MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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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 believe s 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

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 and 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 US 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 US market, strikes a balance between exploring a significant growth opportunity while maximizing the return on capital.

easyhome's US 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 US 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 believe sthat 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.

($ in 000's)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended Dec 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 December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended 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:

($ in 000's except earnings per share)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended 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		
($ in 000's except percentages)	**December 31, 2011**	**December 31, 2010**	**December 31, 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		
($ in 000's except percentages)	**December 31, 2011**	**December 31, 2010**	**December 31, 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.

($ in 000's except percentages)	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 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%

($ in 000's except percentages)	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 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.

($ in 000's except multiples and percentages)	Three months ended December 31, 2011	Three months ended December 31, 2010	Three months ended December 31, 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%

($ in 000's except multiples and percentages)	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 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 and percentages)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010	Variance $ / # / %	Variance % change
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 comparable104%.

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.

easyfinancial

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
Total Liabilities			
Bank debt	**33,123**	18,251	29,884
Other	**28,458**	29,326	22,164
	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 and percentages)	Three months ended December 31, 2011	Three months ended December 31, 2010	Variance $ / # / %	Variance % change
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.

easyfinancial

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, 2011 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.