

Interim Condensed Consolidated Financial Statements

**easyhome Ltd.**

(Unaudited)

September 30, 2014

**easyhome Ltd.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(expressed in thousands of Canadian dollars)

	As at September 30, 2014	As at December 31, 2013
<b>ASSETS</b>		
Cash	6,056	2,329
Amounts receivable	9,213	7,206
Prepaid expenses	2,293	1,699
Consumer loans receivable (note 4)	155,779	103,936
Lease assets	63,591	68,453
Property and equipment (note 5)	17,103	15,793
Deferred tax assets (note 9)	8,096	3,997
Intangible assets	11,962	9,524
Goodwill	19,963	19,963
<b>Total assets</b>	<b>294,056</b>	<b>232,900</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Revolving operating facility (note 6)	-	23,496
Accounts payable and accrued liabilities	32,620	24,322
Income taxes payable	7,255	3,929
Dividends payable (note 7)	1,133	1,130
Deferred lease inducements	2,469	2,749
Unearned revenue	3,724	3,763
Term loan (note 6)	99,702	37,878
<b>Total liabilities</b>	<b>146,903</b>	<b>97,267</b>
<b>Contingencies (note 13)</b>		
<b>Shareholders' Equity</b>		
Share capital (note 7)	80,349	79,923
Contributed surplus	5,650	4,169
Accumulated other comprehensive income	682	307
Retained earnings	60,472	51,234
<b>Total shareholders' equity</b>	<b>147,153</b>	<b>135,633</b>
<b>Total liabilities and shareholders' equity</b>	<b>294,056</b>	<b>232,900</b>

*See accompanying notes to the interim condensed consolidated financial statements*

**easyhome Ltd.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

(expressed in thousands of Canadian dollars except earnings per share)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>REVENUE</b>				
Lease revenue	37,041	37,913	113,623	115,559
Interest income	17,107	9,844	44,622	26,406
Other	11,380	7,109	30,863	19,053
	<b>65,528</b>	<b>54,866</b>	<b>189,108</b>	<b>161,018</b>
<b>EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>				
Salaries and benefits	19,107	16,152	56,849	48,968
Stock based compensation (note 8)	1,182	895	4,450	2,454
Advertising and promotion	3,174	1,655	6,510	5,538
Bad debts	7,252	3,974	17,507	10,351
Occupancy	6,994	6,495	20,903	19,558
Other	6,080	5,379	17,673	16,560
	<b>43,789</b>	<b>34,550</b>	<b>123,892</b>	<b>103,429</b>
<b>DEPRECIATION AND AMORTIZATION</b>				
Depreciation of lease assets	12,564	11,968	36,925	35,920
Depreciation of property and equipment	1,215	1,096	3,560	3,314
Amortization of intangible assets	526	318	1,512	925
Impairment, net (note 5)	26	(14)	168	(26)
	<b>14,331</b>	<b>13,368</b>	<b>42,165</b>	<b>40,133</b>
<b>Total operating expenses</b>	<b>58,120</b>	<b>47,918</b>	<b>166,057</b>	<b>143,562</b>
Operating income	7,408	6,948	23,051	17,456
Finance costs (note 6)	2,535	1,686	5,893	4,224
Income before income taxes	4,873	5,262	17,158	13,232
Income tax expense (recovery) (note 9)				
Current	1,708	1,217	8,621	3,619
Deferred	(305)	228	(4,099)	(233)
	<b>1,403</b>	<b>1,445</b>	<b>4,522</b>	<b>3,386</b>
<b>Net income</b>	<b>3,470</b>	<b>3,817</b>	<b>12,636</b>	<b>9,846</b>
<b>Basic earnings per share (note 10)</b>	<b>0.26</b>	<b>0.32</b>	<b>0.94</b>	<b>0.82</b>
<b>Diluted earnings per share (note 10)</b>	<b>0.25</b>	<b>0.31</b>	<b>0.91</b>	<b>0.81</b>

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)  
(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	3,470	3,817	12,636	9,846
<b>Other comprehensive income (loss)</b>				
Change in foreign currency translation reserve	343	(143)	375	219
<b>Comprehensive income</b>	<b>3,813</b>	<b>3,674</b>	<b>13,011</b>	<b>10,065</b>

See accompanying notes to the interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited)  
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
<b>Balance, December 31, 2013</b>	79,923	4,169	84,092	51,234	307	135,633
Common shares issued	426	(68)	358	-	-	358
Stock-based compensation (note 8)	-	1,549	1,549	-	-	1,549
Comprehensive income	-	-	-	12,636	375	13,011
Dividends (note 7)	-	-	-	(3,398)	-	(3,398)
<b>Balance, September 30, 2014</b>	<b>80,349</b>	<b>5,650</b>	<b>85,999</b>	<b>60,472</b>	<b>682</b>	<b>147,153</b>
<b>Balance, December 31, 2012</b>	60,885	3,035	63,920	41,230	(137)	105,013
Common shares issued	13	-	13	-	-	13
Stock-based compensation (note 8)	-	756	756	-	-	756
Comprehensive income	-	-	-	9,846	219	10,065
Dividends (note 7)	-	-	-	(3,049)	-	(3,049)
<b>Balance, September 30, 2013</b>	<b>60,898</b>	<b>3,791</b>	<b>64,689</b>	<b>48,027</b>	<b>82</b>	<b>112,798</b>

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>OPERATING ACTIVITIES</b>				
Net income	3,470	3,817	12,636	9,846
Add (deduct) items not affecting cash				
Depreciation of lease assets	12,564	11,968	36,925	35,920
Depreciation of property and equipment	1,215	1,096	3,560	3,314
Impairment, net (note 5)	26	(14)	168	(26)
Amortization of intangible assets	526	318	1,512	925
Stock-based compensation (note 8)	674	351	1,549	756
Bad debts expense	7,252	3,974	17,507	10,351
Deferred income tax (recovery) expense	(305)	228	(4,099)	(233)
Gain on sale of property and equipment	(755)	(295)	(1,773)	(456)
	<b>24,667</b>	<b>21,443</b>	<b>67,985</b>	<b>60,397</b>
Net change in other operating assets and liabilities (note 11)	(1,064)	(2,315)	8,707	(11,684)
Net issuance of consumer loans receivable	(26,281)	(12,277)	(69,350)	(30,823)
<b>Cash provided by (used in) operating activities</b>	<b>(2,678)</b>	<b>6,851</b>	<b>7,342</b>	<b>17,890</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of lease assets	(13,728)	(11,235)	(33,363)	(30,519)
Purchase of property and equipment	(2,090)	(1,965)	(5,260)	(4,956)
Purchase of intangible assets	(1,645)	(1,049)	(3,851)	(2,818)
Proceeds on sale of property and equipment	1,350	1,000	3,541	1,575
<b>Cash used in investing activities</b>	<b>(16,113)</b>	<b>(13,249)</b>	<b>(38,933)</b>	<b>(36,718)</b>
<b>FINANCING ACTIVITIES</b>				
Advances (repayments) of bank revolving credit facility	(26,000)	4,416	(23,496)	6,885
Advances of term loan	51,664	67	61,824	12,151
Payment of common share dividends (note 7)	(1,122)	(1,016)	(3,368)	(3,049)
Issuance of common shares	11	5	358	13
<b>Cash provided by financing activities</b>	<b>24,553</b>	<b>3,472</b>	<b>35,318</b>	<b>16,000</b>
<b>Net increase (decrease) in cash during the period</b>	<b>5,762</b>	<b>(2,926)</b>	<b>3,727</b>	<b>(2,828)</b>
Cash, beginning of period	294	4,729	2,329	4,631
<b>Cash, end of period</b>	<b>6,056</b>	<b>1,803</b>	<b>6,056</b>	<b>1,803</b>

See accompanying notes to the interim condensed consolidated financial statements

**easyhome Ltd.**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

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### **1. CORPORATE INFORMATION**

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

The Company's principal operating activities include i) merchandise leasing of household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements, and ii) offering unsecured instalment loans to consumers.

The Company operates in two reportable segments: easyhome Leasing and easyfinancial. As at September 30, 2014, the Company operated 235 easyhome Leasing stores (including 62 franchises and 9 consolidated franchises) and 143 easyfinancial locations (December 31, 2013 – 237 easyhome Leasing stores including 55 franchises and 9 consolidated franchises, and 119 easyfinancial locations).

### **2. BASIS OF PREPARATION**

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

- RTO Asset Management Inc.
- easyfinancial Services Inc. ["easyfinancial"]
- easyhome U.S. Ltd.
- easyfinancial mortgages Inc.
- easyfranchise LLC

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2014.

#### **Statement of Compliance with IFRS**

The unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2014 were prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**IFRS 9 Financial Instruments**

The Company will be required to adopt IFRS 9, *Financial Instruments*, which is the IASB's project to replace IAS 39. IFRS 9 is required to be applied for years beginning on or after January 1, 2018 with early adoption permitted, and will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. The Company has not yet assessed the impact of this standard.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, and is to be applied retrospectively. The Company has not yet assessed the impact of this standard.

**4. CONSUMER LOANS RECEIVABLE**

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

(\$ in 000's)	September 30, 2014	December 31, 2013
Consumer loans receivable	165,720	110,704
Allowance for loan losses	(9,941)	(6,768)
	<b>155,779</b>	103,936
Current	76,967	55,444
Non-current	78,812	48,492
	<b>155,779</b>	103,936

An aging analysis of consumer loans receivable past due is as follows:

(\$ in 000's except percentages)	September 30, 2014		December 31, 2013	
	\$	% of total loans	\$	% of total loans
1 - 30 days	6,858	4.1%	5,445	4.9%
31 - 44 days	1,188	0.7%	811	0.7%
45 - 60 days	1,262	0.8%	855	0.8%
61 - 90 days	1,579	1.0%	1,005	0.9%
	<b>10,887</b>	<b>6.6%</b>	8,116	7.3%

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

The changes in the allowance for loan losses are summarized below:

(\$ in 000's)	Nine months ended September 30, 2014	Year ended December 31, 2013
Balance, beginning of the period	6,768	4,074
Net amounts written off against allowance	(14,334)	(12,106)
Increase due to lending and collection activities	17,507	14,800
<b>Balance, end of the period</b>	<b>9,941</b>	<b>6,768</b>

## 5. PROPERTY AND EQUIPMENT

Various impairment indicators were used to determine the need to test a cash-generating unit ["CGU"] for impairment. A CGU was defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company determined that this was at the individual store level. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 3% long-term growth rate consistent with industry practice. The pre-tax discount rate used on the forecasted cash flows was 17%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

For the three and nine month periods ended September 30, 2014, the Company recorded impairment charges of \$69 and \$355, respectively, offset by impairment recoveries of \$43 and \$187, respectively. The net impairment expense for the three and nine month periods ended September 30, 2014 was \$26 and \$168, respectively. For the three and nine month periods ended September 30, 2013, the Company recorded impairment charges of \$71 and \$151, respectively, offset by impairment recoveries of \$85 and \$177, respectively. The net impairment recovery for the three and nine month periods ended September 30, 2013 was \$14 and \$26, respectively. All impairment charges and recoveries relate solely to the easyhome Leasing segment.



**easyhome Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

**6. REVOLVING OPERATING FACILITY AND TERM LOAN**

On July 28, 2014, the Company entered into a new \$200 million credit facility, which replaced the Company's existing bank revolving credit facility and term loan facility. The new credit facility was comprised of a \$180 million term loan and a \$20 million revolving operating facility. \$105 million of the term loan was drawn at closing with the balance available in periodic advances until July 31, 2015. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 722 bps, while borrowing under the revolving operating facility bore interest at the lender's prime rate plus 200 to 300 bps depending on the Company's debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The new credit facility expires on October 4, 2018 and was secured by a first charge over substantially all assets of the Company.

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Revolving operating facility	-	24,063
Term loan	<b>105,000</b>	40,000
Unamortized deferred financing costs	<b>(5,298)</b>	(2,689)
	<b>99,702</b>	61,374

As at September 30, 2014, the Company's interest rates under the term loan and revolving operating facility were 8.49% and 5.00%, respectively.

The financial covenants of the credit facility as at September 30, 2014 were as follows:

<b>Financial Covenant</b>	<b>Requirements</b>	<b>September 30, 2014</b>
Total debt to EBITDA ratio	< 3.25	<b>2.77</b>
Total debt to tangible net worth ratio	< 1.08	<b>0.88</b>
Adjusted EBITDA for preceding 12 months (consolidated) (\$ in 000's)	> 33,228	<b>37,985</b>

As at September 30, 2014, the Company was in compliance with all of its financial covenants under its lending agreements.

**Finance Costs**

Included in finance costs in the interim condensed consolidated statements of income was interest expense on the credit facilities and amortization of deferred financing costs as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2014</b>	<b>September 30, 2013</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Interest expense	<b>2,100</b>	1,500	<b>5,026</b>	3,647
Amortization of deferred financing costs	<b>435</b>	186	<b>867</b>	577
	<b>2,535</b>	1,686	<b>5,893</b>	4,224

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

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## 7. SHARE CAPITAL

### Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	# of shares	\$	# of shares	\$
<b>Balance, beginning of the period</b>	<b>13,289</b>	<b>79,923</b>	11,940	60,885
Common share equity offering	-	-	1,347	19,020
Exercise of stock options	<b>39</b>	<b>400</b>	-	-
Dividend reinvestment plan	<b>1</b>	<b>26</b>	2	18
<b>Balance, end of the period</b>	<b>13,329</b>	<b>80,349</b>	13,289	79,923

### Common Share Equity Offering

On November 12, 2013, the Company and a syndicate of underwriters completed a common share equity offering for 1,346,900 common shares of the Company at a price of \$14.85 per common share. The Company received gross proceeds of \$20.0 million and net proceeds of \$19.0 million (including cash proceeds of \$18.7 million and a deferred tax benefit of \$0.3 million).

### Dividends on Common Shares

For the three and nine month periods ended September 30, 2014, the Company paid dividends of \$1.1 million or \$0.085 per share and \$3.4 million or \$0.255 per share, respectively. For the three and nine month periods ended September 30, 2013, the Company paid dividends of \$1.0 million or \$0.085 per share and \$3.0 million or \$0.255 per share, respectively. The Company declared a dividend of \$0.085 per share on July 30, 2014 to shareholders of record on September 26, 2014, payable on October 10, 2014. The dividend paid on October 10, 2014 was \$1.1 million.

## 8. STOCK-BASED COMPENSATION

### Share Option Plan

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and nine month periods ended September 30, 2014, the Company granted 10,500 and 190,332 options, respectively (2013 – nil and 202,296 options, respectively), and recorded an expense of \$109 and \$291, respectively (2013 – expense of \$48 and \$161, respectively), in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

### Restricted Share Unit ["RSU"] Plan

On May 8, 2014, the Company's shareholders approved a resolution to amend the RSU Plan, increasing the maximum number of Common Shares reserved for issuance from treasury under the RSU Plan by 150,000 shares, from 615,000 to 765,000 shares.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

During the three and nine month periods ended September 30, 2014, the Company granted 171,460 RSUs for both periods (2013 – nil and 414,610 RSUs, respectively) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest evenly over a three-year period based on long-term targets. For the three and nine month periods ended September 30, 2014, \$525 and \$1,134, respectively (2013 – \$264 and \$476, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and nine month periods ended September 30, 2014, an additional 1,156 and 4,244 RSUs, respectively, (2013 – 2,581 and 3,250 RSUs, respectively) were granted as a result of dividends payable.

**Performance Share Unit [“PSU”] Plan**

During the three and nine month periods ended September 30, 2014, the Company granted nil and 171,134 PSUs (2013 – nil and 295,486 PSUs) to senior executives of the Company under its PSU Plan. On July 30, 2014, the PSUs granted in 2014 were cancelled in exchange for an equivalent number of RSUs that were granted to senior executives of the Company (see RSU Plan described above).

PSUs are granted at fair market value at the grant date and vest evenly over a three-year period based on long-term targets. For the three and nine month periods ended September 30, 2014, \$508 and \$2,901, respectively, (2013 – \$544 and \$1,697, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and nine month periods ended September 30, 2014, an additional 2,213 and 9,888 PSUs, respectively, (2013 – 5,519 and 23,934) were granted as a result of dividends payable.

The PSU liability as at September 30, 2014 was \$5,865 (December 31, 2013 - \$2,841).

**Deferred Share Unit [“DSU”] Plan**

During the three and nine month periods ended September 30, 2014, the Company granted 1,282 and 4,552 DSUs, respectively, (2013 – 2,052 and 7,859 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon the grant date. For the three and nine month periods ended September 30, 2014, \$40 and 124, respectively, (2013 – \$39 and \$118, respectively) was recorded as stock-based compensation expense under the DSU Plan in the interim condensed consolidated statements of income. Additionally, for the three and nine month periods ended September 30, 2014, an additional 514 and 1,758 DSUs, respectively, (2013 – 948 and 2,925 DSUs, respectively) were granted as a result of dividends payable.

**Stock Based Compensation Expense**

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Equity-settled stock based compensation	674	351	1,549	755
Cash-settled stock based compensation	508	544	2,901	1,699
	<b>1,182</b>	<b>895</b>	<b>4,450</b>	<b>2,454</b>

**easyhome Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

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**9. INCOME TAXES**

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

	<b>Nine months ended</b>	
	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Combined basic federal and provincial income tax rates	<b>27.2%</b>	27.1%
Expected income tax expense	<b>4,659</b>	3,591
Non-deductible expenses	<b>199</b>	95
U.S. and SPE results not tax affected	<b>(106)</b>	(12)
Other	<b>(230)</b>	(288)
	<b>4,522</b>	3,386

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Tax cost of lease assets and property and equipment in excess of net book value	<b>2,815</b>	(177)
Amounts receivable and provisions	<b>2,880</b>	2,054
Deferred salary arrangements	<b>2,113</b>	1,043
Lease inducements	<b>97</b>	659
Unearned revenue	<b>211</b>	232
Financing fees	<b>241</b>	382
Other	<b>(261)</b>	(196)
	<b>8,096</b>	3,997

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

**10. EARNINGS PER SHARE**

**Basic Earnings Per Share**

Basic earnings per share amounts were calculated by dividing the net income for the period by the weighted average number of ordinary shares and DSUs outstanding. DSUs were included in the calculation of the weighted average number of ordinary shares outstanding as these units vest upon grant.

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	3,470	3,817	12,636	9,846
Weighted average number of ordinary shares outstanding (in 000's)	13,461	12,065	13,444	12,061
<b>Basic earnings per ordinary share</b>	<b>0.26</b>	0.32	<b>0.94</b>	0.82

**Diluted Earnings Per Share**

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	3,470	3,817	12,636	9,846
Weighted average number of ordinary shares outstanding (in 000's)	13,461	12,065	13,444	12,061
Dilutive effect of stock-based compensation (in 000's)	493	199	429	47
Weighted average number of diluted shares outstanding	13,954	12,264	13,873	12,108
<b>Dilutive earnings per ordinary share</b>	<b>0.25</b>	0.31	<b>0.91</b>	0.81

For the three and nine month periods ended September 30, 2014, 10,500 and 190,332 stock options to acquire common shares, respectively (2013 – 53,400 and 249,167 stock options, respectively), were excluded in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the period or performance conditions were not met.

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

#### 11. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Amounts receivable	(1,213)	(393)	(2,007)	(1,495)
Prepaid expenses	(651)	(736)	(594)	(1,079)
Accounts payable and accrued liabilities	4,494	(971)	8,298	(11,409)
Dividends payable	-	4	3	3
Income taxes payable	(3,266)	605	3,326	2,708
Deferred lease inducements	(121)	(46)	(280)	(70)
Unearned revenue	(307)	(778)	(39)	(342)
	(1,064)	(2,315)	8,707	(11,684)

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Income taxes paid	5,000	1,181	5,319	1,493
Income taxes refunded	25	-	25	-
Interest paid	2,102	1,262	5,044	3,410
Interest received	16,213	9,539	43,162	26,069

#### 12. FINANCIAL INSTRUMENTS

##### Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	September 30, 2014	December 31, 2013
Cash	Fair value	6,056	2,329
Amounts receivable	Amortized cost	9,213	7,206
Consumer loans receivable	Amortized cost	155,779	103,936
Accounts payable and accrued liabilities	Amortized cost	32,620	24,301
Revolving operating facility	Amortized cost	-	23,496
Term loan	Amortized cost	99,702	37,878

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

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The carrying values of these financial instruments approximated their fair values.

#### Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at September 30, 2014:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Amounts receivable	<b>9,213</b>	-	-	<b>9,213</b>
Consumer loans receivable	<b>155,779</b>	-	-	<b>155,779</b>
Accounts payable and accrued liabilities	<b>32,620</b>	-	-	<b>32,620</b>
Term loan	<b>99,702</b>	-	-	<b>99,702</b>

There were no transfers between Level 1, Level 2, or Level 3 during the period.

### 13. CONTINGENCIES

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

The Company had agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintained insurance policies that provided coverage against certain claims.

### 14. SEGMENTED REPORTING

For management purposes, the Company had two reportable segments: easyhome Leasing and easyfinancial.

Accounting policies for each of these business segments were the same as those disclosed in the consolidated financial statements for the year ended December 31, 2013. General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately. Management assessed the performance based on segment operating income (loss). The following tables summarize the relevant information for the three and nine month periods ended September 30, 2014 and 2013:

**easyhome Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

<b>Three months ended September 30, 2014</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	38,716	26,812	-	65,528
Total operating expenses before depreciation and amortization	21,062	18,039	4,688	43,789
Depreciation and amortization	13,331	840	160	14,331
Segment operating income (loss)	4,323	7,933	(4,848)	7,408
Finance costs	-	-	2,535	2,535
<b>Income (loss) before income taxes</b>	<b>4,323</b>	<b>7,933</b>	<b>(7,383)</b>	<b>4,873</b>

<b>Three months ended September 30, 2013</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	39,570	15,296	-	54,866
Total operating expenses before depreciation and amortization	20,284	9,820	4,446	34,550
Depreciation and amortization	12,712	507	149	13,368
Segment operating income (loss)	6,574	4,969	(4,595)	6,948
Finance costs	-	-	1,686	1,686
<b>Income (loss) before income taxes</b>	<b>6,574</b>	<b>4,969</b>	<b>(6,281)</b>	<b>5,262</b>

<b>Nine months ended September 30, 2014</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	118,952	70,156	-	189,108
Total operating expenses before depreciation and amortization	61,361	45,552	16,979	123,892
Depreciation and amortization	39,367	2,330	468	42,165
Segment operating income (loss)	18,224	22,274	(17,447)	23,051
Finance costs	-	-	5,893	5,893
<b>Income (loss) before income taxes</b>	<b>18,224</b>	<b>22,274</b>	<b>(23,340)</b>	<b>17,158</b>



**easyhome Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in thousands of Canadian dollars except where otherwise indicated)

For the periods ended September 30, 2014 and September 30, 2013

<b>Nine months ended September 30, 2013</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	120,554	40,464	-	161,018
Total operating expenses before depreciation and amortization	62,394	27,145	13,890	103,429
Depreciation and amortization	38,388	1,312	433	40,133
Segment operating income (loss)	19,772	12,007	(14,323)	17,456
Finance costs	-	-	4,224	4,224
<b>Income (loss) before income taxes</b>	<b>19,772</b>	<b>12,007</b>	<b>(18,547)</b>	<b>13,232</b>

The Company operated across Canada and in certain U.S. states. During the nine month period ended September 30, 2014, 97% or \$183.2 million of revenue was generated in Canada and 3% or \$5.9 million of revenue was generated in the U.S. (2013 – 97% or \$156.2 million of revenue was generated in Canada and 3% or \$4.8 million of revenue was generated in the U.S.). Additionally, as at September 30, 2014, \$286.2 million of the Company’s assets were located in Canada and \$7.9 million were located in the U.S. (2013 - \$200.1 million in Canada and \$7.5 million in the U.S.).

As at September 30, 2014, the Company's goodwill of \$20.0 million (2013 - \$20.0 million) related entirely to its easyhome Leasing segment.

The Company's easyhome Leasing business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the nine month period ended September 30, 2014 and 2013 was as follows:

	<b>Nine months ended</b>	
	<b>September 30, 2014 (%)</b>	<b>September 30, 2013 (%)</b>
Furniture	<b>37</b>	38
Electronics	<b>33</b>	32
Computers	<b>18</b>	18
Appliances	<b>12</b>	12
	<b>100</b>	100