three Canadian banks.

We're Ready

After a year of investing in our infrastructure, we're ready for sustainable growth. We're ready to make the most of the opportunities that we see for our businesses. We're ready to continue to increase value for our shareholders.

easyfinancial Services is our highest growth business segment. To finance its continued growth, we plan to secure an additional $20 million to $30 million in debt financing. Once this additional financing is put in place, we expect to open 15-20 new *easyfinancial* locations during 2012 and grow our loan portfolio significantly. Many of these locations will be stand-alone branches, a concept that was tested during 2011 to great success.

easyhome leasing remains a strong generator of cash flow. In 2012, we plan to concentrate on increasing our customer base and the amount of each rental agreement by investing in proven and measurable initiatives. We expect to deliver modest revenue growth in 2012.

easyhome's franchising business is growing steadily, albeit slowly, and it delivers a strong return on investment. Our biggest success is the Be-A-Contender campaign, a program designed to find the best operators and assist them in becoming franchise owners by providing start-up financing. We now have six stores operated by Be-A-Contender franchisees. During the next year we plan to open 4-7 new Be-A-Contender franchises, along with 5-10 new other franchises.

2012 will be purely about executing the plan we have in place. And, importantly, we will do this while carefully monitoring economic indicators. The economic outlook for 2012 remains uncertain. The economy of the United States remains unsettled, while Canada is forecast to experience only modest growth in 2012. Consumer confidence and job growth remains soft. Moreover, energy and food costs take an increasing bite out of consumers' disposable incomes. However, we feel that our products and services address consumers needs in just such an environment.

Although the economy is a concern, we are confident in our businesses, in our strategies, and in our team. While many retailers are reporting declining sales and store closures, we've grown and we've confidently invested in the future. We believe in what we're doing and how we're doing it, and in our ability to build long-term value for shareholders.

Our team – from the Board of Directors to our front-line personnel – has pulled together and worked hard to prepare for the next stage of our growth. I extend my thanks to each and every one. I look forward to 2012 with enthusiasm, determination, and a strong commitment to *easyhome* and its investors.

David Ingram
President and Chief Executive Officer

March 6, 2012

$188.3M
Revenue

8.1%
Revenue Growth

$9.6M
Net Income

$0.81
Diluted Earnings Per Share

$39.8M
Cash Flow from Operating Activities

20→88

New Locations Total Locations

100%

Growth in Gross Consumer Loans Receivables

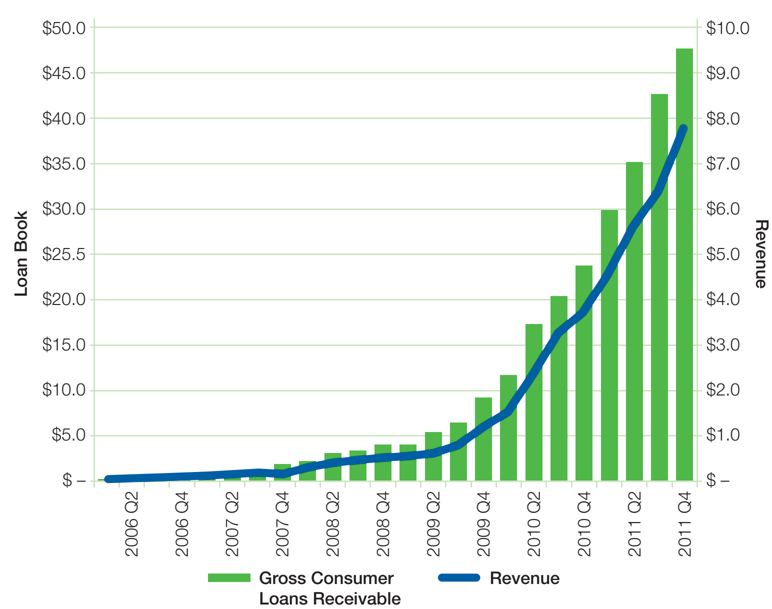
easyfinancial Services achieved robust growth in 2011, increasing revenues 126% and adding 20 new locations, including two stand-alone branches. We grew our gross consumer loans receivable from $23.8 million to $47.6 million while managing bad debt within our expectations.

easyfinancial Services' performance validates our niche market positioning as an alternative lender. Filling the void between traditional bank products and payday loans, we meet customer needs for accessibility, flexibility, and affordability.

To ensure that the business is ready for long-term sustainable growth, we made significant investments in the infrastructure of *easyfinancial Services* during the year.

Early in the year, we implemented an electronic automated loan decision-making tool, developed in partnership with an international consumer credit reporting agency, and which combines credit bureau data with the information supplied by prospective customers. Our loan approval process is now centralized rather than administered by individual branches.

***easyfinancial* Performance ($ in Millions)**



We also made significant improvements to our operating infrastructure, re-engineered many of our business processes, developed a centralized operations team, and created a centralized credit and collections unit. Centralizing many of our basic functions not only added a level of internal control, it allowed us to become more efficient and reduced our in-store labour costs.

We made fundamental enhancements to our risk management capabilities, focusing on further developing our risk management expertise. As part of this, we invested in credit risk analysis to enhance our understanding of our customer demographic, and as a result, we were able to refine our loan decision methodology to reduce long-term bad debt expense. We also implemented new controls and processes to monitor the business from a risk management perspective.

While the focus during 2011 was on creating a stronger infrastructure that could support accelerated growth, we also opened 20 new locations, expanded our product offering, and developed our human capital.

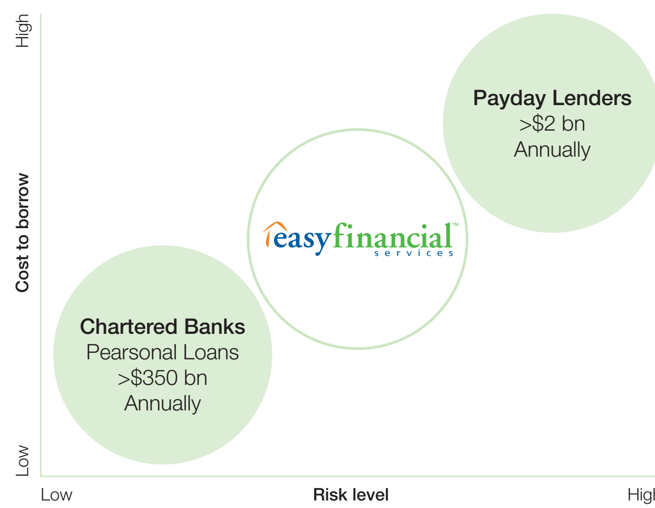
Among our new locations are two stand-alone branches. For the first time, we developed a retail branch outside of our *easyhome* stores. These locations, in Toronto, Ontario and Saint John, New Brunswick have surpassed expectations, showing solid growth potential. As a result of the success of these branches, we will continue to pursue stand-alone locations as a distribution channel.

In addition, and in response to customer interest, we now offer a loan of up to $5,000 for existing customers with whom we have a strong credit history.

To support our anticipated growth, we enhanced our management team. We also enhanced training processes for all positions, creating new instruction material and formalizing our branch manager training program.

For 2012, we will deploy a new loan software system. The new system, which was developed and is fully hosted and supported by a recognized financial system implementation leader, will complete the infrastructure enhancements put in place during 2011.

Canadian Financial Services Sector



easyfinancial Key Metrics

(in $000's except store count and percentages)	2011	2010	% Change
Revenue	$24,463	$10,824	126.0%
Operating income	$6,167	$184	3,251.6%
Operating margin	25.2%	1.7%	23.5%
Gross consumer loans receivable	$47,565	$23,800	100.0%
easyfinancial locations	88	68	29.4%
Bad debt as a percentage of *easyfinancial* revenue (adjusted)[1]	25.7%	28.5%	-2.8%

[1]Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in the Management Discussion and Analysis.

easyhome Leasing

easyhome's leasing operations are the core of our business and remain the largest contributor to revenue. Leasing generated revenues of $162.5 million in 2011. We served 71,819 active customers and increased the number of units delivered by 6.6% compared with 2010.

The lease portfolio, as measured by potential monthly lease revenue, improved by $0.1 million in 2011. Excluding the impact of the sale or closure of corporate stores, potential monthly lease revenue grew by $0.6 million. This growth was driven by strong performance in key product categories. We increased deliveries by 6.7% in the furniture category, outperforming traditional retailers. Appliances improved by 9.4% compared with the previous year, surpassing the general retail market. In the computer category, tablets are enormously popular. We had 5,000 tablets on lease at the end of 2011 compared with 120 at the end of 2010. Unit deliveries in the computer category, which includes tablets, increased by 8.8%.

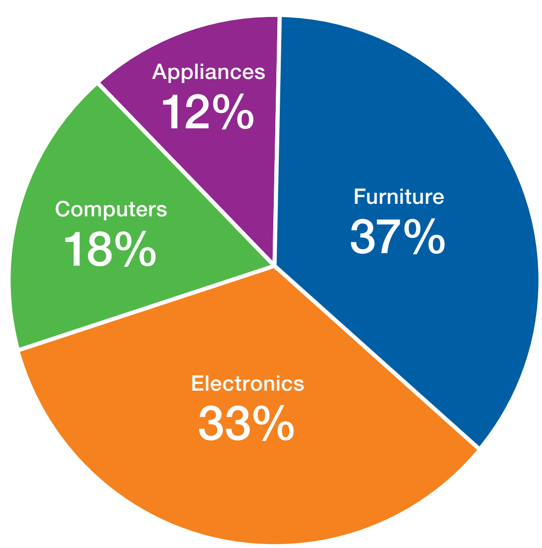
After a decade of substantial growth, leasing is now in the mature stage of the business cycle and, as a result, our focus is on enhancing profitability.

To achieve this, we will concentrate on increasing the number of customers and improving the bottom line within our existing footprint. We will grow by investing in proven and measurable initiatives. Mass media investment will be focused on flyers, and we will increase by 72 percent the volume of our direct mail program to reach new and former customers. We will maintain a heightened focus on increasing the average value of each agreement through product mix, bundling and price management.

Cost containment measures are an essential component of improving profitability, particularly in a mature business.

We see opportunities for savings by refining staffing levels within our stores to ensure we have the right complement of associates – enough to offer great customer service, but not so many that we are burdened with unnecessary costs. During 2012 we will control staffing costs through employee retention programs to maintain a strong core of dedicated employees and develop future managers. We will also continue to review underperforming locations, developing detailed remediation programs and possibly closing or merging stores, where appropriate, in order to enhance profitability.

2011 *easyhome* Leasing Revenues by Product Category



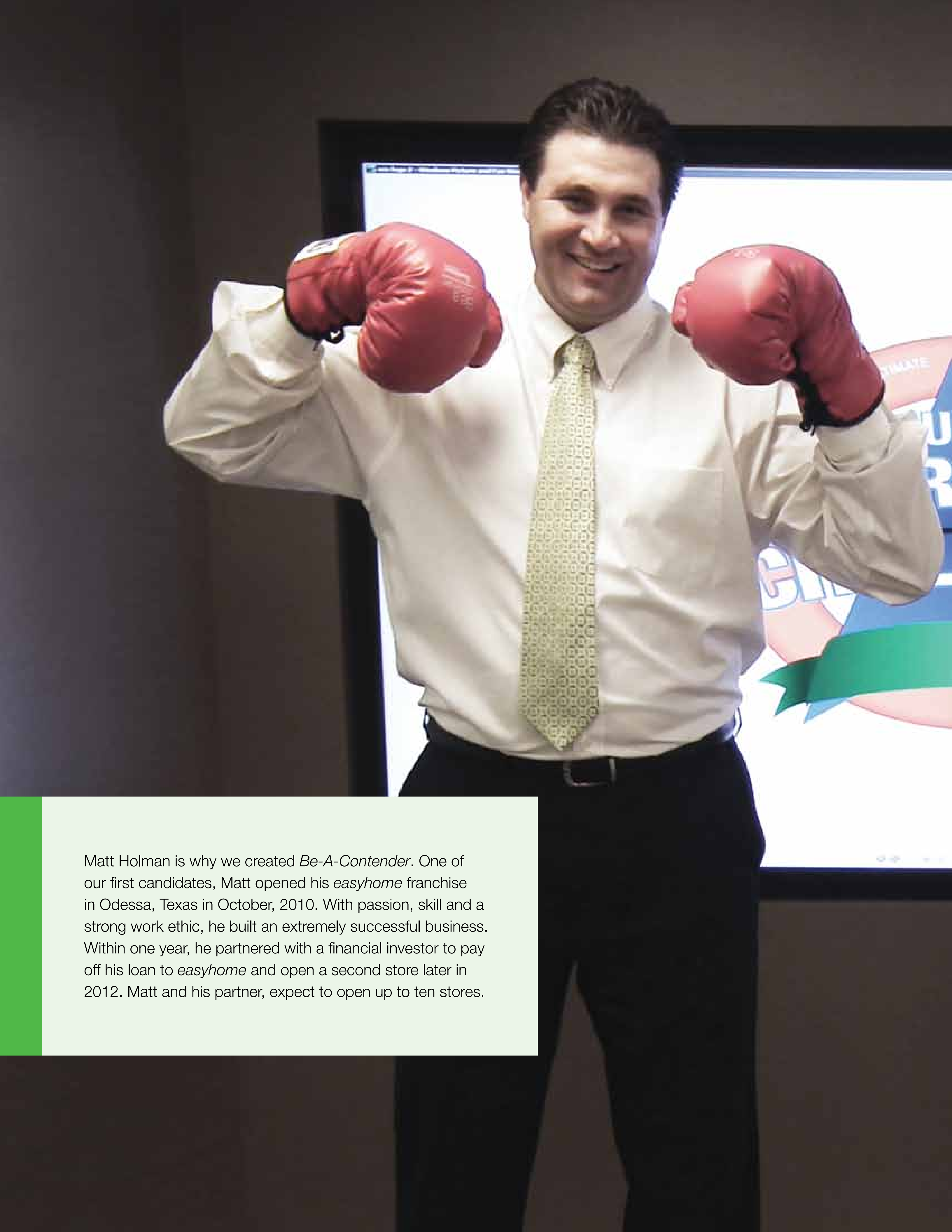
Leasing Metrics

(in $000's except store count, units/customer count and percentages)	2011	2010	% Change
Revenue	$162,464	$162,237	0.1%
Operating income	$24,291	$24,205	0.4%
Operating margin	14.9%	14.9%	0.0%
Units on lease	208,727	202,020	3.3%
Potential monthly lease revenue	$11,694	$11,600	0.8%
Customers	71,819	75,024	-4.3%
Store count	218	222	-1.8%

Includes results of corporate stores and franchise locations that are consolidated for financial statement purposes under IFRS.

easyhome Leasing Portfolio (Potential Monthly Lease Revenue)

Potential monthly lease revenue reflects the revenue that our portfolio of leased merchandise would generate in a month providing we collected all lease payments due in that period, as at December 31.



Matt Holman is why we created *Be-A-Contender*. One of our first candidates, Matt opened his *easyhome* franchise in Odessa, Texas in October, 2010. With passion, skill and a strong work ethic, he built an extremely successful business. Within one year, he partnered with a financial investor to pay off his loan to *easyhome* and open a second store later in 2012. Matt and his partner, expect to open up to ten stores.

easyhome Franchising

Our franchising segment delivered increased profitability in 2011 along with an expanded store count. Franchise store system-wide revenue was $24.5 million, a 50% increase over 2010. Franchising revenues for the year were $1.4 million, a 24% increase over 2010.

The highlight of our franchising business unit is the Be-A-Contender program. This program, which was designed to attract experienced and motivated operators, has been an overwhelming success. It is clear that this is a winning formula for both *easyhome* and the successful candidates. We investigate, scrutinize and engage top-quality operators who are expected to become multiple location owners, while our successful candidates receive a financing package and the opportunity to manage their own business.

The stores of our first successful applicants have been in operation for more than one year now, and all are performing above expectations. Second-phase franchisees launched their stores late in 2011 and early in 2012. Their growth profile has also exceeded expectations and is in line with the first group of Be-A-Contender franchisees. The third Be-A-Contender program, which was launched in October 2011, attracted many excellent candidates. By late 2012, we will have opened 10-13 Be-A-Contender locations.

Once we have franchises in place, a key element is providing support. Early in 2011, we formed a Franchise Advisory Council that meets regularly to discuss issues of concern to franchisees and to engage *easyhome* management in ongoing dialogue. This past year, the members of the Council were able to attend *easyhome's* annual conference which is held for all location managers. It was a valuable opportunity to share best practices as well as engage in training, communicate with vendors and participate in team-building experiences.

Another aspect of support is employee training. During the year, we developed new United States-specific training materials that will both enhance the education experience and reduce travel costs.

In 2012, we will continue to improve the support and guidance we offer to franchisees, to create performance measurements to help franchisees optimize performance, and to refine our sales strategy to attract investors and operators.

Franchising Metrics

(in $000's except store count and percentages)	2011	2010	% Change
Revenue[1]	$1,398	$1,123	24.5%
Operating income[1]	$739	$667	10.8%
Operating margin[1]	52.9%	59.4%	-6.5%
Franchise system wide revenue[1]	$24,466	$16,293	50.2%
Store count[2]	48	39	23.1%

[1]Information relates to all franchisees except those franchisees consolidated for financial statement purposes.
[2]Information relates to all franchisees including those franchisees consolidated for financial statement purposes.

Message from the Chairman

Donald K. Johnson
Chairman of the Board

On behalf of my fellow directors, I am pleased to report that in 2011 *easyhome* served the interests of shareholders with diligence, integrity, and a clear understanding of what is required to build a stable and sustainable business.

The Board of Directors provided oversight and guidance as *easyhome's* management made significant improvements to the infrastructure of the *easyfinancial Services* business, supported the leasing operation, and expanded its franchising network.

I am confident that, as a result of these efforts and its solid long-term business strategy, *easyhome* is well-positioned to grow value for shareholders.

The mandate of *easyhome's* Board of Directors is to represent the interests of all the Company's stakeholders, including shareholders, customers and employees, by practicing the highest standards of corporate governance. The Board of Directors is comprised of six individuals who contribute their experience and expertise in a number of key areas, including merchandise leasing, franchising, financial services, real estate and corporate governance. Of these, five are considered to be independent.

I invite you to read more about our corporate governance practices in the Company's Management Information Circular which is available on the System for Electronic Document Analysis and Retrieval at *www.sedar.com* and on the Company's website at *www.easyhome.ca*.

In closing, I would like to welcome two new Directors to our Board. Early in 2012, Sean Morrison and David Thomson joined our Board. Sean is managing partner of Maxam Capital, one of our largest shareholders, and David Thomson, is a corporate director with over 30 years experience in real estate management.

The Board is clearly aligned regarding the direction of the Company. I believe that we are on the right path, and that under the dedicated leadership of management and the Board, *easyhome* will achieve its goals and grow shareholder value.

Donald K. Johnson
Chairman of the Board

March 6, 2012

Management's Discussion and Analysis of Financial Conditions and Results of Operations

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Management's Discussion and Analysis of Financial Conditions and Results of Operations

Date: March 6, 2012

The following Management's Discussion and Analysis ["MD&A"] presents an analysis of the financial condition of *easyhome* Ltd. and its subsidiaries as at December 31, 2011 compared to December 31, 2010, and the results of operations for the three month period and year ended December 31, 2011 compared with the corresponding period of 2010. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in Canadian dollars unless otherwise indicated.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors and of the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discuss these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filing with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.*easyhome*.ca.

Caution Regarding Forward Looking Statements

This MD&A includes forward-looking statements about *easyhome* Ltd. including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenue, earnings or growth rates), ongoing business strategies or prospects about future events is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us, due to, but not limited to important factors such as our ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to our customers at a competitive rate, cope with changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance our system of internal controls. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless otherwise required by law.

Overview of the Business

easyhome Ltd. ["*easyhome*" or the "Company"] is the largest merchandise leasing company in Canada and the third largest in North America with 261 store locations (including 48 franchised / licensed locations) as of December 31, 2011. *easyhome* leases, with or without an option to purchase, brand name furniture, appliances, home electronics and computers. The brands we offer include Ashley, Dynasty, Eztia furniture and Serta mattresses, Samsung and Whirlpool appliances, Sony, Samsung, LG and Toshiba home electronics as well as Dell, HP, Acer and Toshiba computers.

Through our stores we offer our customers lease agreements which enable them to obtain products they may not otherwise be able to have as a result of being either cash or credit constrained. Our stores also provide lease programs for those customers who wish to lease merchandise on a short-term basis, or try the product before they make a purchase decision. We commenced operations in 1990 and currently operate corporate stores in all provinces in Canada as well as in the state of New York in the U.S. Through various franchise and license agreements, we operate franchise stores in three provinces in Canada and nine states in the U.S.

Beyond our merchandise leasing business and through *easyfinancial Services* ["*easyfinancial*"], we also offer our customers 6 to 36 month term loans, in the range of $500 to $5,000, and other financial services such as cheque cashing and prepaid cards. The services offered by *easyfinancial* bridge the gap between traditional financial institutions and payday lenders, providing a realistic alternative for many of our customers. *easyfinancial* commenced operations in 2006 and operates 88 locations in 9 provinces in Canada, including two stand-alone *easyfinancial* locations and one national loan office as of December 31, 2011.

Corporate Strategy & Outlook

The Company's long-term business objectives have three key elements, in order of strategic impact:

- growing *easyfinancial*
- enhancing store profitability within our leasing business
- expanding the U.S. franchise network

Growing *easyfinancial*

easyfinancial is a lending alternative that fills a large void in the financial services market. Its products are more affordable than pay day loans while being more accessible and flexible than bank products, thus serving a customer segment that seeks alternative sources of credit. *easyfinancial* posted exceptional growth in 2011, opening 20 locations and growing its gross loan portfolio from $23.8 million as at December 31, 2010 to $47.6 million as at December 31, 2011.

Since its inception in 2006, *easyfinancial* has grown from a small but promising initiative to a substantial enterprise. During 2010 and 2011, the Company established a more robust support structure for *easyfinancial* and enhanced controls and risk management capabilities to facilitate sustainable growth into the future. These included a new management team with a greater depth of financial services experience, the establishment of a centralized operational support team and enhanced training. The Company also hired a Vice President of Risk Management and added field auditors and regional management oversight. With the augmented systems, policies, procedures and management, risk management is becoming a core competency of the Company.

Also during 2011 the Company implemented a new electronic automated loan decisioning and ID verification tool, partnering with a recognized global leader in credit and information technology. The Company continued to upgrade the current loan application software utilized by *easyfinancial* to improve the monitoring of key performance indicators and establish stronger authentication controls. The project to replace and upgrade the core loan software system is well underway and the new system will be implemented in 2012.

The Company believes that there is significant demand for the products offered by *easyfinancial* in the Canadian marketplace. Moreover, this demand is not being sufficiently met by the participants in the industry. We are responding to this opportunity by responsibly growing *easyfinancial*, both by expanding the size of the consumer loans receivable portfolio at our existing locations and by strategically adding new kiosks and stand alone locations.

Enhancing Store Profitability Within Our Leasing Business

During the period spanning 2000 to 2009 the Company significantly increased the number of stores, lease portfolio and customer base; achieving a dominant position in the Canadian merchandise leasing industry. The Company also increased its geographic reach by opening corporate stores in New York State. The focus of the leasing business has been and continues to be on enhancing profitability in a challenging retail environment. There are a number of strategies the Company pursues to enhance operational profitability including:

Expand The Customer Base

Within our existing store network, the Company is focused on expanding brand awareness, increasing its customer base and winning back former customers. The Company employs proven mass media channels, refined creative advertising and promotion and one on one customer acquisition marketing channels, all of which maintain strong discipline to brand identity and our differentiation in the market place with the objective of driving new customer traffic through our stores and expanding the customer base. New methods of customer interactions such as social media are tested. The Company is also targeting former customers and providing incentives to win back those customers.

The Company believes that the products presented to new customers are clearly differentiated from its competitors. To meet changing customer needs, the Company utilizes merchandise lease agreements that result in a competitive lease rate and the Total Protection Coverage Policy that offers the ability to return the product at any time without further cost or obligation and also includes delivery, set-up, installation and pick-up. The Company believes it is positioned to its brand promise of North Americas Lowest Payment Guarantee. The Company also believes it offers more attractive store showrooms, a wider selection of higher-quality merchandise and a more positive shopping experience than its competitors.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Most customers make their payments in person and the Company uses these frequent visits to strengthen customer relationships and make customers feel welcome in its stores. These frequent and positive customer interactions encourage merchandise leases and repeat business and provide high levels of service and satisfaction. As part of its attempt to provide superior customer service, the Company offers quick delivery of leased or rented merchandise, in many cases within the same or next day. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has intensive employee training programs, as well as performance measurement programs, incentive driven compensation plans and other tools, in order to drive a positive customer experience and ensure customer retention.

Increase Store Level Efficiency

The Company believes that the retail environment will continue to be challenging in the near term. Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also aggressively manage all discretionary spending. Supplier relationships and economies of scale will be leveraged to reduce the overall cost of our inventory purchases. Idle inventory levels within our stores will be maintained at optimum levels, balancing the need to provide our customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, especially labour, will be tightly controlled through centrally established thresholds, allowing spending to occur only when it will result in improved revenues. Finally, the Company continues to focus operational improvement methodologies on underperforming locations. Decisions are made to improve performance or exit the location by means of closure or converting the store to a franchise location.

Expanding the U.S. Franchise Network

The Company believes that the U.S. market place provides an attractive opportunity. It is estimated to be a U.S. $6 billion market that is highly fragmented, with approximately half the market served by small, independent operators. American consumers have a good understanding of merchandise leasing options and *easyhome* provides an attractive alternative to what is currently available in the marketplace.

easyhome plans to grow in the U.S. marketplace through franchise stores, utilizing the skills developed in the Canadian operations and the strength and industry knowledge of the Master Franchisor, easygates, LLC. The Company believes that growing through franchising in the U.S. market, strikes a balance between exploring a significant growth opportunity while maximizing the return on capital.

easyhome's U.S. franchising business grew from 29 stores at December 31, 2010 to 34 stores at December 31, 2011. While the Company was pleased with the performance of existing franchisees, the weak U.S. economy and challenging lending environment continued to impede the growth in new franchise locations in 2011.

The growth of *easyhome*'s U.S. franchising business in 2011 was led by the Be-A-Contender program. The program is designed to identify and attract top quality operators and offers them the opportunity to receive financing from *easyhome* for the setup of a franchise store. Candidates submitted comprehensive business plans and underwent a rigorous screening process. As at December 31, 2011 there were 6 Be-A-Contender franchise locations; all of which have performed beyond expectations.

Store Locations Summary

	Locations as at September 30, 2011	Locations opened / closed during quarter	Franchise /SPE Conversions	Locations as at December 31, 2011
Corporate Stores				
Canada	202	(2)	(3)	**197**
U.S.	16	–	–	**16**
Franchise Locations				
Canada	11	–	3	**14**
U.S.	28	–	1	**29**
SPE franchise locations (included in consolidated results)	4	2	(1)	**5**
Total Stores	261	–	–	**261**
easyfinancial				
Kiosks (in store)	77	8	–	**85**
Stand-alone locations	2	–	–	**2**
Virtual kiosk	1	–	–	**1**
Total *easyfinancial* Locations	80	8	–	**88**

During the most recent quarter, three Canadian corporate stores were converted to franchise locations, and two Canadian corporate stores were closed. The Company opened eight *easyfinancial* kiosks at existing *easyhome* stores. Also during the quarter, one SPE franchise location ("SPE" franchise locations are franchise operations where control is achieved on a basis other than through ownership of a majority of voting rights and which are included in the Company's consolidated results) in the U.S. was converted to a franchise store while two additional SPE franchise location were opened.

	Locations as at December 31, 2010	Locations opened / closed during 2011	Franchise Conversions	Locations as at December 31, 2011
Corporate Stores				
Canada	203	(2)	(4)	**197**
U.S.	14	1	1	**16**
Franchise Locations				
Canada	10	–	4	**14**
U.S.	25	3	1	**29**
SPE franchise locations (included in consolidated results)	4	3	(2)	**5**
Total Stores	256	5	–	**261**
easyfinancial				
Kiosks (in store)	67	18	–	**85**
Stand-alone locations	–	2	–	**2**
Virtual kiosk	1	–	–	**1**
Total *easyfinancial* Locations	68	20	–	**88**

Year to date, the Company has opened 18 *easyfinancial* kiosks within *easyhome* stores and two stand-alone locations, while continuing to focus on enhancing its internal controls and processes to allow for sustainable growth. Additionally, the Company has opened three new U.S. franchise locations, three SPE franchise locations which are consolidated for financial statement purposes, one U.S. SPE franchise location converted to a U.S. franchise store, one SPE franchise location converted to a U.S. corporate store and one new U.S. corporate store opened. Also, four Canadian corporate stores were converted into franchise locations and two Canadian corporate stores were closed.

Fourth Quarter and Full Year Highlights

- Net income for the current quarter was $2.6 million which compares with a loss of $0.4 million in the fourth quarter of 2010 or net income of $1.3 million in the fourth quarter of 2010 after adjusting for unusual items, specifically the costs associated with the forensic investigation necessitated by the 2010 employee fraud. After adjusting for unusual items, this performance represents an improvement of $1.3 million. Earnings per share for the quarter was $0.22 compared with $0.13 in the fourth quarter of 2010 after adjusting for unusual items.
- The consumer loans receivable portfolio at *easyfinancial* continues to grow. The gross consumer loans receivable at December 31, 2011 was $47.6 million compared to $23.8 million and December 31, 2010 and $9.3 million at December 31, 2009. During the fourth quarter of 2011 alone, the loan portfolio grew by $4.9 million or 11.4%. The *easyfinancial* network also expanded in the quarter, adding an additional eight locations.
- One of the key focuses for the Company during 2011 was strengthening the infrastructure so that the business was positioned for long term sustainable growth, particularly at *easyfinancial*. To advance this effort, we invested a substantial amount of time and money during the year. We re-engineered many of our business processes, centralized key operations, modified our training procedures and advanced our recruiting methods. We also continued to develop the Company's risk management function. From a modest structure at the beginning of the year, we now have a dedicated risk management team that is focused on managing all aspects of corporate risk, especially credit risk within *easyfinancial*. Finally, we enhanced our internal controls over financial reporting during the year. We took significant steps to address gaps and weaknesses and, for the first time in several years, our CEO and CFO are able to certify on the effectiveness of our internal controls over financial reporting.
- During the first quarter of 2011, the Company completed its transition from Canadian generally accepted accounting principles ["CGAAP"] to IFRS. The Company's consolidated financial statements for the year ended December 31, 2011, contain an analysis of this conversion, including the impacts on the previously reported fiscal periods that were originally reported under CGAAP.
- *easyhome* continued to show strong revenue increases during the fourth quarter of 2011. Revenue for the quarter increased to $49.3 million from $45.1 million in the fourth quarter of 2010, an increase of $4.2 million or 9.4%. The growth was driven primarily by the expansion of *easyfinancial* and its loan portfolio. Revenue for *easyfinancial* increased by $4.1 million compared to the fourth quarter of 2010. Total revenue for the year ended December 31, 2011 increased by 8.1% to $188.3 million compared to last year. Same store revenue growth, which includes revenue growth from *easyfinancial*, was 9.3% and 8.2% for the quarter and year ended December 31, 2011, respectively. Excluding the impact of *easyfinancial*, same store revenue growth was 0.1% and 0.2% for the quarter and year ended December 31, 2011, respectively.
- Continuing with the strong lease portfolio growth reported for the third quarter, the lease portfolio, as measured by potential monthly lease revenue, grew by $0.6 million in the fourth quarter of 2011 after adjusting for the impact of stores closed or sold to franchisees. This is consistent with the portfolio growth realized in the fourth quarter of 2010. On a full year basis for 2011, the lease portfolio grew by $0.1 million compared to a decline of $0.1 million in 2010.

- Annual operating expenses excluding depreciation, amortization increased from $110.3 million for 2010 to $121.6 million for 2011, an increase of $11.3 million, or an increase of $14.4 million in restructuring and other charges are excluded. The year-over-year growth of the *easyfinancial* network and the strengthening of its management team contributed $7.5 million to this increase, which is more than offset by the increased revenue. Costs related to the franchise locations which are consolidated for financial statement purposes, and which were only open for a portion of the comparable period of 2010, contributed $2.0 million of increased costs. Advertising expenditures for the leasing business were increased by $0.8 million to reverse the trend of a declining lease portfolio and position the leasing business for strong anticipated revenue growth in subsequent quarters. Finally, $3.7 million of the increase in operating costs related to the corporate office where the Company strengthened its management team, established an independent risk management function and addressed other gaps in its systems, processes and internal controls, which were necessary to position the business for long-term sustainable growth.
- The Company continued to generate strong cash flows. Cash flows provided by operating activities for the year ended December 31, 2011 were $39.8 million. Included in this $39.8 million is a net investment of $29.4 million to increase the *easyfinancial* loan portfolio. If this net investment in the *easyfinancial* loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $69.2 million. This cash flow enabled the Company to invest in the lease and loan portfolios to drive future growth, strengthen the management team and infrastructure to support sustainable growth and maintain its dividends for the year.

Outlook

In 2012, our strategic goals remain unchanged. We will continue to focus on growing *easyfinancial*, enhancing store profitability within our leasing business and expanding our U.S. franchise business. We believe that these areas will lead to continued revenue growth and improving profitability.

In 2012, we anticipate opening 1 to 2 new corporate stores.

We will continue to expand our U.S. presence through franchising. The Company will concentrate on selling franchisees in three ways, i) through our partnership with easygates, ii) through the Be-A-Contender program and iii) directly in northern border states. We plan to add a total of 4 to 7 new franchise locations that are consolidated for financial reporting purposes and 5 to 10 additional franchise locations.

Finally, we intend to add an additional 15 to 20 new *easyfinancial* locations and expand the loan book at existing kiosks during 2012.

The achievement of these targets by the Company is predicated on a number of factors, including the availability of sufficient capital.

We believe that the cash flow provided by operations during 2012, coupled with the available loan facility will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. The Company is able to achieve significant growth of its consumer loans receivable portfolio and the resulting revenue based on the amount of financing that is available. In order for the Company to achieve the full growth opportunities available, as contemplated in its Outlook, it will require additional sources of financing over and above the available loan facility. The Company is currently considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

Key Performance Indicators and Non-IFRS Measures

We measure the success of our strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discuss these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that we use throughout this discussion are defined as follows:

Same Store Revenue Growth

Same store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same store revenue growth is influenced by both the Company's product offerings, including *easyfinancial*'s product offerings, as well as the number of stores which have been open for a 12-36 month time frame as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		Year Ended	
	December 31, 2011	December 31, 2010[1]	December 31, 2011	December 31, 2010[1]
Same store revenue growth	**9.3%**	10.9%	**8.2%**	4.3%
Same store revenue growth excluding *easyfinancial*	**0.1%**	3.5%	**0.2%**	0.2%

[1]2010 same store revenue growth is based on Canadian GAAP.

Potential Monthly Lease Revenue

Potential monthly lease revenue reflects the revenue that our portfolio of leased merchandise would generate in a month providing we collected all lease payments due in that period. Our growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of our leased items. We believe that our potential monthly lease revenue is an important indicator of how revenue will change in future periods.

	Three Months Ended		Year Ended	
(in $000's)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Opening balance – Potential monthly lease revenue	**11,354**	10,996	**11,600**	11,688
Change due to store openings during the period	**63**	148	**199**	274
Change due to store closures or sales to franchisees during period	**(269)**	–	**(344)**	(104)
Change due to ongoing operations	**546**	456	**239**	(258)
Net change	**340**	604	**94**	(88)
Ending balance – Potential monthly lease revenue	**11,694**	11,600	**11,694**	11,600

Gross Consumer Loans Receivable

Gross consumer loans receivable reflects the period end balance the portfolio before provisioning for potential future charge offs. Our growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. We believe that our gross consumer loans receivable value is an important indicator of our *easyfinancial* business and of how revenue will grow in future periods.

	Three Months Ended		Year Ended	
(in $000's)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Gross consumer loans receivable	**47,565**	23,800	**47,565**	23,800
Growth in gross consumer loans receivable during period	**4,881**	3,443	**23,765**	14,549

Bad Debt Expense as Percentage of *easyfinancial* Revenue

Bad debt expense as a percentage of *easyfinancial* revenue reflects the collection performance of the *easyfinancial* loan portfolio. Bad debt expense includes actual write offs and the impact of the provision taken against the loan portfolio.

	Three Months Ended		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Bad debt expense as a percentage of *easyfinancial* revenue	**26.2%**	27.4%	**25.7%**	36.8%
Bad debt expense as a percentage of *easyfinancial* revenue (adjusted)[1]	**26.2%**	27.4%	**25.7%**	28.5%

[1]Adjusted for the impact of the employee fraud discovered in October 2010

Adjusted Operating Earnings, Adjusted Earnings, Adjusted Earnings Per Share

At various times, our operating income, net income and earnings per share may be affected by unusual items which have occurred in the period and which impact the comparability of these measures with other periods. Items are considered unusual if they are outside of the normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. We define i) adjusted operating earnings as operating income excluding such unusual and non-recurring items, ii) adjusted earnings as net income excluding such items and iii) adjusted earnings per share as earnings per share excluding such items. We believe that adjusted operating earnings, adjusted earnings and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items which can be used to adjust operating income, net income and earnings per share for the year ended December 31, 2011 and 2010 include those indicated in the chart below:

	Three Months Ended		Year Ended	
(in $000's except earnings per share)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Operating income as stated	**4,200**	(554)	**15,267**	9,710
Restructuring charge included in operating expenses[1]	–	–	–	641
Additional bad debts expense due to the employee fraud[2]	–	–	–	902
Fraud Investigation costs	–	2,428	–	2,428
Net unusual items	–	2,428	–	3,971
Adjusted operating earnings	**4,200**	1,874	**15,267**	13,681
Net income as stated	**2,616**	(366)	**9,612**	6,072
Restructuring charge included in operating expenses[1]	–	–	–	641
Additional bad debts expense due to the employee fraud[2]	–	–	–	902
Fraud Investigation costs		2,428		2,428
Tax impact of above items	–	(733)	–	(1,199)
Net unusual items	–	1,695	–	2,772
Adjusted earnings	**2,616**	1,329	**9,612**	8,844
Weighted average number of dilutive earnings per common share	**11,969**	10,618	**11,934**	10,518
Earnings per share as stated	**0.22**	(0.03)	**0.81**	0.58
Per share impact of unusual items	–	0.16	–	0.26
Adjusted earnings per share	**0.22**	0.13	**0.81**	0.84

[1]During the third quarter of 2009, the Company initiated a reorganization of its administrative facilities and certain functions. This restructuring was completed on September 30, 2010 and consolidated all administrative functions into one central location to promote efficient and effective activities. The total cost of this restructuring was $2.6 million of which $0.6 million was expensed in 2010.
[2]In October 2010, the Company discovered an employee fraud.

Operating Expenses Before Depreciation and Amortization

We define operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. We believe that operating expenses before depreciation and amortization are an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods. Items which can be used to adjust operating expenses before depreciation and amortization for the quarters and years ended December 31, 2011 and 2010 include those indicated in the chart below:

	Three Months Ended December 31,		
(in $000's except percentages)	2011	2010	2010 (adjusted)
Operating expenses before depreciation and amortization	**31,763**	31,673	31,673
Fraud investigation costs	–	–	(2,428)
Net unusual items	–	–	(2,428)
Operating expenses before depreciation and amortization	**31,763**	31,673	29,245
Divided by revenue	**49,292**	45,059	45,059
Operating expenses before depreciation and amortization as % of revenue	**64.4%**	70.3%	64.9%

	Year Ended December 31,		
(in $000's except percentages)	2011	2010	2010 (adjusted)
Operating expenses before depreciation and amortization	**121,592**	110,305	110,305
Restructuring charges included in operating expenses	–	–	(641)
Additional bad debts expense due to the employee fraud	–	–	(902)
Fraud investigation costs			(2,428)
Net unusual items	–	–	(3,971)
Operating expenses before depreciation and amortization	**121,592**	110,305	106,334
Divided by revenue	**188,325**	174,184	174,184
Operating expenses before depreciation and amortization as % of revenue	**64.6%**	63.3%	61.0%

Operating Margin

We define operating margin as operating income divided by revenue. We believe operating margin is an important measure of the profitability of operations which in turn assists us in assessing our ability to generate cash to pay interest on our debt and to pay dividends.

	Three Months Ended December 31,		
(in $000's except percentages)	2011	2010	2010 (adjusted)
Operating income	**4,200**	(554)	(554)
Fraud investigation costs			2,428
Net unusual items	–	–	2,428
Operating income	**4,200**	(554)	1,874
Divided by revenue	**49,292**	45,059	45,059
Operating margin	**8.5%**	(1.2%)	4.2%

	Year Ended December 31,		
(in $000's except percentages)	2011	2010	2010 (adjusted)
Operating income	**15,267**	9,710	9,710
Restructuring charges included in operating expenses	–	–	641
Additional bad debts expense due to the employee fraud	–	–	902
Fraud investigation costs			2,428
Net unusual items	–	–	3,971
Operating income	**15,267**	9,710	13,681
Divided by revenue	188,325	174,184	174,184
Operating margin	**8.1%**	5.6%	7.9%

Return on Equity

We define return on equity as annualized net income in the period divided by average shareholders' equity for the period. We believe return on equity is an important measure of how shareholders' invested capital is utilized in the business.

	Three Months Ended December 31,		
(in $000's except multiples and percentages)	2011	2010	2010 (adjusted)
Net income for the period	**2,616**	(366)	(366)
Fraud investigation costs	–	–	2,428
Tax impact of above items	–	–	(733)
Net unusual items	–	–	1,695
Net income for the period	**2,616**	(366)	1,329
Multiplied by number of periods in year	**X 4/1**	X 4/1	X 4/1
Divided by average shareholders' equity for the period	**96,910**	86,606	86,606
Return on equity	**10.8%**	**(1.7%)**	6.1%

	Year Ended December 31,		
(in $000's except multiples and percentages)	2011	2010	2010 (adjusted)
Net income for the period	**9,612**	6,072	6,072
Restructuring charges included in operating expenses	–	–	641
Additional bad debts expense due to the employee fraud	–	–	902
Fraud investigation costs			2,428
Tax impact of above items			(1,199)
Net unusual items	–	–	2,772
Net income for the period	**9,612**	6,072	8,844
Multiplied by number of periods in year	**X 4/4**	X 4/4	X 4/4
Divided by average shareholders' equity for the period	**94,527**	**84,828**	**84,828**
Return on equity	**10.2%**	**7.2%**	10.4%

Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Summary Financial Results

(in $000's except earnings per share, store counts and percentages)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Variance $ / # / %	Variance $ / # / %
Revenue				
Lease revenue	**159,072**	159,646	(574)	(0.4%)
Interest income	**15,719**	6,603	9,116	138.1%
Other	**13,534**	7,935	5,599	70.6%
	188,325	174,184	14,141	8.1%
Operating expenses before depreciation and amortization				
Salaries and benefits	**61,081**	53,629	7,452	13.9%
Advertising and promotion	**6,829**	5,562	1,267	22.8%
Bad debts	**6,289**	3,984	2,305	57.9%
Occupancy	**25,330**	25,095	235	0.9%
Distribution and travel	**7,919**	7,132	787	11.0%
Other	**14,144**	11,834	2,310	19.5%
Restructuring & other charges	–	3,069	(3,069)	(100.0%)
	121,592	110,305	11,287	10.2%
Depreciation and amortization expense	**51,466**	54,169	(2,703)	(5.0%)
Operating income	**15,267**	9,710	5,557	57.2%
Interest expense	**1,541**	1,238	303	24.5%
Net income for the period	**9,612**	6,072	3,540	58.3%
Diluted earnings per share	**0.81**	0.58	0.23	39.7%
Key Performance Indicators				
Adjusted earnings	**9,612**	8,844	768	8.7%
Diluted EPS (adjusted)	**0.81**	0.84	(0.03)	(3.6%)
Operating margin (adjusted)	**8.1%**	7.9%	0.2%	–
Return on equity (adjusted)	**10.2%**	10.4%	(0.2%)	–
Key Performance Indicators (Period End)				
Potential monthly lease revenue	**11,694**	11,600	94	(0.8%)
Gross customer loan receivable	**47,565**	23,800	23,765	99.9%
Number of stores opened (corporate & franchise)	**7**	17	(10)	–
Number of kiosks opening in year	**20**	38	(18)	–
Corporate store count	**213**	217	(4)	–
Franchise store count (including SPE franchise locations)	**48**	39	9	–
Total store count	**261**	256	5	–
easyfinancial kiosks	**88**	68	20	–
Same store revenue growth	**8.2%**	4.3%	3.9%	–

Revenue

Revenue for the year ended December 31, 2011 was $188.3 million compared to $174.2 million last year, an increase of $14.1 million or 8.1%.

Lease revenue for the year ended December 31, 2011 was $159.1 million down from $159.6 million last year, a decline of $0.6 million. Revenue declines in the Canadian corporate stores, driven in part by store closures and selling locations to franchisees, were almost offset by the growth of the SPE franchise locations, which are consolidated for financial statement purposes, as well as growth in the U.S. Corporate stores. Potential monthly lease revenue as at December 31, 2011 of $11.7 million increased by $0.1 million compared with December 31, 2010. Excluding the impact of the sale or closure of corporate stores, potential monthly lease revenue as at December 31, 2011 grew by $0.4 compared with December 31, 2010. This net growth in the portfolio compares favourably with declines of $0.1 million in 2010 and $0.9 million in 2009. The total number of leasing agreements was flat year over year while the total number of leasing customers decreased by 3.6%. The average revenue per agreement remained flat driven by discounting and promotional activity.

Interest income for the year increased to $15.7 million compared with $6.6 million for the same period last year, an increase of $9.1 million. The increase was due to the growth in the consumer loan portfolio which increased to $47.6 million as at December 31, 2011 from $23.8 million as at December 31, 2010.

Other revenue includes revenue generated on customer protection programs, franchise revenue and sundry revenue associated with the *easyfinancial* business. Other revenue increased to $13.5 million for the year compared with $7.9 million last year, an increase of $5.6 million or 70.6%. The bulk of the increase related to the customer protection program associated with the *easyfinancial* business and is related to the growth in the loan portfolio.

Operating Expenses Before Depreciation and Amortization

Operating expenses before depreciation and amortization increased to $121.6 million for the year ended December 31, 2011, an increase of $11.3 million or 10.2% from 2010. Operating expenses before depreciation and amortization represented 64.6% of revenue for the period compared with 63.3% last year.

The $11.3 million increase in operating expenses before depreciation and amortization is attributable to the following:

Salaries and Benefits

Salaries and benefits were $61.1 million for the year ended December 31, 2011 compared to $53.6 million for last year, an increase of $7.5 million or 13.9%. The growth of *easyfinancial* contributed $3.2 million of this increase. In late 2010, the Company increased the size and capability of the *easyfinancial* management team to provide greater support and experience to the *easyfinancial* business. The number of *easyfinancial* locations also increased significantly throughout 2011. *easyfinancial* location count as at December 31, 2011 was 88 compared with 68 from the same point a year ago driving a larger headcount. $1.0 million of the increase related to the four SPE franchise locations which are consolidated for financial statements purposes. $2.0 million of the increase related to higher corporate employee costs. During the first half of 2011, the Company significantly strengthened its management team to position the business for future sustainable growth. The balance of the increase related to higher operating costs at corporate stores.

Advertising and Promotion

Advertising and promotion was $6.8 million for the year ended December 31, 2011 compared to $5.6 million for last year, an increase of $1.3 million or 22.8%. The increased advertising was largely targeted at the leasing business, particularly in the third quarter, and resulted in a significant improvement in the lease portfolios as discussed above.

Bad Debts

Bad debt expense relates entirely to the *easyfinancial Services* business. Bad debt expense for the year ended December 31, 2011 was $6.3 million compared with $4.0 million last year. However, the prior year included amounts related to the employee fraud. Excluding these items, bad debt was $3.1 million in 2010. The year-over-year increase was due to the larger loan book. During 2011, the gross consumer loans receivable increased by 100% while bad debts expense increased by a comparable 104%.

Bad debt expense in the period expressed as a percentage of *easyfinancial* revenue was 25.7%, a decrease over the 36.8% reported in 2010. Excluding the impact of the employee fraud, bad debt expense in 2010 was 28.5% of *easyfinancial* revenue.

Occupancy

Occupancy cost was $25.3 million for the year ended December 31, 2011, comparable with $25.1 million for the prior year.

Distribution and Travel

Distribution and travel was $7.9 million for the year ended December 31, 2011 compared to $7.1 million for last year, an increase of $0.8 million or 11.0%. The increase was primarily driven by training related travel costs associated with the *easyfinancial* business.

Other

Other general and administrative expenses were $14.1 million for year ended December 31, 2011 compared to $11.8 million for 2010, an increase of $2.3 million or 19.5%. $1.2 million of this increase related to the increased size of the *easyfinancial* business while the balance related primarily to higher corporate administrative costs, particularly professional fees, information technology and training costs. These increased corporate costs were driven by training requirements for the growing *easyfinancial* work force as well as enhancing internal controls and business to support sustained future growth.

Restructuring & Other Charges

Restructuring charges of $0.6 million and costs associated with the forensic investigation related to the employee fraud of $2.4 million were incurred during 2010. No such expenditures were incurred during 2011.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2011 was $51.5 million compared to $54.2 million for 2010, a decrease of $2.7 million or 5.0%. The main drivers of this decrease were lower lease asset amortization and the lower impairment charge. Under IFRS, individual stores or Cash Generating Units ["CGUs"] are tested for impairment on each reporting period when indicators of impairment exist. If the store is deemed impaired certain assets are written down. Conversely, if the performance of the store or cash generating unit improves then the impairment write down may be reversed. During the year ended December 31, 2010, additional stores or CGUs were deemed to be impaired resulting in a charge of $1.2 million. During the current year, the performance of a number of stores had improved resulting in a lower impairment charge.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the year ended December 31, 2011 was $15.3 million compared to $9.7 million for last year, an increase of $5.6 million or 57.2%. Revenue increases of $14.1 million and a $2.7 million reduction in depreciation and amortization expenses were partly offset by higher operating expenses which increased by $11.3 million. Operating income as a percentage of revenue for the year ended December 31, 2011 and December 31, 2010 was 8.1% and 5.6%, respectively.

Excluding the non-recurring charges, adjusted operating income for the year ended December 31, 2010 was $13.7 million or 7.9% of revenue compared to $15.3 million or 8.1% of revenue for the current year. There were no significant non-recurring charges in the current period.

Interest Expense

Interest expense for the year ended December 31, 2011 was $1.5 million, up $0.3 million from 2010. The increase related to the higher average debt levels during the year and the increased cost of borrowing in the second half of 2011 under the new credit facility.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2011 was 30.0% compared to 28.3% in 2010. Declines in statutory tax rates in the jurisdictions where the Company operates and improved results of the U.S. operations served to reduce the effective tax rate in the current year. However this effect was more than offset by the finalization of tax amounts previously accounted for using estimates in 2010 which reduced the effective tax rate in that year.

Net Income and EPS

Net income for the year ended December 31, 2011 was $9.6 million ($0.81 diluted earnings per share) compared to $6.1 million ($0.58 diluted earnings per share) last year.

Adjusted earnings for the year ended December 31, 2010 was $8.8 million ($0.84 per share). No significant non-recurring amounts were normalized in the current year to date period.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the years ended December 31, 2011 and 2010 in the MD&A as we believe it provides meaningful analysis of our operating segments; leasing, *easyfinancial* and franchising as well as the costs of our corporate office.

Year ended December 31, 2011 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	162,464	24,463	1,398	–	**188,325**
Total operating expenses before amortization and unusual items	87,642	17,941	570	15,439	**121,592**
Depreciation and amortization	50,531	355	89	491	**51,466**
Operating income (loss)	24,291	6,167	739	(15,930)	**15,267**
Interest expense	–	–	–	1,541	**1,541**
Income (loss) before income taxes	24,291	6,167	739	(17,471)	**13,726**

Year ended December 31, 2010 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	162,237	10,824	1,123	–	**174,184**
Total operating expenses before amortization and unusual items	84,619	10,438	420	11,759	**107,236**
Restructuring and other charges	–	–	–	3,069	**3,069**
Depreciation and amortization	53,413	202	36	518	**54,169**
Operating income (loss)	24,205	184	667	(15,346)	**9,710**
Interest expense	–	–	–	1,238	**1,238**
Income (loss) before income taxes	24,205	184	667	(16,584)	**8,472**

Leasing

Revenue for the year ended December 31, 2011 was $162.5 million, an increase of $0.2 million from last year. The increase was due to modest revenue growth in the Canadian corporate stores, impacted in part by store closures and the sale locations to franchisees, and growth of the SPE franchise locations, which are consolidated for financial statement purposes, as well as growth in the U.S. Corporate stores. Potential monthly lease revenue as at December 31, 2011 of $11.7 million increased by $0.1 million compared with December 31, 2010. Excluding the impact of the sale or closure of corporate stores, potential monthly lease revenue as at December 31, 2011 grew by $0.4 compared with December 31, 2010. This net growth in the portfolio compares favourably with declines of $0.1 million in 2010 and $0.9 million in 2009.

Operating income for the year ended December 31, 2011 was $24.3 million compared with $24.2 million for last year, an increase of $0.1 million. While revenue increased slightly, operating expenses before amortization and unusual items increased by $3.0 million driven by a $1.0 million increase in advertising spend year over year and $2.0 million in costs associated with the SPE franchise locations driven by new store openings. The increased advertising resulted in, a significant improvement in the lease portfolios as discussed above. Depreciation and amortization decreased by $2.9 million due to lower lease asset amortization and a $1.2 million impairment charge in 2010 compared with a modest impairment recovery in 2011.

Operating margin for the year was 15.0% compared with 14.9% during the same period last year.

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Revenue for the year ended December 31, 2011 was $24.5 million compared with $10.8 million last year, an increase of $13.6 million. The increase was related to the growth of the consumer loans receivable portfolio, which increased from $23.8 million as at December 31, 2010 to $47.6 million as at December 31, 2011.

Operating income for the year ended December 31, 2011 was $6.2 million compared with $0.2 million last year, an increase of $6.0 million. The $13.6 million growth in revenue was offset by a $7.5 million increase in operating expenses before depreciation and amortization. Operating expenses before depreciation and amortization, and excluding bad debt, increased by $5.2 million driven by the growth of the *easyfinancial* network which increased from 68 locations as at December 31, 2010 to 88 locations as at December 31, 2011 and the enhancements to the *easyfinancial* management team. Bad debt expense for the year ended December 31, 2011 was $6.3 million compared with $4.0 million last year. However, the prior year included amounts related to the employee fraud. Excluding these items, bad debt was $3.1 million in 2010. The increase was due to the larger loan book.

Operating margin for the year was 25.2% compared with 1.7% last year (10.0% in 2010 after adjusting for the impact of the employee fraud).

Franchising

The increase in revenue and operating income associated with franchising for the year ended December, 2011 compared with the prior year was largely related to the increased number of franchise locations. The Company had 39 franchise locations as at December 31, 2010 compared with 48 as at December 31, 2011.

Corporate

Operating expenses excluding depreciation and amortization and unusual items for the year ended December 31, 2011 were $15.4 million compared with $11.8 million for last year, an increase of $3.7 million. Salaries and benefits increased by $2.0 million as the Company strengthened its management team, particularly in the area of risk management and financial controls, to position the business for long-term sustainable growth. Other costs increased by $1.7 million over the prior year due to an increase in information technology costs and professional fees incurred to enhance internal controls and business processes and training expenditures related primarily to the growth of the *easyfinancial* business.

Included in corporate in 2010 was $3.1 million of restructuring and other charges. $2.4 million of this relates to the forensic investigation cost while $0.6 million relates to the restructuring which began in 2009 and completed in 2010.

Selected Annual Information

Operating Results

(in $000's except per share amounts)	2011	2010	2009	2008	2007
Accounting basis	**IFRS**	IFRS	C-GAAP	C-GAAP	C-GAAP
Revenue	**188,325**	174,184	173,346	162,493	143,675
Net Income	**9,612**	6,072	5,055	8,972	11,685
Dividends declared on common shares	**4,029**	3,562	3,561	3,572	2,935
Cash dividends declared per common share	**0.34**	0.34	0.34	0.34	0.28
Earnings per Share					
Basic	**0.81**	0.58	0.48	0.86	1.13
Diluted	**0.81**	0.58	0.48	0.85	1.11

Assets and Liabilities

(in $000's)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Year Ended Dec 31,2009
Accounting basis	**IFRS**	IFRS	IFRS
Total Assets	**159,123**	139,088	130,192
Bank debt	**33,123**	18,251	29,884
Other	**28,458**	29,326	22,164
Total Liabilities	**61,581**	47,577	52,048

Results of Operations for the Three Months Ended December 31, 2011 Compared to the Three Months Ended December 31, 2010

Summary Financial Results

(in $000's except earnings per share, store counts and percentages)	Three Months Ended Dec 31, 2011	Three Months Ended Dec 31, 2010	Variance $ / # / %	Variance $ / # / %
Revenue				
Lease revenue	**39,874**	40,121	(247)	(0.6%)
Interest income	**5,038**	2,655	2,383	89.8%
Other	**4,380**	2,283	2,097	91.9%
	49,292	45,059	4,233	9.4%
Operating expenses before depreciation and amortization				
Salaries and benefits	**15,952**	14,034	1,918	13.7%
Advertising and promotion	**1,615**	1,880	(265)	(14.1%)
Bad debts	**2,046**	1,020	1,026	100.6%)
Occupancy	**6,511**	6,799	(288)	(4.2%)
Distribution and travel	**1,987**	2,397	(410)	(17.1%)
Other	**3,652**	3,115	537	17.2%
Restructuring & other charges	**–**	2,428	(2,428)	–
	31,763	31,673	90	(0.3%)
Depreciation and amortization expense	**13,329**	13,940	(611)	(4.4%)
Operating income	**4,200**	(554)	4,754	858.1%
Interest expense	**485**	385	100	26.0%
Net income for the period	**2,616**	(366)	2,982	814.8%
Diluted earnings per share	**0.22**	(0.03)	0.25	–
Key Performance Indicators				
Adjusted earnings	**2,616**	1,329	1,287	96.8%
Diluted EPS (adjusted)	**0.22**	0.13	0.09	–
Operating margin (adjusted)	**8.5%**	4.2%	4.3%	–
Return on equity (adjusted)	**10.8%**	6.1%	4.7%	–
Key Performance Indicators (Quarter End)				
Potential monthly lease revenue	**11,694**	11,600	94	0.8%
Gross customer loan receivable	**47,565**	23,800	23,765	99.9%
Number of stores opened in quarter (corporate & franchise)	**2**	8	(6)	–
Number of kiosks opening in quarter	**6**	9	(3)	–
Corporate store count	**213**	217	(4)	–
Franchise store count (including SPE franchise locations)	**48**	39	9	–
Total store count	**261**	256	5	–
easyfinancial kiosks	**88**	68	20	–
Same store revenue growth	**9.3%**	10.9%	(1.6%)	–

Revenue

Revenue for the three months ended December 31, 2011 was $49.3 million compared to $45.1 million in 2010, an increase of $4.2 million or 9.4%.

Lease revenue for the quarter decreased to $39.9 million from $40.1 million last year, a decline of $0.2 million or 0.6%. Revenue declines in the Canadian corporate stores, driven in part by store closures and the sale of locations to franchisees, were almost offset by the growth of the SPE franchise locations, which are consolidated for financial statement purposes, as well as growth in the U.S. Corporate stores. Potential monthly lease revenue as at December 31, 2011 of $11.7 million increased by $0.6 million compared with September 30, 2011 if the impact of the sale or closure of corporate stores is excluded. This compares with an increase of $0.6 million during the comparable period in 2010.

Interest income for the quarter increased to $5.0 million compared with $2.7 million for the same period last year, an increase $2.4 million or 89.8%. The increase was due to the growth in the consumer loan portfolio which increased $4.9 million during the fourth quarter of 2011 to $47.6 million as at December 31, 2011 from an increase of $3.4 million during the fourth quarter of 2010 to $23.8 million as at December 31, 2010.

Other revenue includes revenue generated on customer protection programs, franchise revenue and sundry revenue associated with the *easyfinancial* business. Other revenue increased to $4.4 million for the quarter compared with $2.3 million for the same period last year, an increase of $2.1 million or 91.9%. The bulk of the increase related to the customer protection program associated with the *easyfinancial* and leasing businesses.

Operating Expenses Before Depreciation and Amortization

Operating expenses before amortization increased to $31.8 million in the quarter from $31.7 million for the same period last year, an increase of $0.1 million or 0.3%. Operating expenses before amortization represented 64.4% of revenue for the quarter compared with 70.3% for the same period last year.

The $0.1 million increase in operating expenses before amortization is attributable to the following:

Salaries and Benefits

Salaries and benefits were $16.0 million for the three months ended December 31, 2011 compared to $14.0 million for the three months ended December 31, 2010, an increase of $1.9 million or 13.7%. The growth of *easyfinancial* contributed to $0.7 million of this increase. In late 2010, the Company increased the size and capability of the *easyfinancial* management team to provide greater support and experience to our *easyfinancial* business. The number of *easyfinancial* locations also increased significantly throughout 2011. *easyfinancial* location count as at December 31, 2011 was 88 compared with 68 from the same point a year ago driving a larger headcount. $0.6 million of the increase related to higher corporate employee costs. During the first half of 2011, the Company significantly strengthened its management team to position the business for future sustainable growth. The balance of the increase related to higher operating costs at the corporate stores.

Advertising and Promotion

Advertising and promotion was $1.6 million for the three months ended December 31, 2011 compared to $1.9 million for the three months ended December 31, 2010, a decrease of $0.3 million or 14.1%. Advertising spend during 2011 was more heavily weighted to the third quarter of the year resulting in cost savings in the fourth quarter of 2011 compared with the comparable period of 2010.

Bad Debts

Bad debt expense relates entirely to the *easyfinancial Services* business. Bad debt expense was $2.0 million in the fourth quarter of 2011 compared to $1.0 million in the fourth quarter of 2010. The increase was due to the growth in the consumer loan portfolio which increased to $47.6 million as at December 31, 2011 from $23.8 million as at December 31, 2010. The year-over-year increase was due to the larger loan book. Bad debt expense as a percentage of revenue was 26.2% in the fourth quarter of 2011 compared with 27.4% in the comparable period of 2010.

Occupancy

Occupancy costs were $6.5 million in the fourth quarter of 2011 compared to $6.8 million in the fourth quarter of 2010. The decline of $0.3 million was driven by fewer Canadian corporate stores.

Distribution & Travel

Distribution costs were $2.0 million for the three months ended December 31, 2011 compared to $2.4 million for the three months ended December 31, 2010, a decrease of $0.4 million or 17.1%. Costs were lower due to less corporate travel and travel required for training.

Other

Other general and administrative expenses were $3.7 million for the three months ended December 31, 2011 compared to $3.1 million for the comparable period in 2010, an increase of $0.5 million or 17.2%. The increase relates primarily to higher corporate costs and administrative costs associated with the *easyfinancial* business.

Restructuring & Other Charges

During the fourth quarter of 2010 the Company incurred $2.4 million in costs for a forensic investigation associated with the employee fraud.

Depreciation and Amortization

Depreciation and amortization for the three months ended December, 2011 was $13.3 million compared to $13.9 million for the three months ended December 31, 2010, a decrease of $0.6 million or 4.4%. This decline is due to lower lease asset amortization, charge offs and impairment charges.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the three months ended December 31, 2011 was $4.2 million compared to an operating loss of $0.6 million for the three months ended December 31, 2010, an improvement of $4.8 million. Revenue increases of $4.2 million, a $0.6 million reduction in depreciation and amortization and a $0.1 million increase in operating expenses drove the improvement. Operating income as a percentage of revenue for the three months ended December 31, 2011 and December 31, 2010 was 8.5% and (1.2%), respectively.

Excluding the non-recurring charges, adjusted operating income for the three months ended December 31, 2010 was $1.9 million or 4.2% of revenue. There were no significant non-recurring charges in the current quarter.

Interest Expense

Interest expense for the three months ended December 31, 2011 was $0.5 million, up $0.1 million from the fourth quarter of 2010. The increase related to the increased cost of borrowing under the new credit facility and higher average debt levels.

Income Tax Expense

The effective income tax rate for the three months ended December 31, 2011 was 29.6%. The effective rate in the current quarter is in line with statutory rates. Included in the income tax recovery for the three months ended December 31, 2010 is a $0.4 million future tax adjustment as a result of proposed tax reassessments. This adjustment resulted in an effective tax rate of 61.0% in the comparable period.

Net Income and EPS

Net income for the three months ended December 31, 2011 was $2.6 million ($0.22 per share) compared to a net loss of $0.4 million or ($0.03) per share in the comparable period last year.

Adjusted earnings for the three months ended December 31, 2010 was $1.3 million ($0.13 per share). No significant non recurring amounts were normalized in the current quarter.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the three months ended December 31, 2011 and 2010 in the MD&A as we believe it provides meaningful analysis of our operating segments; leasing, *easyfinancial* and franchising as well as the costs of our corporate office.

Three months ended December 31, 2011 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	40,987	7,831	474	–	**49,292**
Total operating expenses before amortization and unusual items	22,479	5,337	180	3,767	**31,763**
Depreciation and amortization	13,056	111	29	133	**13,329**
Operating income (loss)	5,452	2,383	265	(3,900)	**4,200**
Interest expense	–	–	–	485	**485**
Income (loss) before income taxes	5,452	2,383	265	(4,385)	**3,715**

Three months ended December 31, 2010 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	40,879	3,724	456	–	**45,059**
Total operating expenses before amortization and unusual items	23,144	3,304	107	2,690	**29,245**
Restructuring and other charges	–	–	–	2,428	**2,428**
Depreciation and amortization	13,601	69	35	235	**13,940**
Operating income (loss)	4,134	351	314	(5,353)	**(554)**
Interest expense	–	–	–	385	**385**
Income (loss) before income taxes	4,134	351	314	(5,738)	**(939)**

Leasing

Revenue for the three months ended December 31, 2011 was $41.0 million, up $0.1 million from the comparable period in 2010. Revenue declines in the Canadian corporate stores were offset by the growth of the SPE franchise locations which are consolidated for financial statement purposes, and by the growth of the U.S. corporate stores

Operating income for the three month period ended December 31, 2011 was $5.5 million compared with $4.1 million for the same period last year, an increase of $1.3 million or 31.9%. Revenue increased by $0.1 million, and operating expenses before amortization and unusual items and depreciation and amortization declined by $0.7 million and $0.5 million respectively. The decline in operating expenses before depreciation and amortization was driven by i) lower advertising spend, ii) lower occupancy costs related to fewer locations and lower common area maintenance costs across all Canadian locations iii) lower distribution and travel expenses in Canadian locations, and iv) offset by higher labour costs across all corporate and SPE locations. The $0.7 million decline in depreciation and amortization related to lower charge offs and impairment charges.

Operating margin for the current quarter was 13.3% compared with 10.1% during the same quarter last year.

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Revenue for the three month period ended December 31, 2011 was $7.8 million compared with $3.7 million for the same period last year, an increase of $4.1 million. The increase was due to the growth in the consumer loan portfolio which increased to $47.6 million as at December 31, 2011 from $23.8 million as at December 31, 2010.

Operating income for the three months period ended December 31, 2011 was $2.4 million compared with $0.4 million for the same period last year, an increase of $2.0 million. The $4.1 million growth in revenue was offset by a $2.0 million increase in operating expenses before depreciation and amortization driven by the growth of the *easyfinancial* network which increased from 68 locations as at December 31, 2010 to 88 locations as at December 31, 2011 and the enhancements to the *easyfinancial* management team. Bad debt expense in the fourth quarter of 2011 was $2.0 million compared with $1.0 million in the comparable period of 2010, the increase driven by the loan book growth.

Operating margin for the current quarter was 30.4% compared with 9.4% during the same quarter last year.

Franchising

The increase in franchising revenue for the three months ended December 31, 2011 compared with the same period last year was largely related to the increased number of franchise locations. The Company had 39 franchise locations as at December 31, 2010 compared with 48 as at December 31, 2011.

Corporate

Operating expenses, before depreciation and amortization and unusual items for the three months ended December 31, 2011, were $3.8 million compared with $2.7 million for the same period last year, an increase of $1.1 million. The increase relates primarily to salaries and benefits, information technology, board of directors fees and professional fees. Salaries and benefits and other costs increased as the Company strengthened its management team, particularly in the area of risk management and financial controls, to position the business for long-term sustainable growth.

Included in corporate in 2010 was $2.4 million in forensic investigation costs related to the employee fraud. The level of corporate costs in the fourth quarter of 2011 is more indicative of future performance than the corresponding period last year.

Corporate costs (excluding restructuring and other charges) represented 8.9% of revenue for the quarter compared with 7.3% in the prior year.

Selected Quarterly Information

($ in millions except per share amounts)	Dec. 2011	Sept. 2011	Jun. 2011	Mar. 2011	Dec. 2010	Sept. 2010	Jun. 2010	Mar. 2010
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	**49.3**	46.6	46.3	46.2	45.1	43.2	42.9	43.0
Net Income (loss) for the period	**2.6**	1.9	2.7	2.4	(0.4)	2.5	2.0	2.0
Net income (loss) as a percentage of revenue	**5.3%**	4.1%	5.8%	5.2%	(0.9%)	5.7%	4.6%	4.6%
Earnings (loss) per share[1]								
Basic	**0.22**	0.16	0.23	0.20	(0.03)	0.23	0.19	0.19
Diluted	**0.22**	0.16	0.23	0.20	(0.03)	0.23	0.19	0.19

[1]Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.

Liquidity and Capital Resources

The Company continued to generate strong cash flows for the year ended December 31, 2011. Cash flows provided by operating activities for the year ended December 31, 2011 were $39.8 million. Included in this $39.8 million is a net investment of $29.4 million to increase the *easyfinancial* loan portfolio. If this net investment in the *easyfinancial* loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $69.2 million. This represents a decline of $4.0 million compared to 2010.

The cash flows from operating activities, combined with an $14.6 million increase in external debt, enabled the Company to i) meet the needs of *easyfinancial* as described above, ii) invest $48.6 million in new lease assets, iii) invest $5.6 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

In contrast, for the year ended December 31, 2010, cash flows provided by operating activities were $56.3 million. If the net investment in the *easyfinancial* loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $73.2 million. This cash flow, combined with the $10.7 million of net cash flow secured by a private placement equity offering completed in December 2010, enabled the Company to i) meet the needs of *easyfinancial*, ii) invest $47.1 million in new lease assets, iii) invest $6.2 million in additional property and equipment and intangible assets, iv) reduce external debt by $11.8 million and v) maintain its dividend payments.

On July 21, 2011, the Company entered into new credit facilities with a syndicate of banks which provides for a $40 million revolving credit facility and also includes related term and letter of credit facilities for $0.9 million and $0.5 million, respectively {the "Credit Facilities"]. The revolving facility reduces to $35.0 million on July 21, 2012 and matures on July 21, 2013. Borrowings under previous facilities were rolled into the new Credit Facilities.

Canadian dollar loans under the Credit Facilities bear interest at the lender's prime plus 125 bps or plus 175 bps if the Company's total debt to EBITDA ratio equals or exceed 2 times. The Company also has the option to convert the loans to U.S. Base, Bankers' Acceptance or LIBOR rates. Currently, the Company's effective interest rate under the Credit Facilities is 4.25%.

The Credit Facilities are fully secured over substantially all assets of the Company and its subsidiaries, contain certain positive and negative covenants and other usual and customary terms and conditions.

At December 31, 2011 and December 31, 2010, the Company was in compliance with all of its financial covenants under its lending agreement.

We believe that the cash flow provided by operations will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. In order for the Company to achieve the full long-term growth opportunities available, it will require additional sources of financing over and above the currently available Credit Facilities. The Company is currently considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

Outstanding Shares

As at March 5, 2012 there were 11,874,373 shares, 708,362 options and no warrants outstanding.

On December 23, 2010, the Company completed a private placement of 1,352,940 common shares ("Shares") at a price of $8.50 per Share for aggregate gross proceeds of $11.5 million. This included 176,470 Shares issued pursuant to an over-allotment option granted to the Underwriters. The Shares were offered pursuant to prospectus and registration exemptions in each of the provinces and territories of Canada, as well as in the United States under applicable private placement exemptions. Net proceeds of the private placement were $10.7 million.

Dividends

For the year ended December 31, 2011, the Company paid a $0.085 per share quarterly dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. No dividends may be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the last quarter of the years indicated

	2011	2010	2009	2008	2007	2006
Dividend per share	**$ 0.085**	$ 0.085	$ 0.085	$ 0.085	$ 0.070	$ 0.060
Percentage increase	**0.0%**	0.0%	0.0%	21.4%	16.7%	50.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term security service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next 5 years and thereafter are approximately as follows:

(in $000's)	Premises	Other	Total
2012	18,108	1,223	19,331
2013	13,916	789	14,705
2014	10,109	589	10,698
2015	7,304	312	7,616
2016	4,880	92	4,971
Thereafter	3,142	–	3,142
	57,459	3,005	60,463

Guarantees

Additionally, in February 2010, an irrevocable standby letter of credit in the amount of $0.5 million was issued under the Company's credit facilities for the purpose of securing the lease for the new corporate office.

Class Action Lawsuit

The Company and certain of its current and former officers have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010 and claimed total damages of $15.0 million (including punitive damages of $5.0 million). The plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. On April 8, 2011, the same plaintiff commenced a second action against certain current and former directors of the Company. This second action is in the process of being dismissed or discontinued by the parties.

The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

Other Legal Actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

Transactions with Related Parties

During the year ended December 31, 2010, the Company engaged a professional services firm wholly owned by one of its Directors to assist in the investigation of the Employee Fraud. For the year ended December 31, 2010, $65,000 (2009 – nil) was recorded as professional fees in restructuring and other charges on the consolidated statements of income and comprehensive income. No such fees were incurred in the year ended December 31, 2011.

The Company, through its wholly-owned subsidiary *easyhome* U.S. Ltd., signed a License/Master Franchise Agreement [the "License Agreement"] with an entity controlled by Walter "Bud" Gates ["easygates LLC"] on March 2, 2007. Mr. Gates was elected to the Company's Board of Directors in April 2010 and served as a director through December 2011. Mr. Gates did not participate or vote in any Board of Director discussions relating to the License Agreement. The License Agreement has an initial six-year term and allows easygates LLC to set up *easyhome* franchises in the U.S., excluding the 14 U.S. states that border Canada. The License Agreement provides that, for each franchise store that is opened, easygates LLC and *easyhome* will split both the initial franchise fee and the ongoing royalty fees. As at December 31, 2011, 32 franchise locations were opened and operated under the License Agreement.

Risk Factors

Overview

The Company's activities are exposed to a variety of operational and financial risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis. In addition the risk factors described below, additional risk factors are described in the Company's Annual Information Form.

Economic Conditions

Current uncertainty in general economic conditions may negatively affect our financial results. A prolonged period of economic decline could have a material adverse effect on our results of operations and financial condition and exacerbate some of the other risk factors described herein. We can neither predict the impact current economic conditions will have on our future results, nor predict when the economy will show meaningful improvement.

Competition

The Company's growth may be adversely affected by the entry into the Canadian marketplace of the much larger U.S. based merchandise rental operators, as well as the growth of independent merchandise leasing companies. Other factors that may adversely affect the Company's growth are further competition from merchandise rental businesses and, to a lesser extent, rental stores that do not offer a purchase option. The Company also competes with discount stores and other retail outlets that offer an installment sales program or offer comparable products and prices and with financial institutions and payday lenders that offer consumer loans. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

Both the consumer lending business conducted by *easyfinancial* as well as the Company's U.S. consumer leasing business are relatively new businesses with limited proven history. Both businesses compete with organizations which are considerably larger and which have greater resources than does *easyhome*. As such, there can be no assurances that we will be successful in growing these two businesses.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behavior (including error and fraud or other inappropriate behaviour) or inadequacy or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory or civil penalties. While operational risk cannot be eliminated, the Company continues to take steps to mitigate this risk. The financial measure of operational risk is the actual losses incurred.

Changes in Regulations

The Company takes reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with such statutes, regulations or regulatory policies, either in Canada or the U.S., could result in sanctions, fines or other settlements that could adversely affect both our earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of our merchandise leasing and consumer lending industries.

Capital and Liquidity Risk

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and growing dividends. The capital structure of the Company consists of bank 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 new share issuances, share repurchases, the payment of dividends, increasing or decreasing bank debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company has externally imposed capital requirements as governed through its credit facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and assets on lease with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers and has policies and procedures that are intended to ensure that it has no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers.

The credit risk related to amounts receivable and consumer loans receivable results principally from the possibility of default on rebate payments, consumer loans, and amounts due from licensee and former related parties. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and creates provisions for uncollectible amounts where determined to be appropriate.

The credit risk on the Company's consumer loans receivable is also impacted by both the credit policies and the lending practices which are overseen by the Company's senior management.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed payments. The Company has a collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company transacts business in 197 corporate stores in Canada and 16 corporate stores in the U.S., along with franchises in both countries. In addition, the Company sources some of its merchandise out of the U.S. and as such, the Company's Canadian operations have U.S. denominated cash and payables balances. As a result, the Company has both foreign exchange transaction and translation risk.

Foreign currency risk is not material in 2011 due to the relatively small size of our U.S. operations, however as these operations continue to grow, this risk could become material. In addition, although we have significant U.S. denominated purchases, we have historically been able to price our lease transactions to compensate for the impact of foreign currency fluctuations on our purchases. The Company currently does not actively manage foreign currency risk and transacts in foreign currencies on a spot basis.

Future Growth

The Company's growth strategy is focused on *easyfinancial* and U.S. franchising. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to identify and sell franchises to high quality candidates, to install *easyfinancial Services* kiosks within its existing Canadian stores and to identify additional means to distribute *easyfinancial Services* such as stand-alone kiosks. Revenue growth could be impacted significantly if the Company is not able to hire and train high quality management and staff to operate the stores and kiosks. The growth in the *easyfinancial* loan book could also be impaired if the Company is unable to secure adequate financing.

Litigation

From time to time the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Dependence on Key Personnel

The biggest limiting factor in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years the Company has improved its hiring competencies and its training programs such that employee retention has improved by more than 50% since 2000.

In particular, the Company is dependent on the continued services of its President and Chief Executive Officer and the rest of the senior management team and the loss of these individuals without adequate replacement could materially adversely affect its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store level, the Company requires a growing number of qualified managers and other store personnel to operate its stores successfully. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining such personnel as it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Compliance with Financial Covenants

The Company's successful financial and operating performance is required in order for the Company to continue to comply with the covenants in its debt instruments. While the Company was in compliance with all financial covenants as at December 31, 2011, there is no guarantee that in the future the Company will continue to meet these covenants.

Critical Accounting Estimates

The preparation of financial statements requires management to make 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 financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are:

- consumer loan loss provisions
- cost of lease assets
- depreciation of lease assets
- depreciation of property and equipment
- allocation of the purchase price in business combinations
- impairment and recovery of non financial assets
- impairment of goodwill and indefinite life intangibles
- fair value of stock-based compensation
- provisions
- contingencies
- taxation amounts

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

Consumer Loan Loss Provisions

Consumer loans receivable are carried at amounts advanced less principal repayments, net of an allowance for loan losses.

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns. When a loan is identified as impaired, it is written down to the net present value of the expected cash flows using the original effective interest rate. Loans are written off by the Company when they become greater than 90 days overdue or when certain specific criteria, such as bankruptcy are met.

In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loans are credited to the provision for loan losses in the consolidated statements of income.

Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amount the Company believes are probable and reasonably estimable during the term of each rebate program.

Depreciation of Lease Assets

Assets on lease, (excluding game stations, computers and related equipment) are amortized in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term (the units of activity method). Game stations are amortized on a straight-line basis over 18 months. Computers are amortized on a straight-line basis over 24 months. Amortization of computers commences at the earlier of the date of first lease or 90 days after arrival in the store. Assets not on lease are not amortized where such assets have not been leased for less than 90 consecutive days. After that they are amortized straight-line over 36 months. When the asset does go on lease, amortization will revert to the units of activity basis.

In the event management determines that the future net cash flows to be derived from leasing the assets is less than carrying value of the assets, the assets are written down to estimated net realizable value. The determination of future net cash flows involves considerable judgment and measurement uncertainty and the impact on the consolidated financial statements for future periods could be material. The amortization period for game stations and computers and related equipment is based on their estimated useful service lives. Estimates of useful lives involve considerable judgment, and a shortening of the estimated life of these assets would result in higher amortization expense in future periods.

Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight and are amortized over their estimated useful lives and are tested for recoverability whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount exceeds their fair value. The determination of fair value involves considerable management judgment and assumptions regarding the assets' useful lives. Any significant changes in assumptions could result in the impairment of property and equipment.

Factors that could trigger an impairment review include significant negative industry trends, significant under-performance relative to historical or projected future operating results and significant changes in the use of the assets.

Allocation of the Purchase Price in Business Combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuation of property, plant and equipment, intangible assets, and goodwill, among other items.

Impairment and Recovery of Non Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or Cash Generating Unit's (CGU) recoverable amount. The Company has defined a CGU as an individual store. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimated the asset or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts are generally covering a period of three years with a long term growth rate applied after the third year. Key areas of management judgment involved the three year cash flow forecast, the growth rate applied to cash flows subsequent to the three years specifically forecast and the discount rate.

Impairment of Goodwill and Indefinite Life Intangibles

The carrying value of goodwill and indefinite life intangibles is reviewed annually to ensure that the value reflected is not impaired. An impairment loss would be recognized if the carrying amount of the goodwill exceeded its estimated fair value. Fair value may be determined using alternative methods for market valuation including discounted cash flows and net realizable values. In estimating fair value, the Company chose a valuation method and made assumptions and estimates in a number of areas, including future cash flows and discounted rates. Due to the long-term nature of assumptions made, it is possible that estimates could prove to be materially different than actuals, and accordingly the impact on the consolidated financial statements for future periods could be material.

Fair Value of Stock-Based Compensation

The fair value of our options granted are measured at the grant date using the Black-Scholes option-pricing model. The Black-Scholes valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. Because our share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect our fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our unit options granted. Management judgment also assesses the anticipated performance against vesting criteria which is a key input in other stock based compensation plans used by the Company.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable, as determined by management.

Contingencies

Contingent liabilities are recognized in the consolidated financial statements where the likelihood of the obligation arising is deemed probable and measurable by management. Contingent assets are not recognized on the financial statements even if probable; rather note disclosure is provided. Probable is defined as being more than 50% likely to occur as determined by management.

Taxation Amounts

Income tax provisions, including current and deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to our specific situation. Therefore, it is possible that the ultimate value of our tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on our consolidated financial statements.

Adoption of New Accounting Standards

The Company adopted IFRS commencing on January 1, 2011 with a requirement to present 2010 comparable financial results under IFRS. The adopted accounting policies are described fully in the notes to the consolidated financial statements.

Internal Controls

Disclosure Controls and Procedures [“DC&P”]

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company’s management, including the Chief Executive Officer [“CEO”] and Chief Financial Officer [“CFO”], so that timely decisions can be made regarding disclosure.

The Company’s management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company’s DC&P, as required in Canada by National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings”. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31st, 2011.

Internal Controls over Financial Reporting [“ICFR”]

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company’s consolidated financial statements in accordance with IFRS. Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Update on December 31, 2010 Evaluation of ICFR and Related Remediation

At December 31, 2010, the Company noted that its ICFR were ineffective due to several weaknesses, as disclosed in the Company's December 31, 2010 MD&A.

The weaknesses identified at December 31, 2010 have been addressed through changes made to internal controls in 2011. Progress updates have been provided each quarter during 2011. The weaknesses identified in 2010 and the related remediation are described in the following:

Independent Oversight for Risk Management

An independent risk management function has been created. The Company hired a Vice President of Risk Management and additional field auditors and moved the reporting structure of risk management outside of the business operations. The Vice President of Risk Management also has a direct reporting relationship to the Company's Audit Committee.

Monitoring Controls

Additional monitoring controls have been created to manage the *easyfinancial* business. These monitoring controls report on a variety of business and fraud related key performance indicators. Moreover, additional credit risk monitoring controls have been created.

Process and System Controls

The Company has made enhancements to the information system currently supporting the *easyfinancial* business to strengthen the controls that prevent such transactions from being processed. Several modifications have been made to the Company's information system that processes and manages the *easyfinancial* consumer loans that will automatically reject transactions that are outside of predetermined parameters or that lack information in data fields that are considered important for the detection of inappropriate transactions. Additionally, changes have been made to the Company's transaction reconciliation processes to ensure that reviews are performed at an individual transaction level rather than at an aggregated level.

In addition, with the assistance of a recognized global leader in credit and information management, the Company has implemented a new automated loan decisioning verification tool.

Moreover, during the first quarter of 2011, the Company identified the need to replace the information system currently supporting the easyfinancial business. This project has commenced and will be a key step in both tightening controls and facilitating operational improvements.

Other Changes in IFCR During 2011

During 2011 and in addition to the changes in IFCR previously described, the following is a summary of the material changes in the Company's IFCR that have occurred or were finalized during the year end December 31, 2011:

- General computer controls, including change management and user access controls, were strengthened through the issuance of formal policies regarding general computer controls and a realignment of responsibilities within the Company's information technology department, ensuring that the these policies were adhered to.
- Within *easyfinancial*, a new, central back-office organization was created to review all transactions for appropriate documentation and consistency and to oversee all non-standard transactions.
- Consistent with the additional monitoring controls over the *easyfinancial* business, comparable monitoring controls were also implemented within the leasing operation, strengthening its ICFR.
- Within the purchasing, accounting, payroll and information technology departments, further segregation of duties, including access to specific functions within the Company's information technology systems, were put in place.
- The Company's existing accounting controls were refined to include more detailed account reconciliations and working papers supporting all significant period end balances.

Evaluation of ICFR at December 31, 2011

As of December 31, 2011, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31st, 2011.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

easyhome Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. This Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

David Ingram
President and Chief Executive Officer

Steve Goertz
Senior Vice President & Chief Financial Officer

Independent Auditors' Report

To the Shareholders of *easyhome* Ltd.

We have audited the accompanying consolidated financial statements of *easyhome* Ltd., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *easyhome* Ltd. as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 6, 2012

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)		As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS				
Current assets				
Cash	Note 5	**1,019**	731	291
Amounts receivable	Note 6	**5,893**	4,809	5,284
Income taxes recoverable		**600**	–	2,987
Consumer loans receivable	Note 7	**32,619**	18,162	7,421
Prepaid expenses		**1,316**	1,296	1,146
Total current assets		**41,447**	24,998	17,129
Amounts receivable	Note 6	**1,365**	1,062	–
Consumer loans receivable	Note 7	**12,319**	3,667	1,520
Lease assets	Note 8	**66,996**	67,692	70,343
Property and equipment	Note 9	**12,612**	12,953	12,335
Deferred tax assets	Note 15	**2,933**	8,298	8,385
Intangible assets	Note 10	**4,126**	3,093	3,155
Goodwill	Note 10	**17,325**	17,325	17,325
TOTAL ASSETS		**159,123**	139,088	130,192
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank revolving credit facility	Note 11	**33,123**	15,649	23,764
Accounts payable and accrued liabilities		**19,504**	19,322	13,331
Income taxes payable		–	65	–
Dividends payable	Note 13	**1,007**	892	884
Deferred lease inducements		**598**	578	579
Unearned revenue		**4,562**	5,310	4,818
Term loan	Note 11	–	2,602	3,636
Provisions	Note 12	**24**	421	597
Total current liabilities		**58,818**	44,839	47,609
Accounts payable and accrued liabilities		**727**	450	–
Deferred lease inducements		**1,959**	1,881	1,724
Term loan	Note 11	–	–	2,484
Provisions	Note 12	**77**	407	231
Total liabilities		**61,581**	47,577	52,048
Commitments and contingencies	Note 18 & 19			
Shareholders' equity				
Share capital	Note 13	**60,207**	60,074	48,880
Contributed surplus	Note 14	**3,171**	3,061	3,142
Accumulated other comprehensive loss		**(52)**	(257)	–
Retained earnings		**34,216**	28,633	26,122
Total shareholders' equity		**97,542**	91,511	78,144
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**159,123**	139,088	130,192

See accompanying notes to the consolidated financial statements

On behalf of the Board:

David Ingram, Director

Donald K. Johnson, Director

Consolidated Statements of Income

(expressed in thousands of Canadian dollars except earnings per share)		Years Ended December 31, 2011	2010
REVENUE			
Lease revenue		**159,072**	159,646
Interest income		**15,719**	6,603
Other		**13,534**	7,935
		188,325	174,184
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION			
Salaries and benefits	Note 14	**61,081**	53,629
Advertising and promotion		**6,829**	5,562
Bad debts		**6,289**	3,984
Occupancy		**25,330**	25,095
Distribution and travel		**7,919**	7,132
Other		**14,144**	11,834
Restructuring and other items		**–**	3,069
		121,592	110,305
DEPRECIATION AND AMORTIZATION			
Depreciation of lease assets	Note 8	**47,465**	48,596
Depreciation of property and equipment	Note 9	**3,506**	3,961
Amortization of intangible assets	Note 10	**434**	380
Impairment, net	Note 9	**61**	1,232
		51,466	54,169
Operating income		**15,267**	9,710
Interest expense	Note 11	**1,541**	1,238
Income before income taxes		**13,726**	8,472
Income tax expense (recovery)	Note 15		
Current		**(1,248)**	2,105
Deferred		**5,362**	295
		4,114	2,400
Net income		**9,612**	6,072
Basic earnings per share	Note 16	**0.81**	0.58
Diluted earnings per share	Note 16	**0.81**	0.58

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income

(expressed in thousands of Canadian dollars)	Years Ended December 31, 2011	2010
Net income	**9,612**	6,072
Other comprehensive income (loss)		
Foreign currency translation reserve	**205**	(257)
Comprehensive income	**9,817**	5,815

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

(expressed in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2010		**60,074**	**3,061**	**63,135**	**28,633**	**(257)**	**91,511**
Common shares issued		**133**	**(190)**	**(57)**	–	–	**(57)**
Stock-based compensation	Note 14	–	**300**	**300**	–	–	**300**
Comprehensive income		–	–	–	**9,612**	**205**	**9,817**
Dividends paid	Note 13	–	–	–	**(4,029)**	–	**(4,029)**
Balance, December 31, 2011		**60,207**	**3,171**	**63,378**	**34,216**	**(52)**	**97,542**
Balance, January 1, 2010		48,880	3,142	52,022	26,122	–	78,144
Common shares issued		11,194	(132)	11,062	–	–	11,062
Stock-based compensation	Note 14	–	51	51	–	–	51
Comprehensive income		–	–	–	6,072	(257)	5,815
Dividends paid	Note 13	–	–	–	(3,561)	–	(3,561)
Balance, December 31, 2010		60,074	3,061	63,135	28,633	(257)	91,511

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars except earnings per share)		Years Ended December 31, 2011	2010
OPERATING ACTIVITIES			
Net income		**9,612**	6,072
Add (deduct) items not affecting cash			
Depreciation of lease assets		**47,465**	48,596
Depreciation of property and equipment		**3,506**	3,961
Impairment (net)		**61**	1,232
Amortization of intangible assets		**434**	380
Stock-based compensation	Note 14	**300**	51
Bad debt expense		**6,289**	3,984
Deferred income tax expense		**5,362**	295
Deferred financing charges		**246**	136
Gain on sale of property and equipment		**(1,037)**	(896)
		72,238	63,811
Net change in other operating assets and liabilities	Note 17	**(2,990)**	9,404
Net issuance of consumer loans receivable		**(29,398)**	(16,872)
Cash provided by operating activities		**39,850**	56,343
INVESTING ACTIVITIES			
Purchase of lease assets		**(48,614)**	(47,130)
Purchase of property and equipment		**(4,144)**	(5,777)
Purchase of intangible assets		**(1,440)**	(449)
Proceeds on sale of property and equipment		**3,775**	2,188
Cash used in investing activities		**(50,423)**	**(51,168)**
FINANCING ACTIVITIES			
Advances (repayments) of bank revolving credit facility		**17,344**	(8,115)
Payments of term loan		**(2,718)**	(3,654)
Payment of common share dividends		**(3,913)**	(3,562)
Redemption of deferred share units		**(57)**	–
Issuance of common shares on exercise of options		–	153
Issuance of common shares		–	10,700
Cash provided by (used in) financing activities		**10,656**	(4,478)
Net increase (decrease) in cash during the period		**83**	697
Foreign exchange impact		**205**	(257)
Cash, beginning of period		**731**	291
Cash, end of period		**1,019**	731

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. Corporate Information

easyhome Ltd. [‘Parent company’] was incorporated under the laws of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent company has common shares listed on the Toronto Stock Exchange [‘TSX’]. The Parent company’s head office is located in Mississauga, Ontario, Canada while the registered office is located in Toronto, Ontario, Canada.

The consolidated financial statements include the financial statements of the Parent company, all wholly owned subsidiaries where control is established by the Parent company’s ability to determine strategic, operating, investing and financing policies without the cooperation of others, and certain special purposes entities [‘SPEs’] where control is achieved on a basis other than through ownership of a majority of voting rights [collectively referred to as “*easyhome*” or the “Company”]. The Parent company’s principal subsidiaries are:

- RTO Asset Management Inc.
- *easyfinancial Services* Inc.
- *easyhome* U.S. Ltd.
- Insta-rent Ltd.

The Company’s principal operating activities include merchandise leasing of household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements. In addition, the Company offers a variety of financial services, including consumer loans, prepaid cards and cheque cashing through its *easyfinancial Services* Inc. business [“*easyfinancial*”].

The Company operates in three reportable segments; leasing, *easyfinancial* and franchising. As at December 31, 2011, the Company operated 213 *easyhome* stores (2010 – 217), 88 *easyfinancial* locations (2010 – 68) and had 48 *easyhome* franchise/license locations (2010 – 39).

2. Basis of Preparation

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2012.

Statement of Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”]. These are the Company’s first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards [“IFRS 1”] have been applied. The Company’s consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles [“CGAAP”]. In preparing these consolidated financial statements, the Company has amended certain accounting methods previously applied in the CGAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company’s transition to IFRS along with reconciliations and descriptions of the effect of the transition from CGAAP to IFRS on reported financial position, financial performance and cash flows of the Company is provided in note 24.

Early Adoption of IFRS 9 Financial Instruments

The Company has early adopted IFRS 9, “Financial Instruments”, as amended in October 2010 [‘IFRS 9 (2010)”] effective from January 1, 2010. IFRS 9 (2010) requires that an entity classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that an entity classifies its financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except in some circumstances including for financial liabilities at fair value through comprehensive income and financial guarantee contracts. These changes in accounting policy are applied on a retrospective basis from January 1, 2010. IFRS 9 (2010) was not applied to financial assets or financial liabilities that have been derecognized at the date of initial application of IFRS 9.

In accordance with the transitional provisions of IFRS 9 (2010), the Company classified financial assets held at the date of initial application based on the facts and circumstances of the business model in which the financial assets were held at that date. This classification resulted in the Company continuing to account for financial assets at amortized cost. The Company’s financial liabilities under IFRS 9 (2010) are classified as financial liabilities as subsequently measured at amortized cost using the effective interest rate method. The classifications of the financial assets and financial liabilities of the Company under IFRS 9 (2010) did not require reclassification on the date of initial application.

The adoption of IFRS 9 (2010) had no impact on shareholders’ equity as at January 1, 2010 or comprehensive income for the years ended December 31, 2011 and December 31, 2010 since the measurement basis for financial assets remained the same.

3. Significant Accounting Policies

Basis of Consolidation

The financial statements of the subsidiaries and SPEs are prepared for the same reporting period as the financial statements of the Parent company using consistent accounting policies. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and the SPEs are fully consolidated from the date control is achieved, and both continue to be consolidated until the date that such control ceases.

All intra-group transactions and balances have been eliminated on consolidation.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars [“CAD”], which is the Parent company’s functional currency. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. The Parent company’s functional currency is the Canadian dollar. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company’s U.S. subsidiary, *easyhome* U.S. Ltd., is the U.S. dollar. The functional currency of all other entities in the Company is the Canadian dollar.

Foreign currency transactions are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate on the reporting date. All differences are recorded in comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in net income.

The Parent company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Parent company's net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized in income in the separate financial statements of the foreign operation. In the consolidated financial statements such exchange differences are recognized initially in other comprehensive income and reclassified from other comprehensive income to net income on disposal of the net investment in foreign operations.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements except for the sale of certain customer protection products where it acts as agent and therefore recognizes such revenue on a net basis.

i) Lease Revenue

Merchandise is leased to customers pursuant to agreements that provide for weekly or monthly lease payments collected in advance. The lease agreements can be terminated by the customer at the end of the weekly or monthly lease period without any further obligation or cost to the customer.

Lease revenue consists of lease payments, product damage liability waivers, processing and other fees. Revenue from lease agreements is recognized when earned. Lease revenue also consists of revenue from the ultimate sale of goods to customers which represents the culmination of the lease asset life cycle and occurs when title passes to the customer. Such revenue is measured at the fair value of the consideration received or receivable.

ii) Interest Revenue

Interest revenue from consumer loans receivable is recognized when earned using the effective interest rate method.

iii) Other Revenue

Other revenue consists primarily of the sale of customer protection products, revenue generated from franchising including royalties and franchise fees, and other fees, all of which are recognized when earned.

Vendor Rebates

The Company participates in various vendor rebate programs, including vendor volume rebates and vendor advertising incentives. The Company records the benefit of vendor volume rebates on purchases made as a reduction of lease assets based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program. Vendor advertising incentives that are related to specific advertising programs are accounted for as a reduction of the related expenses.

Cash

Cash is comprised of bank balances, cash on hand, and demand deposits, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

Financial assets consist of amounts receivable and consumer loans receivable, which are stated net of an allowance for loan losses. Financial assets are initially measured at fair value.

Amounts receivable are subsequently measured at amortized cost and are carried at the amount of cash expected to be received.

The Company's consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the consumer loans receivable to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future loan losses. There are no significant incremental costs incurred in writing consumer loans.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debts expense. The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns. When a loan is identified as impaired, it is written down to the net present value of the expected cash flows using the effective interest rate method.

Financial assets, together with the associated allowances, are written off when there is no realistic prospect of further recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to bad debts expense.

The Company does not have any financial assets that are subsequently measured at fair value.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Lease Assets

Lease assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

The cost of lease assets comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature. Lease agreements entitle customers to buy out a lease asset earlier in accordance with conditions stipulated in the lease agreement.

The residual value, useful life and depreciation method of the lease assets are reviewed at each financial year end, and if expectations differ from previous estimates, they are adjusted and the changes are accounted for prospectively as a change in accounting estimates. In the event management determines that the Company can no longer lease or sell certain lease assets, they are written off. The residual value of lease assets is nominal.

Depreciation on lease assets is charged to net income as follows:

- Assets on lease, excluding game stations, computers and related equipment, are depreciated in proportion to the lease payments received to the total expected lease amounts provided over the lease agreement term [the "units of activity method"]. Lease assets that are subject to the units of activity method of depreciation that are not on lease for less than 90 consecutive days are not depreciated during such period. After that they are depreciated on a straight-line basis over 36 months. When an asset goes on lease, depreciation will revert to the units of activity basis.
- Game stations are depreciated on a straight-line basis over 18 months. Computers and related equipment are depreciated on a straight-line basis over 24 months. The depreciation for game stations, computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store and continues uninterrupted thereafter on a straight-line basis over the periods indicated.
- Depreciation for all lease assets includes the remaining book value at the time of disposition of the lease assets that have been sold and amounts which have been charged off as stolen, lost or no longer suitable for lease.

The Company's lease assets are subject to theft, loss or other damage from its customers. The Company records a provision against the carrying value of lease assets for estimated losses.

Property and Equipment

The cost of property and equipment comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to net income as repairs and maintenance expense when incurred.

Depreciation on property and equipment is charged to net income.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Estimated Useful Lives
Furniture and Fixtures	7 Years
Office Equipment and Other Computers	7 Years
Signage	7 Years
Computers	5 Years
Automotive	5 Years
Leasehold Improvements	The lesser of 5 years or lease term

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) are included in net income in the period the assets are derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in net income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period for potential impairment indicators. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income.

Customer lists and software are amortized over their estimated useful life of five years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company’s trademarks have been assessed to have an indefinite life.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amounts of the asset and are recognized in net income when the assets are derecognized.

Development Costs

Development expenditures, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations incurred subsequent to January 1, 2010 are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

On first-time adoption of IFRS, the Company elected not to apply IFRS 3, "Business Combinations", retrospectively to acquisitions carried out before January 1, 2010. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS transition date of January 1, 2010 is carried at the amount reported in the consolidated financial statements prepared under CGAAP for the year ended December 31, 2009.

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset or a cash-generating unit ["CGU"] may be impaired. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined that this is at the individual store level.

If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount. Impairment losses are recognized in net income.

The impairment test calculations are based on detailed budgets and forecasts which are prepared annually for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of five years with a long term growth rate applied after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized in net income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and when circumstances indicate that the carrying value may be impaired.

Financial Liabilities

Financial liabilities are initially recognized at fair value and in the case of loans and borrowings, they are recognized at the fair value of proceeds received, net of directly attributable transaction costs. The Company's financial liabilities include bank revolving credit facility, interest-bearing loans and borrowings, accounts payable and accrued liabilities.

After initial recognition, the Company's interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest bearing debt. Interest expense is included in net income.

Non-interest bearing financial liabilities such as accounts payable and accrued liabilities are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Company as a Lessee

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Subsequent lease payments are apportioned between finance charges and a reduction of the lease liability. Finance charges are recognized in net income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. The Company has not entered into any finance leases.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized and depreciated over the term of the lease.

ii) Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The leasing income is recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The Company is in the business of leasing assets. As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are recognized in the consolidated financial statements where the likelihood of the obligation arising is deemed probable and measurable by management. Contingent assets are not recognized in the consolidated financial statements even if probable, rather note disclosure is provided. Probable is defined as being more than 50% likely to occur.

Taxes

i) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred income tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Stock-based Payment Transactions

The Company has stock-based compensation plans as described in note 14.

i) Equity-settled Transactions

The Company has stock options, Restricted Share Units ["RSU"] and Deferred Share Units ["DSU"] which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using the Black-Scholes option valuation model. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net income, with a corresponding increase in contributed surplus, over the period in which the performance and or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized in salaries and benefits expense.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified and if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled awards are treated equally.

ii) Cash-settled Transactions

The Company has Performance Share Units ["PSU"] which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ["cash-settled transactions"]. The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is remeasured to fair value, at each reporting date up to and including the settlement date, based on the value of the Company's publicly-traded common shares and anticipated vesting based on expected earnings per share, Changes in fair value are recognized in salaries and benefits expense.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and or service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized in salaries and benefits expense.

No expense is recognized for awards that do not ultimately vest.

Earnings Per Share

Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options and warrants is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are as follows:

i) Consumer Loan Loss Provisions

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns.

ii) Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program.

iii) Depreciation of Lease Assets

Assets on lease, (excluding game stations, computers and related equipment) are depreciated in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term, which are estimated by management for each product category.

iv) Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight, and are depreciated on a straight-line basis over their estimated useful lives, which are estimated by management for each class of asset.

v) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long term growth rate applied after the third year. Key areas of management judgment involve the three year cash flow forecast, the growth rate applied to cash flows subsequent to the three years and the discount rate.

vi) Impairment of Goodwill and Indefinite Life Intangibles

In assessing the recoverable amount, management estimated the group of CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long term growth rate applied after the third year. Key areas of management judgment involve the three year cash flow forecast, the growth rate applied to cash flows subsequent to the three years and the discount rate.

vii) Fair Value of Stock-based Compensation

The fair value of the options granted are measured at the grant date using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. The Company's share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of the unit options granted.

The vesting of the Company's stock-based compensation plans is based on the expected achievement of long term earnings per share targets; the assessment of which is subject to management's judgment.

viii) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable, as determined by management.

ix) Taxation Amounts

Income tax provisions, including current and deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to the Company's specific situation. Therefore, it is possible that the ultimate value of the tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on the Company's consolidated financial statements.

4. Standards Issued But Not Yet Effective

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for the Company's as of January 1, 2012. The amendments have no impact on the Company's disclosures.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ["IFRS 10"], is effective for annual periods beginning on or after January 1, 2013 and will replace portions of IAS 27 Consolidated and Separate Financial Statements ["IAS 27"] and interpretation SIC-12, Consolidation – Special Purpose Entities. Under IFRS 10, consolidated financial statements include all controlled entities under a single control model that applies to all entities, including SPEs and structured entities. A group will still continue to consist of a parent and its subsidiaries; however IFRS 10 uses different terminology from IAS 27 in describing its control model. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. While early adoption of this standard is permitted, the Company has decided not to early adopt. The Company has not fully assessed the impact of adopting IFRS 10; however, it anticipates that its impact will be limited.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities ["IFRS 12"] includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities. Many of the disclosure requirements were previously included in IAS 27, IAS 1 and IAS 28 while others are new. This standard is effective for the Company's as of January 1, 2013. While early adoption is permitted, the Company has decided not to early adopt. The Company has not fully assessed the impact of adopting IFRS 12; however, it anticipates that its impact will be limited.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement ["IFRS 13"] provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value is required or permitted under IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles could have a significant effect on some entities adopting the standard. IFRS 13 is effective for the Company January 1, 2013 and will be adopted by the Company prospectively. The Company does not expect any impact on its financial position or performance.

IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 by revising how certain items are presented in other comprehensive income. Items within other comprehensive income that may be reclassified to net income or loss will be separated from items that will not. The standard is effective for the Company's as at January 1, 2013. While early adoption is permitted, the Company has decided not to early adopt. The Company is currently assessing the impact of the amendment on its financial statements.

5. Cash

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand and at banks	**1,019**	731	291

Cash on hand and at banks earns interest at floating rates based on daily bank deposit rates

6. Amounts Receivable

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Vendor rebate receivable	**1,383**	1,366	1,377
Due from franchisees	**2,386**	2,668	1,686
Other	**3,489**	1,837	2,221
	7,258	5,871	5,284
Current	**5,893**	4,809	5,284
Non-current	**1,365**	1,062	–
	7,258	5,871	5,284

Other amounts receivable consist of amounts due from customers, employees, vendor rebates, indirect tax and other items.

7. Consumer Loans Receivable

Consumer loans receivable represent amounts advanced to customers of *easyfinancial*. Loan terms generally range from 6 to 36 months.

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Consumer loans receivable	**47,565**	23,800	9,251
Allowance for loan losses	**(2,627)**	(1,971)	(310)
	44,938	21,829	8,941
Current	**32,619**	18,162	7,421
Non-current	**12,319**	3,667	1,520
	44,938	21,829	8,941

An aging analysis of consumer loans past due as at December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in $000's except %)	December 31, 2011		December 31, 2010		January 1, 2010	
	$	% of total loans	$	% of total loans	$	% of total loans
1 – 30 days	**2,438**	**5.1%**	1,238	5.2%	443	4.8%
31 – 44 days	**400**	**0.8%**	238	1.0%	62	0.7%
45 – 60 days	**358**	**0.8%**	405	1.7%	40	0.4%
61 – 90 days	**519**	**1.1%**	690	2.9%	78	0.8%

An aging analysis of consumer loans past due as at December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in $000's)	Years Ended December 31,	
	2011	2010
Balance, beginning of year	**1,971**	310
Amounts written off against allowance	**(5,046)**	(1,897)
Increase due to normal lending and collection activities	**6,301**	2,093
Increase due to refinement of estimating the allowance	–	866
Amounts written off against provision due to employee fraud	**(599)**	(303)
Increase due to employee fraud	–	902
Balance, end of year	**2,627**	1,971

During the year ended December 31, 2010, a material employee fraud was detected by the Company. The consumer loans receivable allowance was increased in 2010 to provide for the risk of non-collection of customer accounts due to fraudulent loans or the non-compliance of the Company's standard underwriting procedures. During 2011, $599 of consumer loans were written off which related to the fraud and for which a provision was created in 2010.

8. Lease Assets

(in $000's)	Total
Cost	
As at January 1, 2010	**129,303**
Additions	**47,130**
Disposals	**(56,053)**
Foreign exchange differences	**(68)**
As at December 31, 2010	**120,312**
Additions	**48,614**
Disposals	**(57,159)**
Foreign exchange differences	**75**
As at December 31, 2011	**111,842**
Accumulated Depreciation	
As at January 1, 2010	**(58,960)**
Depreciation for the year	**(48,596)**
Disposals	**55,127**
Foreign exchange differences	**(191)**
As at December 31, 2010	**(52,620)**
Depreciation for the year	**(47,465)**
Disposals	**55,383**
Foreign exchange differences	**(144)**
As at December 31, 2011	**(44,846)**
Net Book Value	
As at January 1, 2010	**70,343**
As at December 31, 2010	**67,692**
As at December 31, 2011	**66,996**

9. Property and Equipment

(in $000's)	Furniture & Fixtures	Office Equipment	Automotive	Signage	Leasehold Improvement	Total
Cost						
As at January 1, 2010	8,336	7,949	528	4,547	11,819	33,179
Additions	1,545	1,839	215	540	1,638	5,777
Disposals	(337)	(152)	(262)	–	(64)	(815)
Foreign exchange differences	(69)	(69)	(12)	–	(85)	(235)
As at December 31, 2010	9,475	9,567	469	5,087	13,308	37,906
Additions	1,335	1,088	33	292	1,396	4,144
Disposals	(352)	(339)	(42)	(405)	(344)	(1,482)
Foreign exchange differences	(71)	(14)	1	(14)	(2)	(100)
As at December 31, 2011	**10,387**	**10,302**	**461**	**4,960**	**14,358**	**40,468**
Accumulated Depreciation and Provision for Impairment						
As at January 1, 2010	(4,501)	(5,410)	(161)	(2,842)	(7,930)	(20,844)
Depreciation for the year	(953)	(768)	(107)	(601)	(1,532)	(3,961)
Provision for impairment	(361)	(205)	–	(203)	(727)	(1,496)
Recovery of impairment	74	31	–	59	100	264
Disposals	348	241	73	57	446	1,165
Foreign exchange differences	(20)	(20)	(1)	(12)	(28)	(81)
As at December 31, 2010	(5,413)	(6,131)	(196)	(3,542)	(9,671)	(24,953)
Depreciation for the year	(816)	(877)	(78)	(291)	(1,444)	(3,506)
Provision for impairment	(285)	(81)	–	(55)	(235)	(656)
Recovery of impairment	140	79	–	112	264	595
Disposals	160	88	15	92	209	564
Foreign exchange differences	22	24	1	11	38	98
As at December 31, 2011	**(6,192)**	**(6,898)**	**(258)**	**(3,673)**	**(10,839)**	**(27,856)**
Net Book Value						
As at January 1, 2010	3,835	2,539	367	1,705	3,889	12,335
As at December 31, 2010	4,062	3,436	273	1,545	3,637	12,953
As at December 31, 2011	**4,195**	**3,404**	**207**	**1,287**	**3,519**	**12,612**

The amount of property and equipment classified as under construction or development and not being amortized was nil as at December 31, 2011 (December 31, 2010 – $0.7 million and January 1, 2010 – $0.6 million).

Various impairment indicators were used to determine the need to test a CGU for impairment. Examples of these indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 3% long term growth rate consistent with industry practice. The forecasted cash flow was discounted using a 22% before tax discount rate.

Where the carrying value of the CGUs assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that due to the portability of leased assets held within the CGU and the cash flows generated by individual lease assets that no impairment write down of the lease assets was required. As such the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

For the year ended December 31, 2011, the Company recorded an impairment charge of $656 (December 31, 2010 – $1,496) offset by an impairment recovery of $595 (December 31, 2010 – $264). The net impairment charge for 2011 was $61 (2010 – $1,232). All impairment charges relate solely to the leasing segment.

10. Intangible Assets and Goodwill

(in $000's)	Trademarks	Customer Lists	Software	Total
Cost				
As at January 1, 2010	1,810	246	1,886	3,942
Additions	–	–	447	447
Disposals	–	–	(29)	(29)
Foreign exchange differences	(46)	–	–	(46)
As at December 31, 2010	1,764	246	2,304	4,314
Additions	38	–	1,402	1,440
Disposals	–	–	(16)	(16)
Foreign exchange differences	(80)	(11)	(4)	(95)
As at December 31, 2011	**1,722**	**235**	**3,686**	**5,643**
Accumulated Amortization and Provision for Impairment				
As at January 1, 2010	–	(17)	(770)	(787)
Amortization for the year	–	(46)	(334)	(380)
Disposals	–	-	4	4
Foreign exchange differences	–	(6)	(52)	(58)
As at December 31, 2010	–	(69)	(1,152)	(1,221)
Amortization for the year	–	(44)	(390)	(434)
Disposals	–	(4)	5	1
Foreign exchange differences	–	12	125	137
As at December 31, 2011	–	**(105)**	**(1,412)**	**(1,517)**
Net Book Value				
As at January 1, 2010	1,810	229	1,116	3,155
As at December 31, 2010	1,764	177	1,152	3,093
As at December 31, 2011	**1,722**	**130**	**2,274**	**4,126**

Goodwill was $17.3 million as at December 31, 2011, December 31, 2010 and January 1, 2010. There were no additions, disposals or impairments applied to goodwill during the years ended December 31, 2011 and December 31, 2010. Goodwill is not amortized. Goodwill arose through acquisitions.

Trademarks are considered indefinite life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows. Trademarks were purchased and were not internally generated.

Software and customer lists are amortized over five years which is considered the estimated useful life of the assets. All software and customer lists were purchased.

For purposes of testing the indefinite life intangible assets, the goodwill and trademarks are allocated to the appropriate group of CGUs to which they relate. In the case of goodwill, the carrying value is allocated to the Canadian leasing CGUs. In the case of trademarks, the carrying value is allocated to the U.S. leasing CGUs. Impairment testing is done annually and was performed as at December 31, 2011, December 31, 2010 and January 1, 2010. The impairment test consisted of comparing the carrying value of assets within the aforementioned grouping of CGUs to the recoverable amount of that grouping as measured by discounting the future cash flows expected to be so generated. The discounted cash flow model was based on historical operating results, detailed sales and cost forecasts over a five-year period and long term growth rates consistent with industry averages, all of which were consistent with the strategic plans presented to the Company's Board of Directors.

Based on the analysis performed by management, no impairment charge was required on goodwill or the intangible assets.

11. Banking Revolving Credit Facility and Term Loan

On July 21, 2011, the Company entered into new credit facilities with a syndicate of banks which provides for a $40 million revolving credit facility and also included a related term loan and letter of credit facilities for $0.9 million and $0.5 million, respectively. The revolving credit facility reduces to $35 million on July 21, 2012 and expires on July 21, 2013. Borrowings under previous facilities were rolled into the new facilities.

Bank Revolving Credit Facility

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Bank revolving credit facility	**33,123**	15,649	23,764

Term Loan

The Company's term loan relates to a $10 million three-year term loan which the Company arranged during the third quarter of 2008 to fund the acquisition of Insta-Rent Inc. This term loan was repaid on schedule during 2011

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Term loan	–	2,602	6,120

Canadian dollar loans under the facilities bear interest at the lender's prime rate plus 125 basis points ["bps"] or plus 175 bps if the Company's total debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio equals or exceeds two times. The Company also has the option to convert the loans to U.S. Base, Bankers' Acceptance or LIBOR rates. Currently, the Company's effective interest rate under the facilities is 4.25%.

The credit facilities are fully secured by substantially all assets of the Company, contain certain positive and negative covenants and other usual and customary terms and conditions. The financial covenants of the new credit facilities are as follows:

Financial Covenant	Requirements
Total debt to EBITDA ratio	< 2.5, reducing to < 2.0 in the quarter ending Dec. 31, 2011
Fixed coverage ratio	> 1.0, increasing to > 1.15 in the quarter ending Dec. 31, 2011 and increasing to > 1.25 in the quarter ending Dec. 31, 2012
Total debt to effective tangible net worth ratio	< 0.55
Total debt to lease assets	< 0.75

As at December 31, 2011 and December 31, 2010, the Company was in compliance with all of its financial covenants under its credit facilities agreement.

See note 20 for a discussion of the Company's capital risk management.

12. Provisions

(in $000's)	Onerous leases due to impairment	Other onerous leases	Total
As at January 1, 2010	632	196	828
Incurred during the year	274	48	322
Utilized during the year	(28)	(45)	(73)
Unused amounts reversed	(249)	-	(249)
As at December 31, 2010	629	199	828
Utilized during the year	(533)	(194)	(727)
As at December 31, 2011	**96**	**5**	**101**

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Current	**24**	421	597
Non-current	**77**	407	231
	101	828	828

13. Share Capital

Authorized Capital

The authorized capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of preference shares.

Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company, if any, and, in the event of any required distribution of all of the property of the Company, in the net assets of the Company remaining after satisfaction of all liabilities.

The common shares are listed for trading on the TSX.

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Year Ended December 31, 2011		Year Ended December 31, 2010	
(in $000's except number of shares in 000's)	# of shares	$	# of shares	$
Balance, beginning of the year	**11,842**	**60,074**	10,419	48,880
Issued for cash for exercised options	**7**	**133**	70	286
Issued for cash on private placement of common shares, net of share issuance costs	–	–	1,353	10,908
Balance, end of the year	**11,849**	**60,207**	**11,842**	**60,074**

The TSX had previously accepted a notice of intention filed by the Company to make a normal course issuer bid ("NCIB"). During the period that commenced on July 8, 2009 and ended on July 7, 2010, the Company was permitted to purchase on the TSX a maximum of 200,000 common shares being approximately 3.0% of the public float (as defined by the rules and guidelines of the TSX) as of June 30, 2010. The price for any such shares was the prevailing market price at the time of purchase. As of July 7, 2010, the Company had repurchased 86,700 common shares at a cost of $766,000 under this notice. All of these share repurchases occurred during 2009. This notice expired without renewal on July 7, 2010.

On December 23, 2010, the Company completed a private placement of 1,352,940 common shares at a price of $8.50 per share for aggregate gross proceeds of $11.5 million. This included 176,470 common shares issued pursuant to an over-allotment option granted to the underwriters. The shares were offered pursuant to a prospectus and registration exemptions in each of the provinces and territories of Canada. The $10.9 million increase to share capital, net of share issuance costs of $0.6 million, was offset by net proceeds of $10.7 million and a deferred tax asset of $0.2 million. The Company used the net proceeds from the financing to fund growth initiatives at its existing *easyfinancial* kiosks and for general corporate purposes, including debt repayment.

Dividends on Common Shares

For the year ended December 31, 2011, the Company paid dividends of $3.9 million (December 31, 2010 – $3.6 million). The Company declared a dividend of $0.085 per share to shareholders of record on December 1, 2011, payable on January 5, 2012 (2010 – $0.085 per share to shareholders of record on December 1, 2010, payable on January 5, 2011). The dividend paid on January 5, 2012 was $1.0 million (2010 – $892).

14. Stock-Based Compensation

Share Option Plan

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the grant date, generally vest evenly over a five-year period, or vest based on earnings per share, and have exercise lives ranging from five to ten years. The aggregate number of common shares reserved for issuance and which may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 2.3 million common shares.

	Year Ended December 31, 2011		Year Ended December 31, 2010	
(number of options in 000's)	Options #	Weighted Average Exercise Price $	Options #	Weighted Average Exercise Price $
Outstanding balance, beginning of year	**631**	**14.58**	664	14.24
Options granted	**95**	**8.69**	169	8.59
Options exercised	–	–	(70)	2.20
Options forfeited or expired	**(11)**	**14.17**	(132)	11.71
Outstanding balance, end of year	**715**	**13.80**	631	14.58
Exercisable balance, end of year	**255**	**15.69**	192	16.20

Outstanding options to directors, officers and employees as at December 31, 2011 as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	Options # (in 000's)	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
8.00 – 10.99	320	3.74	8.70	35	9.21
11.00 – 14.99	2	2.86	11.00	1	11.00
15.00 – 19.99	373	1.33	17.85	202	16.44
20.00 – 20.33	20	1.30	20.26	17	20.26
8.00 – 20.33	715	2.41	13.80	255	15.69

The Company uses the fair value method of accounting for stock options granted to employees and directors. During the year ended December 31, 2011, the Company granted 95,530 options (2010 – 168,982). For the year ended December 31, 2011, a credit amount of $16 (2010 – expense of $116) was recorded as stock-based compensation expenses with respect to stock options in salaries and benefits expense in the consolidated statements of income, with corresponding adjustments to contributed surplus.

The estimated fair value of options granted during the year was determined using the Black-Scholes option pricing model with the following assumptions, resulting in a weighted average fair value of $2.03 per option (2010 – $1.78).

	2011	2010
Risk-free interest rate (% per annum)	**2.40**	2.82
Expected hold period to exercise (years)	**4.29**	4.28
Volatility in the price of the Company's shares (%)	**35.77**	31.77
Dividend yield (%)	**4.39**	3.94

Restricted Share Unit Plan

During the year ended December 31, 2011, the Company granted no RSUs (2010 – nil) to senior executives of the Company under its Restricted Share Unit Plan. RSUs are granted at fair market value at the grant date and vest based on earnings per share. For the year ended December 31, 2011, a credit amount of $69 (2010 – $326 expense) was recorded as a stock-based compensation recovery under the Restricted Share Unit Plan in salaries and benefits expense in the consolidated statements of income. Additionally, for the year ended December 31, 2011, an additional 4,478 RSUs (2010 – 5,259) were granted as a result of dividends payable.

Performance Share Unit Plan

During the year ended December 31, 2011, the Company granted 309,356 PSUs (2010 – 260,116) to senior executives of the Company under its Performance Share Unit Plan. PSUs are granted at fair market value at the grant date and vest based on earnings per share. For the year ended December 31, 2011, $277 (2010 – $450) was recorded as stock-based compensation expense under the Performance Share Unit Plan in salaries and benefits expense in the consolidated statements of income. Additionally, for the year ended December 31, 2011, an additional 17,562 PSUs (2010 – 4,169) were granted as a result of dividends payable.

Deferred Share Unit Plan

During the year ended December 31, 2011, the Company granted 50,703 DSUs (2010 – 31,077) to Directors under its Deferred Share Unit Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant date. For the year ended December 31, 2011, $385 (2010 – $261) was recorded as stock-based compensation expense under the Deferred Share Unit Plan in salaries and benefits expense in the consolidated statements of income. Additionally, for the year ended December 31, 2011, an additional 4,039 DSUs (2010 – 2,529) were granted as a result of dividends payable.

For the year ended December 31, 2011, $577 (2010 – $501) was recorded as stock-based compensation expense under all stock-based compensation plans. The liability relating to stock-based compensation for the year ended December 31, 2011 was $727 (2010 – $450).

Contributed Surplus

The following is a continuity of the activity in the contributed surplus account during the years ended December 31:

	Years Ended December 31,	
(in $000's)	2011	2010
Contributed surplus, beginning of year	**3,061**	3,142
Stock-based compensation expense		
Stock options	**(16)**	116
Restricted share units	**(69)**	(326)
Deferred share units	**385**	261
Reduction due to redemption of deferred share units	**(190)**	–
Reduction due to exercise of options and units	–	(132)
Contributed surplus, end of year	**3,171**	3,061

15. Income Taxes

The Company's income tax provision is determined as follows:

(in $000's)	Years Ended December 31, 2011	2010
Combined basic federal and provincial income tax rates	**27.1%**	30.2%
Expected income tax expense	**3,724**	2,559
Impact of tax rate changes on deferred tax assets	**(7)**	(52)
Non-deductible expenses	**156**	59
U.S. losses not tax benefitted	**500**	721
Changes to tax contingencies	**–**	(422)
Other	**(259)**	(465)
	4,114	2,400

The significant components of the Company's income tax expense are as follows:

(in $000's)	Years Ended December 31, 2011	2010
Current income tax:		
Current income tax charge	**184**	1,636
Adjustments related to intercompany management fees and other	**(1,432)**	469
Deferred income tax:		
Relating to origination and reversal of temporary differences	**5,362**	295
	4,114	2,400

The significant components of the Company's deferred tax assets are as follows:

(in $000's)	December 31, 2011	December 31, 2010	January 1, 2010
Loss carryforwards	**256**	2,473	1,065
Tax cost of lease assets and property and equipment in excess of net book value	**929**	3,689	5,786
Amounts receivable and provisions	**882**	772	341
Lease inducements	**621**	650	575
Unearned revenue	**165**	250	246
Financing fees	**122**	166	–
Other	**(42)**	298	372
	2,933	8,298	8,385

The deferred income tax asset credited directly to equity relating to financing fees for the year ended December 31, 2011 was $44 (2010 – $nil).

The Company and its subsidiaries have the following tax loss carryforwards that may be used to reduce taxable income in the future:

(in $000's, except years)	Tax Loss Carryforwards	Benefit of Tax Loss Carryforwards	Year of Expiry
Canadian Operations			
Year ended December 31, 2009	959	256	2029
U.S. Operations			
Year ended December 31, 2007	1,006	401	2026
Year ended December 31, 2008	1,869	746	2027
Year ended December 31, 2009	518	207	2028
Year ended December 31, 2010	439	175	2029
Year ended December 31, 2011	231	92	2030
	4,063	1,621	
	5,022	1,877	

At December 31, 2011, the benefit of the U.S. tax loss carryforwards in the amount of $1.6 million and the U.S. deferred tax asset resulting from differences between the financial reporting and tax bases of assets and liabilities have not been recognized due to the uncertainty of the realization of the benefit of the U.S. operational losses and the reversal of the differences between the financial reporting and tax bases of the assets and liabilities in the foreseeable future. If the Company were to recognize all unrecognized deferred tax assets at December 31, 2011, net income would have increase by $3.1 million (December 31, 2010 – $2.7 million).

At December 31, 2011, there was no recognized deferred tax liability (December 31, 2010 – $nil) for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

16. Earnings Per Share

Basic Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	Years Ended December 31,	
(in $000's except number of shares and earnings per share)	2011	2010
Net income	**9,612**	6,072
Weighted average number of ordinary shares outstanding	**11,849**	10,490
Basic earnings per ordinary share	**0.81**	0.58

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised and the proceeds are used to purchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and warrants is included in the calculation of diluted earnings per share.

	Years Ended December 31,	
(in $000's except number of shares and earnings per share)	2011	2010
Net income for the year	**9,612**	6,072
Weighted average number of ordinary shares outstanding	**11,849**	10,490
Dilutive effect of stock-based compensation	**85**	28
Weighted average number of diluted shares outstanding	**11,934**	10,518
Dilutive earnings per ordinary share	**0.81**	0.58

The dilutive effect of share options reflects 98,949 options for the year ended December 31, 2011 (2010 – 85,236). For the year ended December 31, 2011, stock options to acquire 715,362 common shares (2010 – 406,750 options) were not included in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the year.

17. Net Change in Other Operating Assets and Liabilities

The net change in other operating assets and liabilities is as follows:

	Years Ended December 31,	
(in $000's)	2011	2010
Amounts receivable	**(1,387)**	(587)
Prepaid expenses	**(20)**	(150)
Accounts payable and accrued liabilities	**459**	6,441
Income taxes (recoverable) payable	**(665)**	3,052
Deferred lease inducements	**98**	156
Unearned revenue	**(748)**	492
Provisions	**(727)**	–
	(2,990)	9,404

Supplemental disclosures in respect of the consolidated statements of cash flows comprise the following:

	Years Ended December 31,	
(in $000's)	2011	2010
Income taxes paid	**1,327**	2,692
Income taxes refunded	**1,883**	3,545
Interest paid	**1,541**	1,231
Interest received	**15,460**	7,894

18. Commitments and Guarantees

The Company is committed to operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs required for the next five years and thereafter are as follows:

(in $000's)	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Premises	18,108	36,209	3,142
Other operating lease obligations	1,223	1,782	–
Total contractual obligations	19,331	37,991	3,142

During the year ended December 31, 2011, $21.8 million (2010 – $22.3 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

In February 2010, an irrevocable standby letter of credit, in the amount of $0.5 million, was issued under the Company's credit facilities for the purpose of securing the lease for the new corporate office.

19. Contingencies

Class Action Lawsuit

The Company and certain of its current and former officers have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010 and claimed total damages of $15.0 million (including punitive damages of $5.0 million). The plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. On April 8, 2011, the same plaintiff commenced a second action against certain current and former directors of the Company. This second action is in the process of being dismissed or discontinued by the parties.

The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

Other Legal Actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

20. Capital Risk Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of bank debt and shareholders' equity, which comprises issued share 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 new share issues, share repurchases, the payment of dividends, increasing or decreasing bank debt or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

The Company monitors capital on the basis of its bank covenants which are tabulated as follows:

Financial Covenant	Requirements*	As at December 31, 2011
Total debt to EBITDA ratio	< 2.0	1.75
Fixed coverage ratio	> 1.15	1.18
Total debt to effective tangible net worth ratio	< 0.55	0.44
Total debt to lease assets	< 0.75	0.49

*Bank covenant requirements as at December 31, 2011

For the year ended December 31, 2011, the Company was in compliance with all of its externally imposed financial covenants.

21. Financial Risk Management

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance.

Recognition and Measurement of Financial Instruments

The Company has classified its financial instruments as follows:

(in 000's) Financial Instruments	Measurement	December 31, 2011	December 31, 2010	January 1, 2010
Cash	Fair value	1,019	731	291
Amounts receivable	Amortized cost	7,258	5,871	5,284
Consumer loans receivable	Amortized cost	44,938	21,829	8,941
Accounts payable and accrued liabilities	Amortized cost	20,231	19,772	13,331
Bank revolving credit facility	Amortized cost	33,123	15,649	23,764
Term loan	Amortized cost	–	2,602	6,120

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk related to lease assets with customers results from the possibility of customer default with respect to agreed upon payments. The Company has a standard collection process in place in the event of payment default, which includes the recovery of the lease asset if satisfactory payment terms cannot be worked out with the customer, as the Company maintains ownership of the lease assets until payment options are exercised. Lease asset losses for the year ended December 31, 2011 represented 2.2% (December 31, 2010 – 2.2%) of total revenue for the leasing segment.

The credit risk related to amounts receivable and consumer loans receivable made in accordance with policies and procedures results from the possibility of default on rebate payments, consumer loans, and amounts due from licensee and franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts when determined to be appropriate.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's senior management. Credit quality of the customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. As at December 31, 2011, the Company's net loan portfolio was $44.9 million (December 31, 2010 – $21.8 million and January 1, 2010 – $8.9 million).

Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its committed bank revolving credit facility. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

The Company believes that the cash flow provided by operations will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In order for the Company to achieve the full growth opportunities available, it will require additional sources of financing over and above the currently available loan facility. The Company is currently considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

(in 000's) **Financial Instruments**	**Measurement**	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Accounts payable and accrued liabilities	Amortized cost	**20,231**	19,772	13,331
Bank revolving credit facility	Amortized cost	**33,123**	15,649	23,764
Term loan	Amortized cost	–	2,602	6,120

All financial liabilities of the Company as at December 31, 2011 and 2010 are current.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all bank facilities bear interest at prime plus 1.25% per annum. As at December 31, 2011, this rate was 4.25% per annum (December 31, 2010 – 3.75% per annum).

The Company does not hedge interest rates. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company.

As at December 31, 2011, all of the Company's $33.1 million drawn bank revolving credit facility is subject to movements in floating interest rates. A 1% movement in the prime interest rate would have increased or decreased net income for the year by approximately $362.

Currency Risk

Currency risk measures the Company's risk of financial loss due to adverse movements in currency exchange rates.

The Company sources a portion of the furniture it leases in Canada from U.S. suppliers. As a result, the Company has foreign exchange transaction exposure. These purchases are funded using regular spot rate purchases. Pricing to customers can be adjusted to reflect changes in the Canadian dollar landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure.

The Company also has foreign currency transaction exposure through its Company owned, SPEs and franchise locations in the United States.

The earnings of the Company's U.S. subsidiary and SPEs are translated into Canadian dollars each period. A 5% movement in the Canadian and U.S. dollar exchange rate would have increased or decreased other comprehensive income by approximately $62.

22. Related Party Transactions

The Company, through its wholly-owned subsidiary *easyhome* U.S. Ltd., signed a License/Master Franchise Agreement [the "License Agreement"] with an entity controlled by Walter "Bud" Gates ["easygates LLC"] on March 2, 2007. Mr. Gates was elected to the Company's Board of Directors in April 2010 and was a director until December 21, 2011. Mr. Gates did not participate or vote in any Board of Director discussions relating to the Licence Agreement. The License Agreement has an initial six-year term and allows easygates LLC to set up *easyhome* franchises in the U.S., excluding the 14 U.S. states that border Canada. The License Agreement provides that, for each franchise store that is opened, easygates LLC and *easyhome* will split both the initial franchise fee and the ongoing royalty fees. As at December 31, 2011, 32 franchise locations were opened and operated under the License Agreement.

	Years Ended December 31,	
(in $000's)	2011	2010
Short-term employee benefits	**1,756**	1,611
Share-based payment transactions	**58**	160
	1,814	1,771

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel during the reporting periods.

23. Segmented Reporting

For management purposes, the Company has three reportable segments as follows:

- Leasing
- *easyfinancial*
- Franchising

Prior to March 31, 2011, the Company's reportable business segments were Canadian leasing, U.S. leasing and *easyfinancial*. Following a review of the reporting segments that resulted from the previously announced restructuring and the Company's corresponding growth strategy, the reportable segments were adjusted to reflect the Company's organizational structure and the degree of segregation of business units upon which operating decisions are made. Accounting policies for each of these business segments are the same as those disclosed in note 2. Except for *easyfinancial*, revenue is allocated to each business segment based on the location of the *easyhome* store where the transaction originates. *easyfinancial*'s revenue includes all revenue earned from the Company's consumer lending business. General and administrative expenses directly related to the Company's business segments are included as operating expenses for those segments. All other general and administrative expenses are reported separately. Management assesses the performance based on pre tax operating income.

The following tables summarize the relevant information for the years ended December 31, 2011 and 2010:

Year ended December 31, 2011 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	**162,464**	**24,463**	**1,398**	**–**	**188,325**
Total operating expenses before depreciation and amortization and unusual items	**87,642**	**17,941**	**570**	**15,439**	**121,592**
Restructuring and other items	**–**	**–**	**–**	**–**	**–**
Depreciation and amortization	**50,531**	**355**	**89**	**491**	**51,466**
Segment operating income (loss)	**24,291**	**6,167**	**739**	**(15,930)**	**15,267**
Interest expense	**–**	**–**	**–**	**1,541**	**1,541**
Income before income taxes	**24,291**	**6,167**	**739**	**(17,471)**	**13,726**
Assets	**101,207**	**51,152**	**2,212**	**4,552**	**159,123**
Liabilities	**21,710**	**2,099**	**104**	**37,668**	**61,581**

Year ended December 31, 2010 (in $000's)	Leasing	*easyfinancial*	Franchising	Corporate Costs Unallocated to Segments	Total
Revenue	162,237	10,824	1,123	–	174,184
Total operating expenses before depreciation and amortization and unusual items	84,619	10,438	420	11,759	107,236
Restructuring and other items	–	–	–	3,069	3,069
Depreciation and amortization	53,413	202	36	518	54,169
Segment operating income (loss)	24,205	184	667	(15,346)	9,710
Interest expense	–	–	–	1,238	1,238
Income before income taxes	24,205	184	667	(16,584)	8,472
Assets	106,184	25,445	2,523	4,936	139,088
Liabilities	22,107	1,033	24	24,413	47,577

The Company's goodwill of $17.3 million (December 31, 2010 – $17.3 million) is related entirely to its Canadian leasing segment.

The Company's leasing business consists of four major product categories: furniture, electronics, computers and appliances. Lease revenue as a percentage of total lease revenue for the years ended December 31, 2011 and December 31, 2010 are as follows:

	Years Ended December 31,	
	2011 %	2010 %
Furniture	**37**	36
Electronics	**33**	35
Computers	**18**	17
Appliances	**12**	12
	100	100

The Company operates across Canada and in certain U.S. states. During the year ended December 31, 2011, 93% or $175.5 million of revenue was generated in Canada and 7% or $12.8 million of revenue was generated in the U.S. (December 31, 2010 – 95% or $165.8 million of revenue was generated in Canada and 5% or $8.4 million of revenue was generated in the U.S.). Additionally, as at December 31, 2011, $145.4 million of the Company's assets were located in Canada and $13.7 million were located in the U.S. (2010 – $128.7 million in Canada and $10.3 million in the U.S.).

24. IFRS First Time Adoption

IFRS Standards Exemptions Applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to the retrospective application of its opening consolidated statement of financial position as at January 1, 2010:

i) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, Business Combinations ["IFRS 3"] retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

ii) Cumulative Translation Differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

iii) Share-Based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, Share-based Payment ["IFRS 2"], to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with CGAAP.

IFRS Financial Statements Reconciled to CGAAP

For all periods up to and including the year ended December 31, 2010, the Company prepared its consolidated financial statements in accordance with CGAAP. These consolidated financial statements for the year ended December 31, 2011 are the first the Company has prepared under IFRS.

Accordingly, the Company has prepared consolidated financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2010 as described in the Company's accounting policies. In preparing these consolidated financial statements, the Company's opening statement of financial position was prepared as at January 1, 2010, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company in restating its previous CGAAP statement of financial position as at January 1, 2010, and CGAAP financial statements for the year ended December 31, 2010.

The transition from CGAAP to IFRS has not had a material impact on the consolidated statement of cash flows with the exception of the classification of the purchase of lease assets. The Company previously classified its purchase of lease assets as operating activities in the consolidated statements of cash flows. Under IFRS, as the intent is to lease these assets and dispose of them at the end of its economic life, the Company has classified these amounts as investing activities in the amount of $48.6 million in 2011 (2010 – $47.1 million).

The CGAAP consolidated statement of financial position at January 1, 2010 has been reconciled to IFRS as follows:

(in $000's)		CGAAP	IFRS adjustments	IFRS
ASSETS				
Current assets				
Cash		291	–	291
Amounts receivable		5,284	–	5,284
Income taxes recoverable		2,987	–	2,987
Consumer loans receivable		7,421	–	7,421
Prepaid expenses	Note 1	1,592	(446)	1,146
Total current assets		17,575	(446)	17,129
Consumer loans receivable		1,520	–	1,520
Lease assets	Note 2	75,398	(5,055)	70,343
Property and equipment	Note 3	15,637	(3,302)	12,335
Deferred tax assets	Note 4	5,603	2,782	8,385
Intangible assets	Note 5	3,183	(28)	3,155
Goodwill		17,325	–	17,325
TOTAL ASSETS		136,241	(6,049)	130,192
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank revolving credit facility		23,764	–	23,764
Accounts payable and accrued liabilities	Note 6	13,527	(196)	13,331
Dividends payable		884	–	884
Deferred lease inducements		579	–	579
Unearned revenue	Note 7	3,936	882	4,818
Term loan		3,636	–	3,636
Provisions	Note 8	–	597	597
Total current liabilities		46,326	1,283	47,609
Deferred lease inducements		1,724	–	1,724
Term loan		2,484	–	2,484
Provisions	Note 8	–	231	231
Total liabilities		50,534	1,514	52,048
Shareholders' equity				
Share capital		48,880	–	48,880
Contributed surplus	Note 9	2,996	146	3,142
Retained earnings	Note 10	33,831	(7,709)	26,122
Total shareholders' equity		85,707	(7,563)	78,144
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		136,241	(6,049)	130,192

Notes:

1. Adjustment of ($446) relates to IFRS Adjustment G (Advertising and Promotional Expenditures).
2. Adjustment of ($5,055) consists of two components: i) ($930) relates to Adjustment K (Assets on Lease Provision), ii) an adjustment of ($4,082) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates), and iii) an adjustment of ($43) relates to IFRS Adjustment I (Functional Currency).
3. Adjustment of ($3,302) consists of three components: i) an adjustment of ($448) relates to IFRS Adjustment A (Depreciation of Property and Equipment); ii) an adjustment of ($2,840) relates to IFRS Adjustment B (Impairment of Assets); and iii) an adjustment of ($14) relates to IFRS Adjustment I (Functional Currency).
4. Adjustment of $2,782 consists of two components; i) $2,531 relates to IFRS Adjustment J (tax effect of IFRS Adjustments); and ii) $251 relates to Adjustments K (Assets on Lease Provision).
5. Adjustment of ($28) relates to IFRS Adjustment I (Functional Currency).
6. Adjustment of ($196) relates to IFRS Adjustment H (Onerous Leases).
7. Adjustment of $882 relates to IFRS Adjustment C (Processing Fees).
8. Adjustment of $828 relates to IFRS Adjustment H (Onerous Leases). The current portion of this adjustment was $597 while the non-current portion was $231.
9. Adjustment of $146 relates to IFRS Adjustment F (Share-based Payments).
10. Adjustment of ($7,709) consists of two components: i) ($7,029) is the collective impact on retained earnings of all opening IFRS balance sheet adjustments; and ii) $680 relates to Adjustment K (Assets on Lease Provision)

The CGAAP consolidated statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

(in $000's)		CGAAP	IFRS adjustments	IFRS
ASSETS				
Current assets				
Cash		731	–	731
Amounts receivable		4,809	–	4,809
Consumer loans receivable		18,162	–	18,162
Prepaid expenses	Note 1	1,861	(565)	1,296
Total current assets		25,563	(565)	24,998
Amounts receivable		1,062	–	1,062
Consumer loans receivable		3,667	–	3,667
Lease assets	Note 2	73,046	(5,354)	67,692
Property and equipment	Note 3	16,737	(3,784)	12,953
Deferred tax assets	Note 4	5,580	2,718	8,298
Intangible assets	Note 5	3,272	(179)	3,093
Goodwill		17,325	–	17,325
TOTAL ASSETS		146,252	(7,164)	139,088
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank revolving credit facility		15,649	–	15,649
Accounts payable and accrued liabilities	Note 6	19,521	(199)	19,322
Income taxes payable		65	–	65
Dividends payable		892	–	892
Deferred lease inducements		578	–	578
Unearned revenue	Note 7	4,366	944	5,310
Term loan		2,602	–	2,602
Provisions	Note 8	–	421	421
Total current liabilities		43,673	1,166	44,839
Accounts payable and accrued liabilities		450	–	450
Deferred lease inducements		1,881	–	1,881
Provisions	Note 8	–	407	407
Total liabilities		46,004	1,573	47,577
Shareholders' equity				
Share capital		60,074	–	60,074
Contributed surplus	Note 9	3,034	27	3,061
Accumulated other comprehensive loss	Note 10	–	(257)	(257)
Retained earnings	Note 11	37,140	(8,507)	28,633
Total shareholders' equity		100,248	(8,737)	91,511
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,252	(7,164)	139,088

Notes:

1. Adjustment of ($565) relates solely to IFRS Adjustment G (Advertising and Promotional Expenditures).
2. Adjustment of ($5,354) consists of three components: i) ($930) relates to Adjustment K (Assets on Lease Provision); ii) ($4,177) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and iii) an adjustment of ($247) relates to IFRS Adjustment I (Functional Currency).
3. Adjustment of ($3,784) consists of three components: i) an adjustment of ($439) relates to IFRS Adjustment A (Depreciation of Property and Equipment); ii) an adjustment of ($3,251) relates to IFRS Adjustment B (Impairment of Assets); and iii) and adjustment of ($94) relates to IFRS Adjustment I (Functional Currency).
4. Adjustment of $2,718 consists of two components: i) $2,467 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments); and ii) $251 relates to Adjustment K (Assets on Lease Provision).
5. Adjustment of ($179) consists of two components: i) an adjustment of ($46) relates to IFRS Adjustment A (Depreciation of Property and Equipment); and ii) an adjustment of ($133) relates to IFRS Adjustment I (Functional Currency).
6. Adjustment of ($199) relates to IFRS Adjustment H (Onerous Leases).
7. Adjustment of $944 relates to IFRS Adjustment C (Processing Fees).
8. Adjustment of $828 relates to IFRS Adjustment H (Onerous Leases). The current portion of this adjustment is $421 while the non-current portion is $407.
9. Adjustment of $27 relates to IFRS Adjustment F (Share-based Payments).
10. Adjustment of ($257) relates to IFRS Adjustment I (Functional Currency).
11. Adjustment of ($8,507) consists of multiple components including: i) ($7,029) impact of transition date balance sheet IFRS adjustment; ii) ($799) impact of IFRS adjustments on net income; and iii) ($680) relating to Adjustment K (Assets on Lease Provision).

The CGAAP statement of income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

(in $000's)		CGAAP	IFRS adjustments	IFRS
REVENUE				
Lease revenue	Note 1	159,707	(61)	159,646
Interest income		6,603	–	6,603
Other	Note 2	14,479	(6,544)	7,935
		180,789	(6,605)	174,184
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	Note 3	53,746	(117)	53,629
Advertising and promotion	Note 4	5,444	118	5,562
Bad debts		3,984	–	3,984
Occupancy		25,095	–	25,095
Distribution and travel		7,132	–	7,132
Other	Note 5	14,702	(2,868)	11,834
Restructuring and other items		3,069	–	3,069
		113,172	(2,867)	110,305
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	Note 6	52,049	(3,453)	48,596
Depreciation of property and equipment	Note 7	4,789	(828)	3,961
Amortization of intangible assets	Note 8	334	46	380
Impairment, net	Note 9	–	1,232	1,232
		57,172	(3,003)	54,169
Operating income		10,445	(735)	9,710
Interest expense		1,238	–	1,238
Income before income taxes		9,207	(735)	8,472
Income tax expense				
Current		2,105	–	2,105
Deferred	Note 10	231	64	295
		2,336	64	2,400
Net income		6,871	(799)	6,072
Basic earnings per share		0.65	(0.07)	0.58
Diluted earnings per share		0.65	(0.07)	0.58

Notes:

1. Adjustment of ($61) relates to IFRS Adjustment C (Processing Fees).
2. Adjustment of ($6,544) consists of two components: i) an adjustment of ($3,560) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($2,984) relates to IFRS Adjustment D (Customer Protection Programs).
3. Adjustment of ($117) relates to IFRS Adjustment F (Share-based Payments).
4. Adjustment of $118 relates to IFRS Adjustment G (Advertising and Promotional Expenditures).
5. Adjustment of ($2,868) consists of two components: i) an adjustment of ($2,983) relates to IFRS Adjustment D (Customer Protection Programs); and ii) an adjustment of $115 relates to IFRS Adjustment I (Functional Currency).
6. Adjustment of ($3,453) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates).
7. Adjustment of ($828) consists of two components: i) an adjustment of ($7) relates to IFRS Adjustment A (Depreciation of Property and Equipment); and ii) and adjustment of ($821) relates to IFRS Adjustment B (Impairment of Assets).
8. Adjustment of $46 relates to IFRS Adjustment A (Depreciation of Property and Equipment).
9. Adjustment of $1,232 relates to IFRS Adjustment B (Impairment of Assets).
10. Adjustment of $64 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments).

The CGAAP statement of comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

(in $000's)		CGAAP	IFRS adjustments	IFRS
Net income		6,871	(799)	6,072
Other comprehensive loss				
Foreign currency translation reserve	Note 1	–	(257)	(257)
Comprehensive income,		6,871	(1,056)	5,815

Notes:

1. Adjustment of ($257) relates to IFRS Adjustment J (Functional Currency).

Notes to the Reconciliations:

The description of the CGAAP to IFRS reconciling items are presented on a pre-tax basis. The deferred income tax effect of the combined adjustments is amalgamated and presented separately.

A. Depreciation of Property and Equipment and Amortization of Intangible Assets

Under IFRS, either an historical cost model or a revaluation model can be used to value each class of property and equipment. The cost method was used under CGAAP. The Company has elected to continue using the cost method as its accounting policy for the measurement of property and equipment and lease assets after initial recognition.

Under CGAAP, the Company had employed the declining balance method of calculating depreciation for furniture and fixtures, office equipment, signage, automotive and computers. The Company assessed that for the aforementioned asset classes, straight-line depreciation better reflects the usage of those assets and will be adopting straight-line depreciation for those asset classes. The change in depreciation will be applied prospectively at the January 1, 2010 IFRS transition date.

In addition, IFRS explicitly requires that the residual value and useful life on an asset be reviewed at least annually. Under CGAAP, there is no such explicit annual requirement to perform this review. The Company has made the determination that the useful lives of its fixed assets are as follows:

Furniture and Fixtures	**7 Years**
Office Equipment	**7 Years**
Signage	**7 Years**
Automotive	**5 Years**
Computers	**5 Years**
Leasehold Improvements	**Lesser of Lease Term or 5 Years**

The Company also adjusted the useful life of all of its software to 5 years.

As a result of these changes, the net book value of property and equipment was written down by $448 as at January 1, 2010.

For the year ended December 31, 2010, depreciation of property and equipment was reduced by $7 while operating income increased by the same amount and amortization of intangible assets increased by $46 with operating income decreasing by the same amount.

B. Impairment of Assets

CGAAP uses a two-step approach to impairment testing for long-lived assets: first by comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing and measurement of impairment of long-lived assets, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. IFRS also requires that assets be tested for impairment at the CGU level, defined as the lowest level of assets that generate largely independent cash inflows, which the Company has assessed to be at an individual store level. CGAAP requires assets to be grouped at the lowest level for which identifiable cash flows (including both inflows and outflows) are largely independent of the cash flows of other assets and liabilities for impairment testing purposes resulting in impairment assessment being made at a higher level such as a business segment or division. As a result of these differences, IFRS resulted in a higher level of impairment charge than would be otherwise required under CGAAP.

In addition, under IFRS, impairment losses previously recognized must be reversed if the circumstances leading to the impairment changed and caused the impairment to be reduced. CGAAP prohibits reversal of impairment losses.

Various impairment indicators were used to determine the need to test a CGU for an impairment loss. Examples of these indicators include significant declines in revenue, performance significantly below budget and expectation and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable amount which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 3% long term growth rate consistent with industry practice. The forecasted cash flows wer discounted using a 22% before tax discount rate. Where the carrying value of the CGUs assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that due to the portability of leased assets held within the CGU and the cash flows generated by individual lease assets that no impairment write down of the lease assets was required. As such the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

As at January 1, 2010, an impairment charge of $2,840 was recognized. This charge reduced property and equipment as well as retained earnings at the IFRS transition date.

During the year ended December 31, 2010 an additional net impairment expense of $1,232 was recognized. Depreciation expense was reduced by $821 because of the write down of assets at January 1, 2010. The net impact was a reduction to operating income of $411.

C. Processing Fees

Both CGAAP and IFRS require that lease income from operating leases shall be recognized in income on a straight-line basis over the lease term. Because leases are cancellable (the lease term ranges from one week to one month in length), under CGAAP processing fees were recognized over the lease term. Under IFRS, the Company has changed its policy to amortize processing fees over the estimated life of the customer arrangement.

The impact as at January 1, 2010 increased unearned revenue and decreased retained earnings by $882.

During the year ended December 31, 2010, revenue and operating income were reduced by $61.

D. Customer Protection Programs

The Company offers various customer protection programs for customers of its leasing and financial services businesses, whereby customers are relieved of some maximum amount from their obligation of their payments in certain circumstances such as death or involuntary unemployment or illness.

Under IFRS, the premiums related to the protection programs are recognized on a net basis, while they were recognized under CGAAP on a gross basis.

There was no impact on the opening IFRS balance sheet as a result of this change.

The impact of this change was to reduce both revenue and expenses by $2,983 for the year ended December 31, 2010. The net impact on operating income for the year ended December 31, 2010 was nil.

E. Vendor Incentives, Allowances and Rebates

Under CGAAP, there are two criteria that allow advertising revenue to be recognized when cash consideration is received, from a vendor or to support advertising for vendor products. This criterion was met when the identified benefit was sufficiently separable from the customer's purchase of the vendor's products such that the customer would have entered into an exchange transaction with a party other than the vendor in order to provide that benefit, and the customer could reasonably estimate the fair value of the benefit provided. IFRS does not contain similar provisions and, therefore, advertising support for vendors is recognized as a reduction of lease assets.

The impact as at January 1, 2010 reduced leased assets and retained earnings by $4,082.

For the year ended December 31, 2010, revenue reduced by $3,560 while depreciation reduced by $3,453 due to a decrease in the carrying value of the assets as at January 1, 2010 and assets purchased during the year. The net impact reduced operating income by $95.

F. Share-based Payments

Under IFRS, each instalment of share-based awards that vest in instalments shall be treated as a separate award with a different fair value, while CGAAP provides for an election to treat such awards as a pool and recognize the expense on a straight-line basis.

IFRS also requires an entity to make an estimate of the forfeiture rate for the awards expected not to vest. Under CGAAP, the Company recognizes forfeitures as they occur.

The impact of the aforementioned differences on the opening IFRS balance sheet was an increase to contributed surplus of $146 with an offsetting decrease to retained earnings.

For the year ended December 31, 2010, expenses were reduced by $117 with a corresponding increase in operating income.

G. Advertising and Promotional Expenditures

Under IFRS, advertising and promotional expenditures are expensed as incurred and an expense is considered incurred when the entity has the right to access the goods or when it receives the service. Under CGAAP certain of these expenses were deferred over the period of intended use. For certain expenditures, including advertising, creative and related production costs, IFRS requires that they be expensed as incurred.

As at January 1, 2010, both prepaid expenses and retained earnings decreased by $446.

For the year ended December 31, 2010, expenses increased by $118 and operating income decreased by the same amount.

H. Onerous Leases

Both CGAAP and IFRS require that a provision for an onerous contract be made when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The Company has some leases normally related to closed or vacated stores which meet the definition of onerous leases under both CGAAP and IFRS. However, under IFRS, an onerous lease provision shall also be calculated for stores that are deemed impaired. In addition, under IFRS, provisions must be presented separately on the face of the statement of financial position.

The impact as at January 1, 2010 was an increase in provisions of $828, a decrease in retained earnings of $632 and a reclassification from accounts payable and accrued liabilities to provisions of $196 was made.

During the year ended December 31, 2010, occupancy costs decreased and operating income increased by $3 and a reclassification from accounts payable and accrued liabilities to provisions of $198 was made.

I. Functional Currency

Under CGAAP, the Company's U.S. operations were defined as integrated operations which meant that the Canadian dollar was the functional currency. Under IFRS, the functional currency of the Company's U.S. operations has been determined as the U.S. dollar. There was no change in the functional currency of the other entities of the Company.

The following factors were considered in determining the functional currency of the U.S. operations: 1) the currency that mainly influences sales prices for goods and services; 2) the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and 3) the currency that mainly influences labour, material and other costs of providing goods or services. Based on these factors, it is obvious that the functional currency under IFRS is the U.S. dollar for U.S. operations.

CGAAP does not have a hierarchy of indicators under which certain indicators are given priority. The following factors which supported the U.S. operations employing the U.S. dollar as the functional currency were considered with equal prominence under CGAAP but are secondary under IFRS: i) the currency in which funds from financing activities are generated; and ii) the currency in which receipts from operating activities are usually retained. Since the U.S. operations were fully funded by the Parent Company in Canadian dollars, the functional currency of the U.S. operations was determined as the Canadian dollar under CGAAP.

Under CGAAP, when translating the U.S. operations into the presentation currency of the Parent Company's consolidated financial statements, monetary assets were translated at the foreign exchange rate prevailing at the balance sheet date and non-monetary assets were translated at historical foreign exchange rates with the resulting translation gain or loss recognized in net income. Under IFRS all assets and liabilities of U.S. operations are translated to the presentation currency of the Parent Company's consolidated financial statements at the foreign exchange rate prevailing at the consolidated balance sheet date with the resulting translation gain or loss being recognized in other comprehensive income.

As at January 1, 2010, the impact was a reduction of assets of $84 and a corresponding reduction of retained earnings.

For the year ended December 31, 2010, expenses increased by $118, amortization increased by $14 and operating income decreased by $132. Foreign exchange translation reserve of $(257) was recognized in other comprehensive income.

J. Tax Effect of IFRS Adjustments

The change from CGAAP to IFRS did not significantly impact the way in which the Company accounts for income taxes. However, the various CGAAP to IFRS adjustments outlined above do impact deferred taxes. These impacts are presented in amalgam.

As at January 1, 2010, the impact was an increase in deferred tax assets and retained earnings of $2,531.

For the year ended December 31, 2010, deferred income tax expense increased by $64.

Other adjustments not related to IFRS adoption

K. Assets on Lease Provision

The Company's lease assets are subject to theft, loss or other damage from its customers. Previously, the Company charged off the remaining book value of these lease assets when it was determined that these lease assets could not be recovered. The Company has determined that a provision should have been recorded under Canadian GAAP, representing the amount of assets currently out on lease that will not be returned to the Company.

The impact of this error as at January 1, 2010 is reduced leased assets by $930, increased future tax asset of $251 and reduced by retained earnings by $679. This error does not have a material impact on net income or EPS recorded in 2010 or 2011.

Dividend History

Payment Date	Amount
January 5, 2012	$0.085
October 5, 2011	$0.085
July 5, 2011	$0.085
April 13, 2011	$0.085
January 5, 2011	$0.085
October 4, 2010	$0.085
July 5, 2010	$0.085
April 9, 2010	$0.085
January 5, 2010	$0.085
October 6, 2009	$0.085
July 3, 2009	$0.085
April 13, 2009	$0.085
January 6, 2009	$0.085
October 6, 2008	$0.085
July 3, 2008	$0.085
April 10, 2008	$0.085
January 4, 2008	$0.07
October 4, 2007	$0.07
July 4, 2007	$0.07
April 10, 2007	$0.07
January 4, 2007	$0.06
October 3, 2006	$0.06
July 4, 2006	$0.06
April 7, 2006	$0.06
January 4, 2006	$0.04
October 4, 2005	$0.04
July 4, 2005	$0.04
April 4, 2005	$0.06
January 4, 2005	$0.04
October 1, 2004	$0.04
July 2, 2004	$0.04

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Dave Maries
Senior Vice President, Marketing & Merchandising

Jason Mullins
Senior Vice President Operations, *easyfinancial Services*

Charley Hamill
Senior Vice President Operations, Leasing

If I had to choose one word to describe the past year, it would be "productive". Although economic conditions were far from ideal, the entire *easyhome* team worked together with discipline and focus to grow *easyfinancial Services*, stabilize the leasing business and expand our U.S. franchise presence.

David Ingram
President and Chief Executive Officer

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