Interim Condensed Consolidated Financial Statements

easyhome Ltd.

(Unaudited)
March 31, 2014

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As at March 31, 2014	As at December 31, 2013
ASSETS		
Cash	**5,329**	2,329
Amounts receivable	**7,274**	7,206
Prepaid expenses	**2,059**	1,699
Consumer loans receivable (note 4)	**116,164**	103,936
Lease assets	**64,934**	68,453
Property and equipment (note 5)	**16,248**	15,793
Deferred tax assets (note 9)	**5,410**	3,997
Intangible assets	**10,061**	9,524
Goodwill	**19,963**	19,963
Total assets	**247,442**	232,900
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Bank revolving credit facility (note 6)	**22,129**	23,496
Accounts payable and accrued liabilities	**22,646**	24,322
Income taxes payable	**7,077**	3,929
Dividends payable (note 7)	**1,131**	1,130
Deferred lease inducements	**2,597**	2,749
Unearned revenue	**3,944**	3,763
Term loan (note 6)	**47,910**	37,878
Total liabilities	**107,434**	97,267
Contingencies (note 13)		
Shareholders' Equity		
Share capital (note 7)	**80,135**	79,923
Contributed surplus	**4,527**	4,169
Accumulated other comprehensive income	**613**	307
Retained earnings	**54,733**	51,234
Total Shareholders' Equity	**140,008**	135,633
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**247,442**	232,900

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	
	March 31, 2014	**March 31, 2013**
REVENUE		
Lease revenue	**38,500**	38,919
Interest income	**12,789**	7,867
Other	**9,045**	5,603
	60,334	52,389
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**18,259**	15,890
Stock based compensation (note 8)	**1,547**	904
Advertising and promotion	**1,629**	1,775
Bad debts	**4,207**	3,146
Occupancy	**6,923**	6,720
Other	**6,028**	5,598
	38,593	34,033
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**12,060**	11,933
Depreciation of property and equipment	**1,146**	1,108
Amortization of intangible assets	**480**	294
Impairment, net (note 5)	**82**	(62)
	13,768	13,273
Total operating expenses	**52,361**	47,306
Operating income	**7,973**	5,083
Finance costs (note 6)	**1,558**	1,184
Income before income taxes	**6,415**	3,899
Income tax expense (recovery) (note 9)		
Current	**3,199**	1,552
Deferred	**(1,414)**	(565)
	1,785	987
Net income	**4,630**	2,912
Basic earnings per share (note 10)	**0.35**	0.24
Diluted earnings per share (note 10)	**0.34**	0.24

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	
	March 31, 2014	**March 31, 2013**
Net income	**4,630**	2,912
Other comprehensive income		
Change in foreign currency translation reserve	**306**	135
Comprehensive income	**4,936**	3,047

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
Balance, December 31, 2013	**79,923**	**4,169**	**84,092**	**51,234**	**307**	**135,633**
Common shares issued	**212**	**(35)**	**177**	**-**	**-**	**177**
Stock-based compensation (note 8)	**-**	**393**	**393**	**-**	**-**	**393**
Comprehensive income	**-**	**-**	**-**	**4,630**	**306**	**4,936**
Dividends (note 7)	**-**	**-**	**-**	**(1,131)**	**-**	**(1,131)**
Balance, March 31, 2014	**80,135**	**4,527**	**84,662**	**54,733**	**613**	**140,008**
Balance, December 31, 2012	60,885	3,035	63,920	41,230	(137)	105,013
Common shares issued	4	-	4	-	-	4
Stock-based compensation (note 8)	-	83	83	-	-	83
Comprehensive income	-	-	-	2,912	135	3,047
Dividends (note 7)	-	-	-	(1,019)	-	(1,019)
Balance, March 31, 2013	60,889	3,118	64,007	43,123	(2)	107,128

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	
	March 31, 2014	**March 31, 2013**
OPERATING ACTIVITIES		
Net income	**4,630**	2,912
Add (deduct) items not affecting cash		
Depreciation of lease assets	**12,060**	11,933
Depreciation of property and equipment	**1,146**	1,108
Impairment, net (note 5)	**82**	(62)
Amortization of intangible assets	**480**	294
Stock-based compensation (note 8)	**393**	83
Bad debts expense	**4,207**	3,146
Deferred income tax recovery	**(1,414)**	(565)
Gain on sale of property and equipment	**(119)**	(15)
	21,465	18,834
Net change in other operating assets and liabilities (note 11)	**1,074**	(10,041)
Net issuance of consumer loans receivable	**(16,435)**	(6,600)
Cash provided by operating activities	**6,104**	2,193
INVESTING ACTIVITIES		
Purchase of lease assets	**(8,783)**	(10,620)
Purchase of property and equipment	**(1,686)**	(1,372)
Purchase of intangible assets	**(945)**	(436)
Proceeds on sale of property and equipment	**591**	-
Cash used in investing activities	**(10,823)**	(12,428)
FINANCING ACTIVITIES		
Advances (repayments) of bank revolving credit facility	**(1,367)**	7,938
Advances of term loan	**10,032**	5,004
Payment of common share dividends (note 7)	**(1,123)**	(1,015)
Issuance of common shares	**177**	4
Cash provided by financing activities	**7,719**	11,931
Net increase in cash during the period	**3,000**	1,696
Cash, beginning of period	**2,329**	4,631
Cash, end of period	**5,329**	6,327

See accompanying notes to the interim condensed consolidated financial statements

1. CORPORATE INFORMATION

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

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 March 31, 2014, the Company operated 236 easyhome Leasing stores (including 56 franchises and 9 consolidated franchises) and 129 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.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 7, 2014.

Statement of Compliance with IFRS

The unaudited interim condensed consolidated financial statements for the three month period ended March 31, 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.

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

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. On November 19, 2013, the IASB decided that the previously set mandatory effective date of January 1, 2015 would not allow sufficient time for entities to prepare to apply IFRS 9, and that a new date should be determined when IFRS 9 is closer to completion. IFRS 9 will provide new requirements for the way in which an entity should classify and measure financial assets and liabilities that are in the scope of IAS 39. 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)	**March 31, 2014**	**December 31, 2013**
Consumer loans receivable	**123,497**	110,704
Allowance for loan losses	**(7,333)**	(6,768)
	116,164	103,936
Current	**60,461**	55,444
Non-current	**55,703**	48,492
	116,164	103,936

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

	March 31, 2014		**December 31, 2013**	
($ in 000's except percentages)	**$**	**% of total loans**	**$**	**% of total loans**
1 - 30 days	**4,485**	**3.6%**	5,445	4.9%
31 - 44 days	**950**	**0.8%**	811	0.7%
45 - 60 days	**1,096**	**0.9%**	855	0.8%
61 - 90 days	**1,066**	**0.9%**	1,005	0.9%
	7,597	**6.2%**	8,116	7.3%

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

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

($ in 000's)	**Three months ended March 31, 2014**	**Year ended December 31, 2013**
Balance, beginning of year	**6,768**	4,074
Net amounts written off against allowance	**(3,642)**	(12,106)
Increase due to lending and collection activities	**4,207**	14,800
Balance, end of year	**7,333**	6,768

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 month period ended March 31, 2014, the Company recorded an impairment charge of $199 (2013 - $13) offset by an impairment recovery of $117 (2013 – recovery of $75). The net impairment expense for the three month period ended March 31, 2014 was $82 (2013 - recovery of $62). All impairment charges and recoveries relate solely to the easyhome Leasing segment.

6. BANK REVOLVING CREDIT FACILITY AND TERM LOAN

Bank Revolving Credit Facility

($ in 000's)	**March 31, 2014**	**December 31, 2013**
Bank revolving credit facility	**22,611**	24,063
Unamortized deferred financing costs	**(482)**	(567)
Bank revolving credit facility	**22,129**	23,496

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

Canadian dollar loans under the bank revolving credit facility bore interest at the lead lenders prime rate plus 150 to 250 bps, depending on the Company's total debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The bank revolving credit facility was fully secured by a first charge on substantially all of the assets of the Company and its subsidiaries, excluding easyfinancial, and a second charge on the assets of easyfinancial. The credit facility matures on October 4, 2015. The Company's interest rate under the facility as at March 31, 2014 was 5.00%.

The financial covenants of the revolving bank revolving credit facility were as follows:

Financial Covenant	**Requirements**	**March 31, 2014**
Total debt to EBITDA ratio	< 2.75	**2.03**
Total debt to tangible net worth ratio	< 1.00	**0.62**
Total active leased assets to total leased assets ratio	> 0.65	**0.80**
Adjusted EBITDA for preceding 12 months (excluding easyfinancial) ($ in 000's)	> 16,000; minimum levels are established by fiscal quarter	**16,982**

Term Loan

($ in 000's)	**March 31, 2014**	**December 31, 2013**
Borrowing under term loan facility	**50,000**	40,000
Unamortized deferred financing costs	**(2,090)**	(2,122)
	47,910	37,878

All borrowings under the term loan facility bore interest at 8.7% over the Canadian Bankers' Acceptance rate and were secured by a first charge on the assets of easyfinancial and a second charge on substantially all of the other assets of the Company and its subsidiaries. The term loan facility matures on October 4, 2017. The Company's interest rate under the term loan facility as at March 31, 2014 was 9.98%.

The financial covenants of the term loan facility were as follows:

Financial Covenant	**Requirements**	**March 31, 2014**
Total debt to EBITDA ratio (consolidated)	< 2.75	**2.03**
Total debt to EBITDA ratio (easyfinancial only)	< 2.75	**1.76**
Total debt to tangible net worth ratio (consolidated)	< 1.00	**0.62**
Total debt to tangible net worth ratio (easyfinancial only)	< 0.85	**0.58**
Adjusted EBITDA for preceding 12 months (easyfinancial only) ($ in 000's)	> 16,500; minimum levels are established by fiscal quarter	**24,416**

As at March 31, 2014, the Company was in compliance with all of its financial covenants under its lending agreements.

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

Finance Costs

Included in finance costs in the interim condensed consolidated statements of income is interest expense on the bank revolving credit facility and the term loan and amortization of deferred financing charges as follows:

	Three months ended	
($ in 000's)	**March 31, 2014**	**March 31, 2013**
Interest expense	**1,348**	988
Amortization of deferred financing charges	**210**	196
	1,558	1,184

7. SHARE CAPITAL

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Three months ended March 31, 2014		Year ended December 31, 2013	
($ in 000's except number of shares in 000's)	**# of shares**	**$**	**# of shares**	**$**
Balance, beginning of the year	**13,289**	**79,923**	11,940	60,885
Common share equity offering	**-**	**-**	1,347	19,020
Exercise of stock options	**20**	**205**	-	-
Dividend reinvestment plan	**1**	**7**	2	18
Balance, end of the year	**13,310**	**80,135**	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 month period ended March 31, 2014, the Company paid dividends of $1.1 million (2013 - $1.0 million), or $0.085 per share (2013 - $0.085 per share). The Company declared a dividend of $0.085 per share on March 5, 2014 to shareholders of record on March 28, 2014, payable on April 11, 2014. The dividend paid on April 11, 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 month period ended March 31, 2014, the Company granted 179,832 options (2013 – 202,296 options). For the three month period ended March 31, 2014, an expense of $68 (2013 – $43) was recorded 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

During the three month period ended March 31, 2014, the Company granted no RSUs (2013 – nil) to employees of the Company under its RSU Plan. RSUs 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 month period ended March 31, 2014, $284 (2013 – nil) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2014, an additional 1,553 RSUs (2013 – 340) were granted as a result of dividends payable.

Performance Share Unit ["PSU"] Plan

During the three month period ended March 31, 2014, the Company granted 174,134 PSUs (2013 – 295,486) to senior executives of the Company under its PSU Plan. 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 month period ended March 31, 2014, $1,154 (2013 – $821) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2014, an additional 3,426 PSUs (2013 – 8,016) were granted as a result of dividends payable.

The PSU liability as at March 31, 2014 was $4,119 (December 31, 2013 - $2,841).

Deferred Share Unit ["DSU"] Plan

During the three month period ended March 31, 2014, the Company granted 1,758 DSUs (2013 – 2,979) 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 month period ended March 31, 2014, $42 (2013 – $40) was recorded as stock-based compensation expense under the DSU Plan in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2014, an additional 620 DSUs (2013 – 970) were granted as a result of dividends payable.

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

Stock Based Compensation Expense

	Three months ended	
($ in 000's)	**March 31, 2014**	**March 31, 2013**
Equity-settled stock based compensation	**393**	83
Cash-settled stock based compensation	**1,154**	821
	1,547	904

9. INCOME TAXES

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

	Three months ended	
($ in 000's except percentages)	**March 31, 2014**	**March 31, 2013**
Combined basic federal and provincial income tax rates	**27.1%**	26.9%
Expected income tax expense	**1,740**	1,049
Non-deductible expenses	**52**	28
U.S. and SPE results not tax affected	**(81)**	(34)
Other	**74**	(56)
	1,785	987

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

($ in 000's)	**March 31, 2014**	**December 31, 2013**
Tax cost of lease assets and property and equipment in excess of net book value	**835**	(177)
Amounts receivable and provisions	**2,159**	2,054
Deferred salary arrangements	**1,424**	1,043
Lease inducements	**615**	659
Unearned revenue	**238**	232
Financing fees	**354**	382
Other	**(215)**	(196)
	5,410	3,997

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

10. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Three months ended	
($ in 000's except number of shares and earnings per share)	**March 31, 2014**	**March 31, 2013**
Net income	**4,630**	2,912
Weighted average number of ordinary shares outstanding (in 000's)	**13,420**	12,056
Basic earnings per ordinary share	**0.35**	0.24

Diluted Earnings Per Share

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

	Three months ended	
($ in 000's except number of shares and earnings per share)	**March 31, 2014**	**March 31, 2013**
Net income	**4,630**	2,912
Weighted average number of ordinary shares outstanding (in 000's)	**13,420**	12,056
Dilutive effect of stock-based compensation (in 000's)	**369**	38
Weighted average number of diluted shares outstanding	**13,789**	12,094
Dilutive earnings per ordinary share	**0.34**	0.24

For the three month period ended March 31, 2014, 215,332 stock options to acquire common shares (2013 – 471,576 options) were excluded in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the year or performance conditions were not met.

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

11. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three months ended	
($ in 000's)	**March 31, 2014**	**March 31, 2013**
Amounts receivable	**(68)**	58
Prepaid expenses	**(360)**	(367)
Accounts payable and accrued liabilities	**(1,676)**	(11,666)
Dividends payable	**1**	3
Income taxes payable	**3,148**	1,401
Deferred lease inducements	**(152)**	108
Unearned revenue	**181**	422
	1,074	(10,041)

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

	Three months ended	
($ in 000's)	**March 31, 2014**	**March 31, 2013**
Income taxes paid	**51**	150
Income taxes refunded	**-**	-
Interest paid	**1,354**	981
Interest received	**12,401**	7,786

12. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company has classified its financial instruments as follows:

($ in 000's) **Financial Instruments**	**Measurement**	**March 31, 2014**	**December 31, 2013**
Cash	Fair value	**5,329**	2,329
Amounts receivable	Amortized cost	**7,274**	7,206
Consumer loans receivable	Amortized cost	**116,164**	103,936
Accounts payable and accrued liabilities	Amortized cost	**22,646**	24,322
Bank revolving credit facility	Amortized cost	**22,129**	23,496
Term loan	Amortized cost	**47,910**	37,878

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

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

Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is 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 requires 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 March 31, 2014:

($ in 000's)	Total	Level 1	Level 2	Level 3
Amounts receivable	**7,274**	-	-	**7,274**
Consumer loans receivable	**116,164**	-	-	**116,164**
Accounts payable and accrued liabilities	**22,646**	-	-	**22,646**
Bank revolving credit facility	**22,129**	-	-	**22,129**
Term loan	**47,910**	-	-	**47,910**

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

13. CONTINGENCIES

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, financial performance 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.

14. SEGMENTED REPORTING

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

Accounting policies for each of these business segments are 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 are included as operating expenses for those segments. All other general and administrative expenses are reported separately. Management assesses the performance based on segment operating income (loss).

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

The following tables summarize the relevant information for the three month periods ended March 31, 2014 and 2013:

Three months ended March 31, 2014 ($ in 000's)	**easyhome Leasing**	**easyfinancial**	**Corporate**	**Total**
Revenue	**40,300**	**20,034**	**-**	**60,334**
Total operating expenses before depreciation and amortization	**19,999**	**12,162**	**6,432**	**38,593**
Depreciation and amortization	**12,907**	**709**	**152**	**13,768**
Segment operating income (loss)	**7,394**	**7,163**	**(6,584)**	**7,973**
Finance costs			**1,558**	**1,558**
Income (loss) before income taxes	**7,394**	**7,163**	**(8,142)**	**6,415**

Three months ended March 31, 2013 ($ in 000's)	**easyhome Leasing**	**easyfinancial**	**Corporate**	**Total**
Revenue	40,556	11,833	-	52,389
Total operating expenses before depreciation and amortization	21,134	8,142	4,757	34,033
Depreciation and amortization	12,758	375	140	13,273
Segment operating income (loss)	6,664	3,316	(4,897)	5,083
Finance costs			1,184	1,184
Income (loss) before income taxes	6,664	3,316	(6,081)	3,899

The Company's goodwill of $20.0 million (2012 - $20.0 million) is related entirely to its easyhome Leasing segment.

The Company's easyhome Leasing business consists of four major product categories: furniture, electronics, computers and appliances. Lease revenue as a percentage of total lease revenue for the three month periods ended March 31, 2014 and March 31, 2013 were as follows:

	Three months ended	
(percentage)	**March 31, 2014 (%)**	**March 31, 2013 (%)**
Furniture	**37**	38
Electronics	**33**	32
Computers	**19**	18
Appliances	**11**	12
	100	100

The Company operates across Canada and in certain U.S. states. During the three month period ended March 31, 2014, 96% or $58.1 million of revenue was generated in Canada and 4% or $2.2 million of revenue was generated in the U.S. (2013 – 96% or $50.5 million of revenue was generated in Canada and 4% or $1.9 million of revenue was generated in the U.S). Additionally, as at March 31, 2014, $238.7 million of the Company's assets were located in Canada and $8.7 million were located in the U.S. (2013 - $186.8 million in Canada and $8.5 million in the U.S.).

15. COMPARATIVE FIGURES

Certain items within the comparative interim condensed consolidated financial statements have been reclassified to conform with the presentation for the current period in accordance with IFRS.