Management's Discussion and Analysis

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

Date: March 28, 2011

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, 2010 compared to December 31, 2009 (restated), and the results of operations for the three month period and year ended December 31, 2010 compared with the corresponding periods of 2009 (restated). The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). 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 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 GAAP in Canada. These measures do not have standardized meanings and may not be comparable to similar measures presented by other companies. Although measures such as same-store revenue growth, potential monthly lease income and operating income do not have standardized meanings prescribed by GAAP, these measures are defined herein or can be determined by reference to our financial statements. We discuss these measures because we believe that they facilitate the understanding of the results of our 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 256 store locations (including 39 franchised/licensed locations) as of December 31, 2010. *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 and Serta Mattress; 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 stores in three provinces in Canada and nine states in the U.S.

Beyond our core merchandise leasing business and through *easyfinancial* Services ("*easyfinancial*"), we also offer our customers 6 to 18 month term loans, generally in the range of $500 to $3,000, and other financial services such as cheque cashing and prepaid credit 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 operated 67 kiosks within existing *easyhome* store locations in 9 provinces in Canada and one national virtual loan kiosk as of December 31, 2010.

Corporate Strategy & Outlook

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

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

Growing easyfinancial

easyfinancial is a lending alternative that fills a large void in the financial services market. Its products are more affordable than payday 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 2010, opening 38 kiosks and growing its gross loan portfolio from $9.3 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

Since its inception in 2006, *easyfinancial* has grown from a small but promising initiative to a substantial enterprise. During 2010, 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 while augmenting systems, policies, procedures and management.

Also in 2010, the Company began to upgrade the loan application software utilized by *easyfinancial*. Following the discovery of fraud at one of our *easyfinancial* locations, modifications to the existing transactional software were made to improve the monitoring of key performance indicators and establish stronger authentication controls. With the assistance of recognized global leader in audit and in information management, the Company is in the process of implementing a new electronic automated loan decisioning and ID verification tool. A longer-term project has been initiated in 2011 to replace and upgrade the core loan software system.

Enhancing Store Profitability Within Our Leasing Business

The Company's experience has shown that the average store takes approximately three years to reach maturity and in most cases new stores generate a loss in their first year of operation and only a modest profit in the second year. As the Company has opened over 100 new stores in the last six years, growing the leasing portfolio and enhancing store profitability is a central focus of the operational staff. There are a number of tactics the Company pursues to enhance operational profitability including:

Differentiate the Company's Business Concept

The Company believes that the success of its operations is partly attributable to its approach to the business which is distinctive from that of its merchandise leasing competitors and discount stores and retail outlets that offer an installment sales program or offer comparable products and prices. For example, in order 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 also believes it offers more attractive store showrooms, a wider selection of higher-quality merchandise and a more positive shopping experience than its competitors. Additionally, 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.

Offer High Levels of Customer Service and Satisfaction

The Company fosters relationships with its customers in order to encourage merchandise leases and repeat business by providing 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 employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools, in order to increase the employee retention rate and to promote improved productivity.

Promote Its Brand Name

In early 2003, the Company announced the launch of the re-branding initiative to consolidate its six retail banners into the *easyhome* brand. The Company believes that the transition helped it meet its objectives of attracting new customers, increasing customer retention and increasing revenue per customer. The Company's marketing programs target the prime customer base. The Company typically markets through direct mail programs, flyers and in-store marketing programs and has expanded its marketing strategy to include English language television when appropriate.

Effectively Utilize Proprietary Management Information Systems

The Company utilizes computerized information systems to systematically pursue collections and merchandise returns and to match inventory with demand. Each store is linked by computer directly to corporate headquarters, which enables the Company to monitor the performance of each store on a real-time basis.

Expanding the U.S. Franchise Network

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

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

easyhome's U.S. franchising business almost doubled from 15 stores at December 31, 2009 to 29 stores at December 31, 2010. While the Company was pleased with the performance of existing franchisees, the weak U.S. economy and challenging lending environment negatively impacted the growth in new franchise locations in 2010. The Company underwent a strategic review and identified certain necessary enhancements in its franchisee support and shifted the franchise sales strategy from a broad-based approach to a more targeted methodology.

The growth of *easyhome's* U.S. franchising business in 2010 was positively impacted by the opening of three new franchise stores under its "*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. All three *Be-A-Contender* stores have performed well beyond expectations.

Steps have been taken to enhance franchisee support and communications, providing more coaching, helping franchisees identify opportunities and ensuring that they have the necessary skills and tools to succeed. The Company also plans on alleviating the administrative burden for franchisees by streamlining processes and functions. A franchise advisory council was also created to coordinate *easyhome's* support of franchisees.

Store Location Summary

	Locations Opened in the 3 Months Ended December 31, 2010	Locations as at December 31, 2010	Planned Openings for 2011
Corporate Stores			
Canada	(1)	203	1
U.S.	–	14	1
Franchise Locations			
Canada	2	10	–
U.S.	3	25	10
VIE Franchise Locations (incl. in consolidated results)	4	4	5
Total Stores	8	256	17
easyfinancial			
Kiosks	9	67	20 – 25
Virtual kiosk	–	1	–

During the most recent quarter one Canadian corporate store was converted to a franchise location, one additional Canadian franchise location was added as were three U.S. franchise locations and four franchise locations deemed to be Variable Interest Entities ("VIEs") as they do not have sufficient equity at risk (as planned – see "Corporate Strategy & Outlook – Expanding the U.S. Franchise Network") to finance their activities without additional subordinated financial support and, as required by Canadian GAAP, are included in the Company's consolidated financial results ("VIE Franchise Locations"). Also during the most recent quarter nine *easyfinancial* kiosks were opened within our existing stores, for a total *easyfinancial* kiosk count of 67 within our stores and one national virtual loan kiosk as at December 31, 2010.

During 2010, the Company converted two Canadian and one U.S. corporate stores to franchise locations, closed one Canadian corporate store, opened three U.S. corporate stores, opened 10 U.S. and three Canadian franchise locations and opened four VIE Franchise Locations. The Company also opened 38 *easyfinancial* kiosks.

The achievement by the Company of the planned openings for 2011 as described above is predicated on a number of factors, including the availability of sufficient capital.

Financial Restatements

Restatement Due to Employee Fraud

In October 2010, the Company discovered a material fraud (the "Employee Fraud") perpetrated by an employee of its *easyfinancial* business. The Employee Fraud, which occurred at one *easyfinancial* kiosk, was detected during a detailed review of *easyfinancial's* consumer loans receivable portfolio.

Following the discovery of the Employee Fraud – as contemplated by the Mandate of the Audit Committee and with the unanimous approval of the Board of Directors – the Audit Committee of the Board assumed responsibility for the investigation of the Employee Fraud and related matters, and engaged independent legal counsel who, among other things, engaged a large national accounting and audit firm to provide expert assistance in a forensic review.

Under the oversight of the Audit Committee's counsel, a forensic review was undertaken related to the Employee Fraud and *easyfinancial's* policies, procedures and processes to, among other things: quantify the financial impact of the Employee Fraud, determine whether other individuals were involved in (or aware of) the Employee Fraud and assess whether practices that were associated with the Employee Fraud were evident at other *easyfinancial* kiosks.

The Audit Committee held regular, formal meetings to receive updates from, and to provide direction to, its legal advisors, management, and the Company's independent auditor. The Chair of the Audit Committee also held additional, separate, informal meetings with the other members of the Audit Committee, the Audit Committee's legal advisors, members of management and the Board of Directors, and the Company's independent auditor. Additionally the Audit Committee provided periodic updates to the Board of Directors.

The Audit Committee's investigation indicated that the manager of the *easyfinancial* kiosk processed fictitious loan applications, processed improper payments against legitimate customer accounts, subverted certain policies, procedures and controls and appropriated Company funds. The results of these activities were to, among other things, overstate the consumer loans receivable balance and reduce the amount of consumer loans that were not current or were otherwise in default. The Audit Committee's investigation also indicated that certain individuals responsible for oversight of this employee and kiosk did not adhere to the Company's standard policies and procedures, which, if followed, may have detected the fraud earlier. The individual responsible for the Employee Fraud and the individuals who did not discharge their oversight responsibilities for the employee and the kiosk have been terminated.

The Audit Committee's investigation revealed that:

- $0.7 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the prior year ended December 31, 2009;
- $1.5 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the first nine months of 2010, which was not reflected in the consolidated financial statements for the year ended December 31, 2010;
- $0.7 million had been either fraudulently removed from the Company or inappropriately applied as principal payments against legitimate consumer loans receivable;
- the consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures; and
- while other instances of fraud have occurred at other *easyfinancial* kiosks, there are no other significant instances.

To eliminate the fraudulent loans associated with the Employee Fraud from the Company's consumer loans receivable portfolio and provide for the other financial impacts of the Employee Fraud, the gross consumer loans receivable (consumer loans receivable before provision) was reduced by $2.8 million and the related provision was increased by $0.9 million as noted above. Altogether, the net impact of the Employee Fraud was a reduction in the consumer loans receivable balance of $3.7 million. These amounts were determined to have occurred by quarter as follows:

($ in 000's)	**Total**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009[2]	Q1 2009[2]
Erroneous recognition of revenue	**680**	–	–	–	–	244	168	159	109
Erroneous revenue initially recognized and subsequently eliminated in 2010	**1,499**	–	646	510	343	–	–	–	–
Fraudulent removal of funds	**652**	–	101	124	78	84	56	116	93
Additional provision[1]	**851**	–	311	205	83	91	43	49	69
Total	**3,682**	–	1,058	839	504	419	267	324	271

1 Additional provision required to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures.

2 The net impacts of the Employee Fraud for Q1 and Q2 2009 include approximately $120,000 per quarter that may be attributable to the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 have not been restated as this was not considered a material adjustment for that reporting period.

The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud, the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010.

Restatement Due to Understatement of Unearned Revenue

As a result of a review carried out in preparation for the pending conversion to International Financial Reporting Standards ("IFRS"), it was determined that an error existed in the historic calculation of the Company's unearned revenue balance resulting in an understatement of the unearned revenue balance and an overstatement of the earnings reported in prior periods. Accordingly, with the concurrence of the Company's Board, Audit Committee and external auditors, the Company's opening balance sheet as at January 1, 2009 has been restated to reflect a reduction to opening retained earnings of approximately $2.0 million.

The restatement (reduction) in 2009 opening retained earnings is required as a result of the cumulative effect since 2000 of this historical calculation error, which resulted in the amount of revenue received but not yet earned being understated by $2.0 million, net of corresponding impacts related to accumulated amortization and adjustments for income taxes. Accordingly, the 2009 opening retained earnings have been restated to $32.8 million (from $34.8 million).

Restating the Company's unearned revenue balance impacted the consolidated financial statements for the each of the quarterly periods from March 31, 2009 to September 30, 2010 and the annual consolidated financial statements for the year ended December 31, 2009. These amounts were determined to have occurred by quarter as follows:

($ in 000's)	**Total**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Erroneous recognition of revenue	**298**	–	–	–	–	(382)	293	151	236
Erroneous revenue initially recognized and subsequently eliminated in 2010	**336**	–	368	(431)	399	–	–	–	–
Deferral of related amortization	**(21)**	–	–	–	–	73	(106)	(15)	27
Deferral of related amortization subsequently eliminated in 2010	**(44)**	–	(93)	89	(40)	–	–	–	–
Total	**569**	–	275	(342)	359	(309)	187	136	263

As a result of the restatement due to the understatement of unearned revenue, the previously filed consolidated financial statements of the Company for each of the quarterly periods from March 31, 2009 through to September 30, 2010 and the annual consolidated financial statements for the year ended December 31, 2009 and the associated MD&A for the applicable periods should no longer be relied upon.

Restatement Summary

The following tables summarize the quarterly impact of the Employee Fraud and the understatement of unearned revenue (the "restatements") on the consolidated balance sheets for each quarterly period from March 31, 2009 through to September 30, 2010 and the consolidated statements of income (loss) and comprehensive income (loss) for each of the three month periods ended March 31, 2009 through to September 30, 2010. The annual impact is contained in note 3 of the notes to the Company's consolidated financial statements for the year ended December 31, 2010. No tables have been provided to disclose the impact of the restatements on the consolidated statements of cash flows as the restatements did not change the cash positions.

Selected Quarterly Consolidated Balance Sheet – Restated[1]

($ in 000's except per share amounts)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Consumer Loans Receivable							
As originally reported[1]	**18,518**	**19,320**	**13,007**	10,222	7,131	5,760	4,330
Adjustments							
Employee fraud	**–**	**(2,624)**	**(1,785)**	(1,281)	(862)	(595)	(271)
Unearned revenue	**–**	**–**	**–**	–	–	–	–
As restated	**18,518**	**16,696**	**11,222**	8,941	6,269	5,165	4,059
Income Taxes Recoverable							
As originally reported[1]	**3,451**	**3,989**	**2,493**	2,886	2,584	1,343	1,241
Adjustments							
Employee fraud	**–**	**309**	**179**	101	69	47	21
Unearned revenue	**–**	**–**	**–**	–	–	–	–
As restated	**3,451**	**4,298**	**2,672**	2,987	2,653	1,390	1,262
Lease Assets							
As originally reported[1]	**70,204**	**71,295**	**72,010**	74,686	77,825	79,001	80,861
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**668**	**761**	**672**	712	639	745	760
As restated	**70,872**	**72,056**	**72,682**	75,398	78,464	79,746	81,621
Future Tax Asset							
As originally reported[1]	**3,583**	**2,833**	**4,207**	4,655	4,831	5,658	5,829
Adjustments							
Employee fraud	**–**	**455**	**342**	274	183	126	57
Unearned revenue	**590**	**668**	**570**	674	583	642	680
As restated	**4,173**	**3,956**	**5,119**	5,603	5,597	6,426	6,566
Total Assets							
As originally reported[1]	**141,413**	**142,432**	**134,127**	135,761	136,456	136,168	136,088
Adjustments							
Employee fraud	**–**	**(1,860)**	**(1,264)**	(906)	(610)	(422)	(193)
Unearned revenue	**1,258**	**1,429**	**1,242**	1,386	1,222	1,387	1,440
As restated	**142,671**	**142,001**	**134,105**	136,241	137,068	137,133	137,335
Unearned Revenue							
As originally reported[1]	**577**	**708**	**792**	748	626	832	836
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**2,852**	**3,220**	**2,789**	3,188	2,806	3,099	3,250
As restated	**3,429**	**3,928**	**3,581**	3,936	3,432	3,931	4,086
Total Liabilities							
As originally reported[1]	**50,371**	**49,790**	**44,147**	47,346	48,060	46,502	47,621
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**2,852**	**3,220**	**2,789**	3,188	2,806	3,099	3,250
As restated	**53,223**	**53,010**	**46,936**	50,534	50,866	49,601	50,871
Retained Earnings							
As originally reported[1]	**39,160**	**40,238**	**37,932**	36,539	36,356	37,227	36,205
Adjustments							
Employee fraud	**–**	**(1,860)**	**(1,264)**	(906)	(610)	(422)	(193)
Unearned revenue	**(1,594)**	**(1,791)**	**(1,547)**	(1,802)	(1,584)	(1,712)	(1,810)
As restated	**37,556**	**36,587**	**35,121**	33,831	34,162	35,093	34,202

[1] The Company originally filed its 2009 financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 financial statements which were filed on December 22, 2010. The above depicts the impact of the restatements on the originally filed 2009 financial statements.

Selected Quarterly Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Information – Restated[1]

($ in 000's except per share amounts)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue							
As originally reported[1]	**44,629**	**45,464**	**44,293**	43,944	42,455	43,455	43,874
Adjustments							
Employee fraud	**–**	**(510)**	**(343)**	(244)	(168)	(159)	(109)
Unearned revenue	**368**	**(431)**	**399**	(382)	293	151	236
As restated	**44,997**	**44,523**	**44,349**	43,318	42,580	43,447	44,001
Operating Expenses							
As originally reported[1]	**41,942**	**40,833**	**40,413**	41,610	42,147	40,072	39,506
Adjustments							
Employee fraud	**–**	**329**	**161**	175	99	165	162
Unearned revenue	**93**	**(89)**	**40**	(73)	106	15	(27)
As restated	**42,035**	**41,073**	**40,614**	41,712	42,352	40,252	39,641
Operating Income							
As originally reported[1]	**2,687**	**4,631**	**3,880**	2,334	308	3,383	4,368
Adjustments							
Employee fraud	**–**	**(839)**	**(504)**	(419)	(267)	(324)	(271)
Unearned revenue	**275**	**(342)**	**359**	(309)	187	136	263
As restated	**2,962**	**3,450**	**3,735**	1,606	228	3,195	4,360
Income Taxes							
As originally reported[1]	**709**	**1,169**	**1,317**	505	10	1,277	1,698
Adjustments							
Employee fraud	**–**	**(243)**	**(146)**	(123)	(79)	(95)	(78)
Unearned revenue	**78**	**(98)**	**104**	(91)	59	38	75
As restated	**787**	**828**	**1,275**	291	(10)	1,220	1,695
Net Income (Loss) and Comprehensive Income (Loss)							
As originally reported[1]	**1,674**	**3,197**	**2,279**	1,427	20	1,915	2,403
Adjustments							
Employee fraud	**–**	**(596)**	**(358)**	(296)	(188)	(229)	(193)
Unearned revenue	**197**	**(244)**	**255**	(218)	128	98	188
As restated	**1,871**	**2,357**	**2,176**	913	(40)	1,784	2,398
Earnings (Loss) per Share – Basic and Diluted							
As originally reported[1]	**0.16**	**0.31**	**0.22**	0.14	0.00	0.18	0.23
Adjustments							
Employee fraud	**–**	**(0.06)**	**(0.04)**	(0.03)	(0.02)	(0.02)	(0.02)
Unearned revenue	**0.02**	**(0.02)**	**0.02**	(0.02)	0.01	0.01	0.02
As restated	**0.18**	**0.23**	**0.20**	0.09	(0.01)	0.17	0.23

1 The Company originally filed its 2009 financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 financial statements which were filed on December 22, 2010. The above depicts the impact of the restatements on the originally filed 2009 financial statements.

As disclosed under "Internal Controls", the Company and its Audit Committee have taken appropriate steps to enhance its internal controls. These initiatives will continue throughout 2011.

Fourth Quarter and Full Year Highlights

- The economic environment has begun to recover and *easyhome's* leasing business has improved, particularly in the fourth quarter of 2010. Potential monthly lease revenue, a key measure of our portfolio size and a leading indicator of future revenues, increased during the fourth quarter of 2010 by $0.6 million compared to an increase of $0.5 million in the fourth quarter of 2009. For the year ended December 31, 2010, potential monthly lease revenue declined by less than $0.1 million compared to a decline of almost $0.9 million in 2009.
- Revenue for the fourth quarter increased from $43.3 million in 2009 (restated) to $46.9 million in 2010, an increase of 8.3%. Most of the revenue increase related to *easyfinancial* (due to its growing loan book) but quarterly revenue increases were also achieved by both the Canadian and U.S. leasing businesses. On a full year basis, overall revenue for 2010 was $180.8 million compared to $173.3 million in 2009 (restated), an increase of 4.3%. The growth was driven by the expansion of *easyfinancial* and the U.S. leasing business while the Canadian leasing business reported modest revenue declines due primarily to the decline in the potential monthly leasing revenue that occurred during the prior year as a prior reduction in the size of the lease portfolio reduces revenue on a go-forward basis. Same store revenue growth, which includes revenue growth from *easyfinancial* Services, was 10.9% and 4.3% for the three months and year ended December 31, 2010, respectively.
- The loan book at *easyfinancial* continues to grow. The gross consumer loans receivable at December 31, 2010 was $23.8 million compared to $9.3 million at December 31, 2009 (restated) and $4.1 million at December 31, 2008. Adjusted bad debt expense as a percentage of financial revenue improved from 18.4% in 2009 (restated) to 17.2% in 2010. During the fourth quarter of 2010 the loan book grew by 16.9%.
- The trend of year-over-year improvements in adjusted earnings per share continued. Adjusted earnings per share of $0.20 for the three months ended December 31, 2010 were $0.06 per share greater than the adjusted earnings per share of $0.14 reported in the comparable period of 2009 (restated). Likewise, the adjusted earnings per share of $0.92 for the year ended December 31, 2010 were $0.29 per share greater than the adjusted earnings per share of $0.63 reported in the comparable period of 2009 (restated). Additionally, adjusted return on equity has similarly shown a year-over-year improvement from 7.9% in the 2009 (restated) to 10.4% in the current year.
- As discussed above, the Company uncovered an Employee Fraud at one of its *easyfinancial* kiosks during the fourth quarter which resulted in a write-down of our loan portfolio of $3.7 million. While unfortunate, the fraud highlighted opportunities to improve the Company's risk management and *easyfinancial* operational procedures and systems. The Company has taken decisive steps to make this improvement and position the business for sustainable future growth.
- Annual operating expenses, adjusted for unusual items, increased by $6.1 million from $103.1 in 2009 (restated) to $109.2 million in 2010 due to: i) $2.0 million of additional management and staffing costs to grow the *easyfinancial* business and its infrastructure; ii) $2.2 million of additional cost to deliver various customer protection programs (where the incremental revenues significantly exceed the incremental costs); and iii) bad debt expense increases of $2.5 million due to the growth of the *easyfinancial* loan book and the Company refining its methodology for estimating the provision for consumer loans receivable. On balance, the Company exhibited strong cost controls during the year.

- During the year the Company executed on its growth plan opening 38 *easyfinancial* kiosks and 17 franchise locations (including 4 VIE Franchise Locations) while corporate store count declined by one.
- The Company continues to generate strong cash flows. Cash flow provided by operating activities for the year ended December 31, 2010 was $10.2 million compared to $15.5 million in 2009. Included in these cash flows was a net investment in the *easyfinancial* loan portfolio of $12.9 million and $4.9 million for 2010 and 2009. Excluding this item, cash flow from operations grew from $20.4 million in 2009 to $23.1 million in 2010, an increase of 13.4%. In addition to increasing the *easyfinancial* loan portfolio, this positive cash flow when combined with the net $10.7 million raised from an equity offering in December 2010, allowed the Company to i) invest $6.2 million in additional property and equipment and intangible assets, ii) reduce external debt by $11.6 million and iii) continue its dividend payments of $3.6 million for the year.

Outlook

Excluding unusual items, in 2010 the Company reversed the profitability decline that occurred in the prior year. Adjusted earnings per share of $0.92 were above the adjusted earnings per share of $0.63 and $0.85 reported in 2009 (restated) and 2008, respectively. The growth strategy, careful cost control and disciplined management put in place in the prior years is beginning to deliver stronger results.

In 2011, we will continue to focus on improving our risk management policies and practices and strengthening our internal controls in all areas of our business. We know that both of these areas require significant oversight and enhancement as our business expands, particularly within *easyfinancial* as this business becomes an ever increasing portion of our operations.

In 2011, we anticipate opening 1 to 2 new corporate stores. We will also 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 10 to 15 new franchise locations in 2011 (which includes five VIE Franchise Locations). Finally, the Company intends to add an additional 20 to 25 new *easyfinancial* kiosks and expand its loan book at existing kiosks during 2011. 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 2011, coupled with the available loan facility and the $11.5 million equity offering completed in December 2010 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-GAAP 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 Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP.

Several non-GAAP 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* Services' 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. The revenue from the acquisition of Insta-rent in September 2008 was excluded from the same store revenue growth calculation for the first 12 months after acquisition.

	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Same store revenue growth	**10.9%**	(1.7%)	**4.3%**	1.8%

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)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Potential monthly lease revenue	**11,600**	11,688	**11,600**	11,688
Growth in potential monthly lease revenue	**604**	491	**(88)**	(853)

Gross Consumer Loans Receivable

Gross consumer loans receivable reflects the period end balance of our consumer loans receivable 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 the overall size of our *easyfinancial* business and of how revenue will grow in future periods.

	Three Months Ended		Year Ended	
($ in 000's)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Gross consumer loans receivable	23,800	9,251	23,800	9,251
Growth in gross consumer loans receivable	3,443	2,769	14,549	5,155

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 book. Bad debt expense includes actual write-offs and the impact of the provision taken against the loan book. We believe that bad debt expense as a percentage of *easyfinancial* revenue is a useful indicator of the Company's ability to collect its outstanding consumer loans receivable in future periods.

	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Bad debt expense as a percentage of *easyfinancial* revenue	**23.6%**	30.9%	**30.9%**	33.2%
Bad debt expense as a percentage of *easyfinancial* revenue (adjusted)[1]	**23.6%**	18.2%	**17.2%**	18.4%

[1] Adjusted for the impact of the Employee Fraud and the increase in provision due to refinement of estimating the provision for consumer loans receivable.

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, 2010 and 2009 (restated) include the following:

	Three Months Ended		Year Ended	
($ in 000's except earnings per share)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Operating income as stated	**298**	1,606	**10,445**	9,389
Restructuring charge included in operating expenses[1]	**–**	709	**641**	1,931
Fraudulent removal of funds[2]	**–**	84	**303**	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	91	**599**	252
Fraud investigation costs	**2,428**	–	**2,428**	–
Adjusted operating earnings	**2,726**	2,490	**14,416**	11,921
Net income as stated	**467**	913	**6,871**	5,055
Restructuring charge included in operating expenses[1]	**–**	709	**641**	1,931
Fraudulent removal of funds[2]	**–**	84	**303**	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	91	**599**	252
Fraud investigation costs	**2,428**	–	**2,428**	–
Tax impact of above items	**(733)**	(284)	**(1,199)**	(814)
Net unusual items	**1,695**	600	**2,772**	1,718
Adjusted earnings	**2,162**	1,513	**9,643**	6,773
Earnings per share as stated	**0.04**	0.09	**0.65**	0.48
Per share impact of the restructuring charge included in operating expenses[1]	**–**	0.06	**0.06**	0.18
Fraudulent removal of funds[2]	**–**	0.01	**0.03**	0.03
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	0.01	**0.06**	0.02
Fraud investigation costs	**0.23**	–	**0.23**	–
Per share tax impact of above items	**(0.07)**	(0.03)	**(0.11)**	(0.08)
Per share impact of unusual items	**0.16**	0.05	**0.27**	0.15
Adjusted earnings per share	**0.20**	0.14	**0.92**	0.63

1 During the third quarter of 2009, the Company initiated a reorganization of its administrative facilities and certain functions. This restructuring was completed on June 30, 2010 and consolidated all administrative functions into one central location to promote efficient and effective activities. The cost of this restructuring was $2.6 million.

2 Subsequent to the third quarter of 2010, the Company discovered the Employee Fraud.

3 The consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures.

Operating Expenses Before Amortization

We define operating expenses before amortization as total operating expenses excluding amortization expenses for the period. We believe that operating expenses before 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 amortization for the year ended December 2010 and 2009 (restated) include the following:

	Three Months Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating expenses as stated	**46,622**	**46,622**	41,712	41,712
Restructuring charges	**–**	**–**	–	(709)
Fraudulent removal of funds	**–**	**–**	–	(84)
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	(91)
Fraud investigation costs	**–**	**(2,428)**	–	–
	46,622	**44,194**	41,712	40,828
Amortization expenses included in operating expenses	**(14,763)**	**(14,763)**	(14,866)	(14,866)
Operating expenses before amortization	**31,859**	**29,431**	26,846	25,962
Divided by revenue	**46,920**	**46,920**	43,318	43,318
Operating expenses before amortization as % of revenue	**67.9%**	**62.7%**	62.0%	59.9%

	Year Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating expenses as stated	**170,344**	**170,344**	163,957	163,957
Restructuring charges	**–**	**(641)**	–	(1,931)
Fraudulent removal of funds	**–**	**(303)**	–	(349)
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**(599)**	–	(252)
Fraud investigation costs	**–**	**(2,428)**	–	–
	170,344	**166,373**	163,957	161,425
Amortization expenses included in operating expenses	**(57,172)**	**(57,172)**	(58,301)	(58,301)
Operating expenses before amortization	**113,172**	**109,201**	105,656	103,124
Divided by revenue	**180,789**	**180,789**	173,346	173,346
Operating expenses before amortization as % of revenue	**62.6%**	**60.4%**	61.0%	59.5%

Operating Margin

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

	Three Months Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating income	**298**	**298**	1,606	1,606
Restructuring charges	**–**	**–**	–	709
Fraudulent removal of funds	**–**	**–**	–	84
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	91
Fraud investigation costs	**–**	**2,428**	–	–
Operating income	**298**	**2,726**	1,606	2,490
Divided by revenue	**46,920**	**46,920**	43,318	43,318
Operating margin	**0.6%**	**5.8%**	3.7%	5.7%

	Year Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating income	**10,445**	**10,445**	9,389	9,389
Restructuring charges	**–**	**641**	–	1,931
Fraudulent removal of funds	**–**	**303**	–	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**599**	–	252
Fraud investigation costs	**–**	**2,428**	–	–
Operating income	**10,445**	**14,416**	9,389	11,921
Divided by revenue	**180,789**	**180,789**	173,346	173,346
Operating margin	**5.8%**	**8.0%**	5.4%	6.9%

Return on Equity

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

	Three Months Ended			
($ in 000's except multiples and percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Net income (loss) for the period	**467**	**467**	913	913
Restructuring charges	**–**	**–**	–	709
Fraudulent removal of funds	**–**	**–**	–	84
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	91
Fraud investigation costs	**–**	**2,428**	–	–
Tax impact of above items	**–**	**(733)**	–	(284)
Net income for the period	**467**	**2,162**	913	1,513
Divided by average shareholders' equity for the period	**94,848**	**94,848**	85,954	85,954
Return on equity	**0.5%**	**2.3%**	1.1%	1.8%

	Year Ended			
($ in 000's except multiples and percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Net income (loss) for the period	**6,871**	**6,871**	5,055	5,055
Restructuring charges	**–**	**641**	–	1,931
Fraudulent removal of funds	**–**	**303**	–	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**599**	–	252
Fraud investigation costs	**–**	**2,428**	–	–
Tax impact of above items	**–**	**(1,199)**	–	(814)
Net income for the period	**6,871**	**9,643**	5,055	6,773
Divided by average shareholders' equity for the period	**92,978**	**92,978**	85,177	85,177
Return on equity	**7.4%**	**10.4%**	5.9%	7.9%

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009 (restated)

Summary Financial Results

($ in 000's except earnings per share and percentages)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance $/#/%	Variance % Change
		(restated)		
Revenue				
Lease	**132,651**	135,005	(2,354)	(1.7)
Interest and other income	**48,138**	38,341	9,797	25.6
	180,789	173,346	7,443	4.3
Operating expenses before amortization				
Salaries and benefits	**53,746**	50,092	3,654	7.3
Selling, general and admin.	**24,554**	22,243	2,311	10.4
Occupancy	**25,094**	24,492	602	2.5
Automotive and travel	**6,709**	6,898	(189)	(2.7)
Restructuring & other charges	**3,069**	1,931	1,138	58.9
	113,172	105,656	7,516	7.1
Amortization expense	**57,172**	58,301	(1,129)	(1.9)
Operating income	**10,445**	9,389	1,056	11.2
Interest expense	**1,238**	1,138	100	8.8
Net income for the period	**6,871**	5,055	1,816	35.9
Diluted earnings per share	**0.65**	0.48	0.17	35.4
Key Performance Indicators				
Adjusted earnings	**9,643**	6,773	2,870	42.4
Diluted EPS (adjusted)	**0.92**	0.63	0.29	46.0
Operating margin (adjusted)	**8.0**	6.9	1.10	–
Return on equity (adjusted)	**10.4**	7.9	2.5	–
Key Performance Indicators (Year End)				
Potential monthly lease revenue	**11,600**	11,688	(88)	(0.8)
Gross customer loan receivable	**23,800**	9,251	14,549	157.3
Number of stores opened (corporate and franchise)	**16**	15	1	6.7
Corporate store count	**217**	218	(1)	(0.5)
Franchise store count	**39**	22	17	77.3
Total store count	**256**	240	16	6.7
easyfinancial kiosks	**67**	29	38	131.0
Same store revenue growth	**4.3%**	1.8%	2.5%	–

Revenue

Revenue for the year ended December 31, 2010 was $180.8 million compared to $173.3 million in 2009 (restated), an increase of $7.4 million or 4.3%. Revenue from the Canadian leasing business decreased by $2.9 million or 1.8% due to the decline in the potential monthly lease revenue that occurred during the prior year as a prior reduction in the size of the lease asset portfolio reduces revenue on a go-forward basis. The year-over-year difference in the potential monthly lease revenue has steadily reduced throughout the year as customer demand has improved.

Revenue from the U.S. leasing business and *easyfinancial* grew by $1.5 million and $8.8 million, respectively, both due to additional franchise stores and kiosks opened throughout 2009 and 2010 and due to the continued strong growth of existing locations.

Lease Revenue

Lease revenue was $132.7 million for the year ended December 31, 2010 compared to $135.0 million in 2009 (restated), a decrease of $2.4 million or 1.7%. This decrease is attributable to i) a 3.3% decline in the average number of units on lease, ii) a 0.5% decline in the revenue received per unit and iii) a 5.5% decrease in cash sales. The decline in the size of the lease portfolio in prior years has had a negative impact on 2010.

Interest Revenue and Other Income

Interest revenue and other income was $48.1 million for the year ended December 31, 2010 compared to $38.3 million in 2009 (restated), an increase of $9.8 million or 25.6%. The increase was primarily attributable to both the increase in *easyfinancial* revenue associated with the larger loan book and the increased penetration of the Customer Club Benefits Program.

Operating Expenses Before Amortization

Operating expenses before amortization increased to $113.2 million for the year ended December 31, 2010 compared to $105.7 million in 2009 (restated), an increase of $7.5 million or 7.1%. Operating expenses before amortization represented 62.6% of revenue in 2010 compared to 61.0% in 2009 (restated).

After adjusting for unusual or non-recurring items, operating expenses before amortization increased from $103.1 million in 2009 (restated) to $109.2 million in 2010, an increase of $6.1 million or 5.9%. Additionally, after adjusting for unusual or non-recurring items, operating expenses before amortization represented 60.4% of revenue in 2010 compared to 59.5% in 2009 (restated). Unusual or non-recurring items in 2010 total $4.0 million and included the impact of the fraud, restructuring costs and costs related to the forensic investigation while unusual or non-recurring items in 2009 included the impact of the fraud and restructuring costs which total $2.5 million.

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

Salaries and Benefits

Salaries and benefits were $53.7 million for the year ended December 31, 2010 compared to $50.1 million in 2009, an increase of $3.7 million or 7.3%. The increase is related to higher staff levels associated with the 38 additional *easyfinancial* kiosks and added corporate management to support the business and facilitate sustainable growth. The cost increase was partially offset by efficiencies gained through the improved focus on managing labour within our *easyhome* stores. As a percentage of revenue, salaries and benefits for the year increased to 29.7% of revenue in 2010 from 28.9% of revenue in 2009 (restated).

Selling, General and Administrative

Selling, general and administrative expenses for the year ended December 31, 2010 were $24.6 million or 13.6% of revenue compared to $22.2 million or 12.8% of revenue in 2009 (restated), an increase of $2.3 million. Excluding unusual items, selling, general and administrative expenses were $23.7 million or 13.1% of revenue in 2010 compared to $21.6 million or 12.5% of revenue in 2009 (restated), an increase of $2.1 million. This increase is related to a $2.2 million increase in costs associated with the customer benefit program and customer loan protection plan (more than offset by increased revenue) and a $2.6 million increase in *easyfinancial's* bad debt expense associated with the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. These increases were offset by a planned $2.0 million reduction in advertising and promotional spend and lower general office costs.

Occupancy

Occupancy costs for the year ended December 31, 2010 were $25.1 million or 13.9% of revenue compared to $24.5 million or 14.1% of revenue in 2009 (restated), an increase of $0.6 million. Occupancy costs increased due to higher store level rent and utility costs and the additional occupancy costs of the new U.S. franchise stores that were deemed to be VIE Franchise Locations that opened during the last 3 months of 2010.

Automotive and Travel

Automotive and travel expenses for the year ended December 31, 2010 were $6.7 million or 3.7% of revenue compared to $6.9 million or 4.0% of revenue in 2009 (restated), a nominal decline of $0.2 million.

Amortization

Amortization of lease assets for the year ended December 31, 2010 was $52.0 million or 28.8% of revenue compared to $53.3 million or 30.8% of revenue in 2009 (restated). Amortization of lease assets declined by $1.3 million due to i) a decline in the size of the lease portfolio as indicated by the lower book value of lease assets and the lower potential monthly lease revenue throughout the year; ii) lower lease revenue (amortization of lease assets is a function of revenue recognized on those assets) and iii) lower charge offs resulting from improved collections.

Amortization of property and equipment and intangible assets for the year ended December 31, 2010 was $5.1 million, a nominal increase of $0.2 million from the comparable period in 2009. As a percentage of revenue, amortization for property and equipment and intangible assets for the year decreased to 2.8% of revenue in 2010 from 2.9% of revenue in 2009 (restated).

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the year ended December 31, 2010 was $10.4 million or 5.8% of revenue compared to $9.4 million or 5.4% of revenue in 2009 (restated), an increase of $1.1 million. Increases in revenue were largely offset by correspondingly higher costs including unusual costs such as the fraud, restructuring costs and costs related to the forensic investigation.

Excluding the unusual items, adjusted operating earnings for the year ended December 31, 2010 was $14.4 million or 8.0% of revenue compared to $11.9 million or 6.9% of revenue in 2009 (restated), an increase of $2.5 million.

Interest Expense

Interest expense for the year ended December 31, 2010 was $1.2 million, an increase of $0.1 million over the $1.1 million reported in 2009 due to slightly higher effective interest rates and average debt levels.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2010 was 25.4% compared to 38.7% in 2009 (restated). The effective tax rate has declined due to i) reductions in the statutory income tax rates in jurisdictions where the Company operates, ii) immaterial out-of-period adjustments in the current year and iii) correcting for a $0.4 million future tax adjustment as a result of proposed tax reassessments. No tax benefit has been recorded for the losses by the Company's U.S. operations.

Net Income and EPS

Net income for the year ended December 31, 2010 was $6.9 million or $0.65 per share compared to $5.1 million or $0.48 per share in the same period last year (restated), an increase of 35.4%.

Adjusted net income for the year ended December 31, 2010 was $9.6 million or $0.92 per share compared to $6.8 million or $0.63 per share in the same period last year (restated), an increase of 42.4%.

Segmented Reporting

We have provided segmented reporting information for the year ended December 31, 2010 and 2009 (restated) in the MD&A as we believe it provides meaningful analysis of our three main segments: the Canadian leasing division, the U.S. leasing division and *easyfinancial*, our consumer lending business, which operates in Canada. Management is continuing to assess the Company's reporting segments as a result of the previously announced restructuring and the Company's corresponding growth strategy.

Year Ended December 31, 2010 *($ in 000's)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	**2010 Total**
Revenue	158,642	9,250	12,897	**180,789**
Total operating expenses before amortization and restructuring charges	89,890	7,715	12,498	**110,103**
Amortization	53,490	3,419	263	**57,172**
Restructuring and other charges	3,069	–	–	**3,069**
Operating income (loss)	12,193	(1,884)	136	**10,445**

Year Ended December 31, 2009 *($ in 000's) (restated)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	2009 Total
Revenue	161,549	7,746	4,051	173,346
Total operating expenses before amortization and restructuring charges	92,888	6,448	4,389	103,725
Amortization	55,172	3,023	106	58,301
Restructuring and other charges	1,931	–	–	1,931
Operating income (loss)	11,558	(1,725)	(444)	9,389

Canadian Leasing

Revenue declined from $161.5 million in 2009 (restated) to $158.6 million in 2010, a decline of $2.9 million or 1.8%. The decline was primarily due to declines in the potential monthly lease revenue that occurred throughout 2009, driven by weak economic conditions and two fewer corporate stores. Although the potential monthly lease revenue decreased through the first six months of 2010, the lease portfolio has increased during the second half of 2010.

Operating income increased from $11.6 million in 2009 (restated) to $12.2 million in 2010, an increase of $0.6 million or 5.5%. The $2.9 million reduction in revenue, year-over-year, and the $1.1 million increase in restructuring and other charges were offset by a $3.0 million reduction in operating expenses and a $1.7 million decrease in amortization. The decline in operating expenses was due to i) fewer corporate stores, ii) tighter cost controls, particularly around labour, and iii) a reduction in advertising and promotional spending. Amortization is calculated as a function of revenue so it has declined in line with revenue. Restructuring and other charges consisted of $1.9 million in restructuring costs in 2009 (restated) and $0.6 million in restructuring costs and $2.4 million in costs related to the forensic investigation in 2010.

U.S. Leasing

Revenue increased from $7.7 million in 2009 (restated) to $9.2 million in 2010, an increase of $1.5 million or 19.4%. The increase was due to i) the development of stores opened during 2009, ii) opening additional stores in 2010 and iii) increasing the number of U.S. franchise locations from 15 as at December 31, 2009 to 29 as at December 31, 2010. This included the opening of four franchises which are considered to be Variable Interest Entities and are therefore consolidated for financial statement purposes. These Variable Interest Entity franchises opened in the fourth quarter of 2010 and represented $0.5 million of the increase year-over-year.

Operating loss was relatively consistent year-over-year as revenue gains were offset by higher costs. The higher costs were due to an increased number of stores (including the franchise locations deemed to be Variable Interest Entities). These particular franchise locations commenced operations in the fourth quarter of 2010 and, as typical of new stores, operated at a loss while ramping up.

easyfinancial

Revenue increased from $4.1 million in 2009 (restated) to $12.9 million in 2010. This increase was due to the increased loan portfolio which increased from $9.2 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

easyfinancial generated operating income of $0.1 million in 2010 compared to a loss of $0.4 million in 2009 (restated). The increase in revenues was offset by a $8.1 million increase in operating expenses. The increase in operating expenses was due to: i) staff and management costs as the Company added 38 additional kiosks during the year (kiosks which are still ramping up their loan book), ii) higher costs to provide the customer loan protection plan program which is more than offset by higher revenues and iii) higher bad debt expense. Bad debt expense as a percentage of revenue for the year was 30.9% compared to 33.2% in 2009 (restated). Adjusted bad debt expense as percentage of revenue, (which excludes the impact of the Employee Fraud and the refinement of estimating the provision for consumer loans receivable), for the year ended December 31, 2010 was 17.2% of revenue, an improvement over 18.4% in 2009 (restated).

Selected Annual Information

($ in 000's except per share amounts)	**2010**	2009	2008	2007	2006
		(restated)			
Revenue	**180,789**	173,346	162,493	143,675	119,566
Net income	**6,871**	5,055	8,972	11,685	8,983
Dividends declared on common shares	**3,562**	3,561	3,572	2,935	2,474
Cash dividends declared per common share	**0.34**	0.34	0.34	0.28	0.24
Earnings per Share					
Basic	**0.65**	0.48	0.86	1.13	0.89
Diluted	**0.65**	0.48	0.85	1.11	0.86
Consolidated Balance Sheet					
Total assets	**146,252**	136,241	138,186	116,259	97,045
Total debt	**18,251**	29,884	35,889	13,770	6,275

Results of Operations for the Three Months Ended December 31, 2010 Compared to the Three Months Ended December 31, 2009 (restated)

Summary Financial Results

($ in 000's except earnings per share and percentages)	**Three Months Ended Dec. 31, 2010**	Three Months Ended Dec. 31, 2009	Variance $/#/%	Variance % Change
		(restated)		
Revenue				
Lease	**34,083**	33,453	630	1.9
Interest and other income	**12,837**	9,865	2,972	30.1
	46,920	43,318	3,602	8.3
Operating expenses before amortization				
Salaries and benefits	**14,067**	12,050	2,017	16.7
Selling, general and admin.	**6,676**	6,348	328	5.2
Occupancy	**6,714**	6,093	621	10.2
Automotive and travel	**1,974**	1,646	328	19.9
Restructuring & other charges	**2,428**	709	1,719	242.5
	31,859	26,846	5,013	18.7
Amortization expense	**14,763**	14,866	(103)	(0.7)
Operating income	**298**	1,606	(1,308)	(81.4)
Interest expense	**385**	402	(17)	(4.2)
Net income for the period	**467**	913	(446)	(48.8)
Diluted earnings per share	**0.04**	0.09	(0.05)	–
Key Performance Indicators				
Adjusted earnings	**2,162**	1,513	649	42.9
Diluted EPS (adjusted)	**0.20**	0.14	0.06	42.9
Operating margin (adjusted)	**5.8**	5.7	(0.1)	–
Return on equity (adjusted)	**2.3**	1.8	(0.5)	–
Key Performance Indicators (Quarter-End)				
Number of stores opened (corporate and franchised)	**8**	3	5	166.7
Number of kiosks opened	**9**	10	(1)	(10.0)
Same store revenue growth	**10.9%**	(1.7%)	12.6%	–

Revenue

Revenue for the three months ended December 31, 2010 was $46.9 million compared to $43.3 million in the comparable period in 2009 (restated), an increase of $3.6 million or 8.3%. Revenue from the Canadian leasing business improved modestly from the prior year as the growth in the lease portfolio during the three month period was able to offset the declines in the potential monthly lease revenue that occurred throughout the balance of the year.

Revenue from the U.S. leasing business was $2.6 million for the three months ended December 31, 2010 compared to $2.1 million in the comparable period in 2009 (restated), an increase of $0.5 million or 26.5%. The increase was due to the addition of U.S. corporate and franchise locations and higher revenue per store. *easyfinancial* revenue for the three month period was $4.3 million compared to $1.4 million for the same period in 2009 (restated), an increase of $2.9 million – more than tripling revenue year-over-year. The increase was due to the larger gross customer loan receivable which grew from $9.3 million as at December 2009 (restated) to $23.8 million as at December 2010.

Lease Revenue

Lease revenue was $34.1 million for the three months ended December 31, 2010 compared to $33.5 million for the comparable period in 2009 (restated), an increase of $0.6 million, or 1.9%. This increase is primarily attributable to U.S. leasing where the Company added corporate and franchise locations and where revenue per store increased.

Interest Revenue and Other Income

Interest revenue and other income was $12.8 million for the three months ended December 31, 2010 compared to $9.9 million for the comparable period in 2009 (restated), an increase of $3.0 million or 30.1%. The increase was primarily attributable to the increase in *easyfinancial* revenue (both from interest and the loan protection plan, driven by the larger gross consumer loans receivable) and the increasing penetration of the Customer Club Benefits Program in the leasing business.

Operating Expenses Before Amortization

Operating expenses before amortization increased to $31.9 million for the three months ended December 31, 2010 compared to $26.8 million for the three months ended December 31, 2009 (restated), an increase of $5.0 million or 18.7%. Operating expenses before amortization represented 67.9% of revenue in the three months ended December 31, 2010 compared to 62.0% in the comparable period of 2009 (restated).

After adjusting for unusual or non-recurring items, operating expenses before amortization for the three months ended December 31, 2010 was $29.4 million compared to $26.0 million for the three months ended December 31, 2009 (restated), an increase of $3.5 million or 13.4%. Excluding the unusual or non-recurring items, operating expenses before amortization represented 62.7% of revenue in the fourth quarter of 2010 compared to 59.9% in the fourth quarter of 2009 (restated).

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

Salaries and Benefits

Salaries and benefits were $14.1 million for the three months ended December 31, 2010 compared to $12.1 million for the three months ended December 31, 2009, an increase of $2.0 million or 16.7%. In 2010, the Company increased the size of our *easyfinancial* management team to provide greater support and experience to our *easyfinancial* business. Further, the increase in staff levels associated with the growth of our *easyfinancial* and leasing business has been somewhat offset by efficiencies gained through the improved focus on managing labour within our *easyhome* stores. As a percentage of revenue, salaries and benefits for the three months increased to 30.0% of revenue in 2010 from 27.8% of revenue in 2009 (restated).

Selling, General and Administrative

Selling, general and administrative expenses were $6.7 million for the three months ended December 31, 2010 compared to $6.3 million for the comparable period in 2009 (restated). Selling, general and administrative expenses, excluding unusual items, were $6.7 million for the three months ended December 31, 2010 compared to $6.2 million for the three months ended December 31, 2009 (restated), an increase of $0.5 million or 8.1% The increases in costs were due to i) the Customer Benefits and Loan Protection Plan programs (increase of $0.8 million which was more than offset by higher associated program revenue) and ii) a $0.6 million increase in *easyfinancial's* bad debt expense associated with the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. They were offset by iii) lower advertising and promotion costs (down $0.3 million), iv) a gain on the sale of a store location to a franchisee of $0.4 million, and v) lower general administrative costs. Excluding the unusual items, selling, general and administrative expenses as a percentage of revenue for the three months ended December 31, 2010 were 14.2% compared to 14.3% in 2009 (restated).

Occupancy

Occupancy costs were $6.7 million for the three months ended December 31, 2010 compared to $6.1 million for the three months ended December 31, 2009, an increase of $0.6 million or 10.2%. The increase is primarily attributed to higher Canadian corporate store rent and utility costs and the additional occupancy costs of the new U.S franchise stores that were deemed to be VIE Franchise Locations that opened in the final three months of 2010. As a percentage of revenue, occupancy costs for the three months increased to 14.3% of revenue in 2010 from 14.1% of revenue in 2009 (restated).

Automotive and Travel

Automotive and travel expenses were $2.0 million for the three months ended December 31, 2010 compared to $1.6 million for the three months ended December 31, 2009, an increase of $0.3 million or 19.9%. The primary reason for the increase is due to a greater number of customer deliveries, higher fuel prices and the training of new *easyfinancial* management. As a percentage of revenue, automotive and travel expenses for the three months increased to 4.2% of revenue in 2010 from 3.8% of revenue in 2009 (restated).

Amortization

Amortization of lease assets for the three months ended December 31, 2010 was $13.2 million compared to $13.3 million for the three months ended December 31, 2009 (restated), a nominal decrease of $0.1 million or 0.4%. Amortization of lease assets as a percentage of revenue decreased to 28.2% for the three months ended December 31, 2010 from 30.7% of revenue for the three months ended December 31, 2009 (restated).

Amortization of property and equipment and intangible assets for the three months ended December 31, 2010 was $1.5 million compared to $1.6 million for the three months ended December 31, 2009, a nominal decrease of $0.1 million or 3.4%. As a percentage of revenue, amortization for property and equipment and intangible assets decreased to 3.2% of revenue for the three months ended December 31, 2010 from 3.6% of revenue in the comparable period last year (restated).

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the three months ended December 31, 2010 was $0.3 million compared to $1.6 million for the three months ended December 31, 2009 (restated) down $1.3 million. Operating income as a percentage of revenue for the three months ended December 31, 2010 was 0.6% compared to 3.7% for the same period last year (restated).

Excluding the unusual items, adjusted operating income for the three months ended December 31, 2010 was $2.7 million or 5.8% of revenue compared to $2.5 million or 5.7% of revenue for the same period last year (restated), an increase of $0.2 million. Revenue growth in our leasing and *easyfinancial* businesses was largely offset by increased operating expenses during the three month period, including infrastructure costs required to position the business for sustainable growth.

Interest Expense

Interest expense for the three months ended December 31, 2010 remained flat at $0.4 million.

Income Tax Expense

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. No tax benefit has been recorded for the losses by the Company's U.S. operations.

Net Income and EPS

Net income for the three months ended December 31, 2010 was $0.5 million ($0.04 per share) compared to $0.9 million ($0.09 per share) million in the comparable period last year (restated).

Adjusted net income for the three months ended December 31, 2010 was $2.2 million ($0.20 per share) compared to $1.5 million ($0.14 per share) in the comparable period last year, an increase of 42.9%.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the three months ended December 31, 2010 and 2009 (restated) in the MD&A as we believe it provides meaningful analysis of our three main segments: the Canadian leasing division, the U.S. leasing division and *easyfinancial*, our consumer lending business, which operates in Canada. Management is continuing to assess the Company's reporting segments as a result of the previously announced restructuring and the Company's corresponding growth strategy.

Three Months Ended December 31, 2010 *($ in 000's)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	**2010 Total**
Revenue	39,966	2,627	4,327	**46,920**
Total operating expenses before amortization and restructuring and other charges	23,104	2,432	3,895	**29,431**
Amortization	13,743	916	104	**14,763**
Restructuring and other charges	2,428	–	–	**2,428**
Operating income (loss)	691	(721)	328	**298**

Three Months Ended December 31, 2009 *($ in 000's)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	2009 Total
Revenue	39,856	2,077	1,385	43,318
Total operating expenses before amortization and restructuring and other charges	22,949	1,749	1,439	26,137
Amortization	14,030	781	55	14,866
Restructuring and other charges	709	–	–	709
Operating income (loss)	2,168	(453)	(109)	1,606

Canadian Leasing

Revenue for the three month period ended December 31, 2010 was essentially flat compared to 2009 (restated). The economic downturn in 2008 and 2009 negatively impacted the Company's lease portfolio resulting in revenue declines throughout 2009 and into 2010. Deliveries were strong in the final three months of 2010 as the Company rebuilt its leasing portfolio and offset the prior declines.

Restructuring and other charges for the three months ended December 31, 2010 related to forensic investigation costs while the restructuring and other charges in the comparable period in 2009 related to the restructuring.

Operating income declined from $2.2 million in the three months ended December 31, 2010 to $0.7 million in the same period in 2009 (restated). Excluding restructuring and other charges, adjusted operating income was $3.1 million for the three months ended December 31, 2010 compared to $2.9 million for the same period in 2009 (restated), an increase of $0.2 million. Increased operating costs were largely offset by lower amortization.

U.S. Leasing

Revenue increased from $2.1 million for the three months ended December 31, 2009 (restated) to $2.6 million for the three months ended December 31, 2010. The increase was due to i) the addition of new stores, including certain franchise locations which were deemed to be Variable Interest Entities and hence consolidated for financial statement purposes, ii) increased revenue per store, iii) an increase in the number of franchise locations and iv) growing revenue of our U.S. franchise locations as they mature.

The operating loss for U.S. leasing increased from $0.5 million for the three months ended December 31, 2009 (restated) to $0.7 million for the three months ended December 31, 2010. During the quarter, certain franchise locations commenced operations and were deemed Variable Interest Entities and therefore consolidated for financial statement purposes. As these stores only recently commenced operations their operating losses for the quarter were $0.5 million. Excluding the impact of these Variable Interest Entities the operating loss for U.S. leasing was $0.3 million, an improvement of $0.2 million over the comparable period last year (restated).

easyfinancial Services

Revenue increased from $1.4 million for the three months ended December 31, 2009 (restated) to $4.3 million for the three months ended December 31, 2010. This increase in revenue was due to the larger gross consumer loans receivable which increased from $9.3 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

easyfinancial improved from an operating loss of $0.1 million for the three months ended December 31, 2009 (restated) to positive operating income of $0.3 million for the three months ended December 31, 2010, an improvement of $0.4 million. The $2.9 million increase in revenue was largely offset by a $2.5 million increase in operating expenses. Bad debt expense increased by $0.6 million due to the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. Other cost increases were primarily due to a greater number of employees resulting from the expansion of *easyfinancial* from 29 kiosks as at December 31, 2009 to 68 as at December 31, 2010 and the strengthening of the *easyfinancial* management team to enhance controls and position the business for future growth.

Selected Quarterly Information

($ in 000's except per share amounts)	**Dec. 2010**	**Sept. 2010**	**Jun. 2010**	**Mar. 2010**	Dec. 2009	Sept. 2009	Jun. 2009	Mar. 2009
		(restated)	(restated)	(restated)	*(restated)*	*(restated)*	*(restated)*	*(restated)*
Revenue	**46,920**	**44,997**	**44,523**	**44,349**	43,318	42,580	43,447	44,001
Net income (loss) for the period	**467**	**1,871**	**2,357**	**2,176**	913	(40)	1,784	2,398
Net income (loss) as a percentage of revenue	**1.0%**	**4.2%**	**5.3%**	**4.9%**	2.1%	(0.1%)	4.1%	5.4%
Earnings (loss) per share[1]								
Basic	**0.04**	**0.18**	**0.23**	**0.20**	0.09	(0.00)	0.17	0.23
Diluted	**0.04**	**0.18**	**0.23**	**0.20**	0.09	(0.00)	0.17	0.23

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 units 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, 2010. Cash flows provided by operating activities for the year ended December 31, 2010 were $10.2 million. Included in this $10.2 million is a net investment of $12.9 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 were $23.1 million.

In addition to the significant cash flows generated by operating activities, the Company secured $10.7 million of net cash flow through an equity offering completed in December 2010. The cash flows from operating activities and the equity raised enabled the Company to i) meet the cash flow needs of *easyfinancial* as described above, ii) invest $6.2 million in additional property and equipment and intangible assets, iii) maintain its total dividend payments at $3.6 million for the year and iv) reduce external debt by $11.6 million.

In contrast, for the year ended December 31, 2009, cash flows provided by operating activities were $15.5 million or $20.3 million if the net investment of $4.9 million to increase the *easyfinancial* loan portfolio was treated as cash flow from investing activities. This enabled the Company to i) invest $5.5 million in additional property and equipment and intangible assets, ii) reduce external debt by $6.0 million, and iii) make total dividend payments of $3.6 million for the year.

As at December 31, 2010, the Company had a 12-month prime-rate-based revolving loan facility to a maximum of $30.0 million, of which $15.6 million was drawn upon as at year-end. The Company also has a term loan, the balance of which was $2.6 million at December 31, 2010. Both the revolving loan facility and the term loan mature on June 30, 2011.

At December 31, 2010, the Company was in compliance with all of its financial covenants under its lending agreement. At December 31, 2009, the Company was not in compliance with the fixed charge coverage covenant as defined and required under its lending agreement. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan, to waive the fixed charge coverage covenant for the three months ended December 31, 2009 and to amend the fixed charge coverage covenant.

As a result of the Employee Fraud and the understatement of unearned revenue, the Company was required to restate certain of the prior periods' financial statements. As a result, the Company was not in compliance with certain representation and warranties as set out in its lending agreement for the quarterly periods beginning January 1, 2009 and ending June 30, 2010. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan and to waive the compliance with such representations and warranties for such periods.

We believe that the cash flow provided by operations during 2011, coupled with the available loan facility and the $11.5 million equity offering completed in December 2010, 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.

Normal Course Issuer Bid

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

Outstanding Shares

As at March 28, 2011 there were 11,849,450 shares, 630,432 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. Net proceeds of the private placement were $10.7 million.

Dividends

For the year ended December 31, 2010, the Company paid a $0.085 per share quarterly dividend on outstanding common shares. We review our dividend distribution policy on a regular basis, evaluating our financial position, profitability, cash flow and other factors our Board of Directors considers relevant. No dividends may be declared in the event there is a default of our loan facility, or where such payment would lead to a default.

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

	2010	2009	2008	2007	2006	2005
Dividend per share	**$ 0.085**	$ 0.085	$ 0.085	$ 0.070	$ 0.060	$ 0.040
Percentage increase	**0.0%**	0.0%	21.4%	16.7%	50.0%	0.0%

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 five years and thereafter are approximately as follows:

($ in 000's)	Premises	Other	Total
2011	16,195	1,963	18,158
2012	13,121	759	13,880
2013	9,415	421	9,836
2014	6,447	148	6,595
2015	4,152	–	4,152
Thereafter	5,238	–	5,238
	54,568	3,291	57,859

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 claims 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 GAAP.

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. No assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded could be substantial.

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.

The Company, through its wholly-owned subsidiary *easyhome* U.S., 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. Mr. Gates does 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, 2010, 26 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 to 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. Other than the Employee Fraud, no material losses occurred as a result of operational risk in either 2009 or 2010. A description of the Company's response to the Employee Fraud can be found in the "Restatement Due to Employee Fraud" and "Internal Controls" sections of this MD&A.

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 203 corporate stores in Canada and 14 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 2010 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. As a result of the Employee Fraud and the understatement of unearned revenue, the Company was required to restate certain prior periods' financial statements. As a result, the Company was not in compliance with certain terms and conditions of its credit facility. The Company received a waiver for this non-compliance.

While the Company was in compliance with all financial covenants as at December 31, 2010, 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
- provision for useful lives of lease assets
- provision for useful lives of property and equipment
- allocation of the purchase price in business combinations
- impairment of goodwill and indefinite life intangibles
- fair value of stock-based compensation
- 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 is probable and reasonably estimable during the term of each rebate program.

Provision for Useful Lives 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 were 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 are less than the 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.

Provision for Useful Lives 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 requires 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 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.

Taxation Amounts

Income tax provisions, including current and future 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

There were no new accounting standards adopted by the Company in the year ended December 31, 2010.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") reconfirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS, as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company will issue its last consolidated financial statements prepared in accordance with Canadian GAAP in 2010. Starting from the first quarter of 2011, the Company's consolidated financial statements will be prepared in accordance with IFRS in effect in 2011, with 2010 comparative figures and the consolidated opening balance sheet as at January 1, 2010 (the "Transition Date") restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS and additional disclosures, as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

Led by senior management, the Company completed a rigorous assessment of its transaction flows, contractual relationships, accounting policies, business processes and disclosures and has identified the key differences between Canadian GAAP and IFRS that will impact the Company. The Company is nearing completion of the final phase of its IFRS implementation plan. The final phase of the implementation plan included the following:

- Policy selection – The assessment of IFRS accounting policy alternatives including available elections and exemptions has been completed. Management has recommended accounting policies and obtained approval from the Company's Audit Committee.
- Business and system processes – Certain business and system processes were identified as being impacted by IFRS. The Company has changed these processes to ensure IFRS compliance.
- Financial Statements – The Company is finalizing the quantification of required IFRS adjustments to the opening IFRS consolidated balance sheet as at January 1, 2010 and to the quarterly financial statements in 2010. Additional disclosure requirements have been identified and are being finalized. The impacts on the financial statements presented below are preliminary and subject to audit and further refinement.
- Training – Training regarding the changes required under IFRS has been provided and will continue through 2011 as needed.
- Contractual Arrangements – The conversion to IFRS is expected to have an impact on certain key performance indicators and metrics used in analyzing the business and in calculating the Company's financial covenants on its lending arrangements. The Company has discussed these issues with its lender and the conversion will not impact the Company's compliance with these covenants.

The Company has identified the areas noted below as those expected to have the most significant impact on its IFRS consolidated financial statements.

First Time Adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1, *First Time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity applies all IFRS effective in its first IFRS financial statements retrospectively, with a number of optional exemptions and mandatory exceptions.

One of the mandatory exceptions requires that estimates previously made remain unchanged on transition to IFRS. The estimates previously made by the Company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

The Company expects to apply certain optional exemptions permitted by IFRS 1, including the following:

- Business combinations – In accordance with the option provided by IFRS 1, the Company will not restate business combinations that occurred prior to January 1, 2010. Consequently, IFRS 3, Business Combinations, will only be applied to business combinations that occur on or after the Transition Date. As a result of this election, there will be no impact to the Company's opening IFRS balance sheet for business combinations.
- Cumulative translation differences – A first-time adopter does not need to apply the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates, for cumulative translation differences that existed at the date of transition to IFRS. If a first-time adopter uses this exemption, the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS. The Company will elect to apply this exemption.
- The Company will be applying the requirements of IFRS 2 Share-based Payments to all outstanding equity settled instruments as at January 1, 2010. The Company does not have any cash settled instruments as at January 1, 2010.

Expected Impact of IFRS Conversion

The significant accounting differences between Canadian GAAP and IFRS that are expected to impact the Company are outlined as follows. The information and quantifications presented are preliminary and subject to change and audit.

Amortization of Property & Equipment

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

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

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

- furniture and fixture — 7 years
- office equipment — 7 years
- signage — 7 years
- automotive — 5 years
- computers — 5 years
- leasehold improvements — lesser of lease term or 5 years

As a result of these changes, the Company has estimated that fixed assets will be reduced by a range of $0.3 million to $0.6 million, future tax asset will be increased by $0.1 million to $0.2 million, while retained earnings will be reduced by $0.2 million to $0.4 million on the opening IFRS balance sheet. In 2010, depreciation expense will be reduced, and net income will be increased by less than $0.1 million.

Impairment of Assets

Canadian GAAP uses a two-step approach to impairment testing for long-lived assets: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing and measurement of impairment of long-lived assets, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. This difference in methodologies may potentially result in more impairment losses where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

IFRS also requires that assets be tested for impairment at the level of cash generating units (CGUs), defined as the lowest level of assets that generate largely independent cash inflows, which the Company has assessed to be at an individual store level. Canadian GAAP requires assets to be grouped at the lowest level for which identifiable cash flows (including both inflows and outflows) are largely independent of the cash flows of other assets and liabilities for impairment testing purposes, resulting in impairment assessment being made at a higher level such as a business segment or division. As a result, IFRS is expected to result in a lower level grouping of assets for impairment testing, and therefore will result in additional asset impairment charges under IFRS.

The Company is anticipating an opening IFRS balance sheet impairment charge to fixed assets of $2.0 million to $3.5 million, an increase in future tax asset of $0.6 million to $0.8 million and a reduction in retained earnings of $1.4 million to $2.7 million. During 2010, the Company expects to incur an additional impairment charge of $0.5 million to $1.0 million which would be offset by a reduction in amortization of $0.7 million to $1.1 million. The anticipated impact on 2010 net income is an increase of $0.1 million to $0.2 million.

In addition, under IFRS, impairment losses previously recognized must be reversed if the circumstances leading to the impairment changed and caused the impairment to be reduced. Canadian GAAP prohibits reversal of impairment losses. This difference is expected to have no impact at the Transition Date and no impact for 2010.

Revenue Recognition – Processing Fees

IFRS requires that when the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognized as revenue over the period during which the service is performed. Under Canadian GAAP, processing fees related to lease agreements were recorded in income when received as the lease agreements are cancellable by the customer at any time. Under IFRS, processing fees will be recognized over the average estimated lease period including expected renewals.

The impact on the opening IFRS balance sheet is expected to be an increase in unearned revenue ranging between $0.5 million and $0.6 million, an increase in future tax asset of between $0.1 million and $0.2 million and a reduction in retained earnings between $0.4 million and $0.5 million. The impact on 2010 revenue and net income is expected to be a decrease of less than $0.1 million.

Revenue Recognition – Customer Protection Programs

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

Under IFRS, the premiums related to the protection programs will be recognized as an agency relationship on a net basis while they are currently recognized on a gross basis under Canadian GAAP. This difference will not have an impact on the IFRS opening consolidated balance sheet of the Company at the Transition Date. However, it will have the effect of reducing revenue with a corresponding reduction of expenses for 2010 of approximately $3.0 million. There is no impact to net income.

Vendor Incentives, Allowances and Rebates

Where vendor advertising incentives are tied to related advertising supporting the vendors products, amounts are accounted for as revenue where the vendor support is sufficiently separable from the purchases of the product and fair values are reasonably estimable and the services have been provided. However, this criteria allowing vendor incentives as revenue is not specifically addressed under IFRS. Therefore, the general guidance in the IFRS standards must be applied when determining the accounting for incentives, allowances and rebates from vendors. As such, the Company has determined that most of the incentives, allowances and rebates from vendors will be recognized as a reduction of lease assets under IFRS where they were recorded as revenue under Canadian GAAP.

The impact on the opening IFRS balance sheet is expected to be a reduction in the cost of lease assets in the range of $3.9 million to $4.3 million with a corresponding decrease in retained earnings. The impact on 2010 is expected to be a decrease in revenue in the range of $3.4 million to $3.8 million offset by a decrease in amortization in the range of $3.3 million to $3.7 million and a reduction in net income of less than $0.1 million.

Share-Based Payments

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

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

The impact of the aforementioned differences on the opening IFRS balance sheet is an increase in contributed surplus between $0.1 million and $0.2 million, with an offsetting decrease to shareholders' equity. These changes are expected to have the effect of increasing 2010 net income in the range of $0.1 million to $0.2 million.

Advertising and Promotional Expenditures

Under IFRS, advertising and promotional expenditures are expensed as incurred and an expense is considered incurred when the entity has the right to access the goods or when it receives the service. Canadian GAAP does not explicitly address when an expense has been incurred. The impact of this difference on the opening IFRS balance sheet is a decrease of prepaid expenses of between $0.4 million and $0.5 million, an increase in future tax asset of approximately $0.1 million and a decrease in retained earnings of $0.3 million to $0.4 million. 2010 net income is expected to decrease in the range of $0.2 million to $0.3 million.

Functional Currency

The Company has determined that as at the Transition Date the Canadian dollar is the functional currency of all entities in the group except for the Company's U.S. operation, which has a U.S. dollar functional currency under IFRS. The presentation currency of the consolidated financial statements of the Company will continue to be the Canadian dollar.

Under Canadian GAAP, the Company's U.S. operations were defined as integrated operations which meant that the Canadian dollar was the functional currency. As such, when translating the U.S. operations into the presentation currency of the parent company's consolidated financial statements, monetary assets were translated at the foreign exchange rate prevailing at the balance sheet date and non-monetary assets were translated at historical foreign exchange rates. The resulting translation gain or loss is recognized on the income statement.

There is no concept of integrated and self-sustaining foreign operation under IFRS. The U.S. dollar mainly influences sales prices for goods and services, labour, material and other costs of providing goods or services of the Company's U.S. operations; therefore, the U.S. dollar is the functional currency.

Under IFRS all assets and liabilities of U.S. operations are translated to the presentation currency of the parent company's consolidated financial statements at the foreign exchange rate prevailing at the balance sheet date. This will result in a decrease in assets as at the opening IFRS balance sheet date of less than $0.1 million with an offsetting reduction to retained earnings. Further, the translation gain or loss is recognized in other comprehensive income, a subcomponent of retained earnings. This will increase net income in 2010 in the range of $0.2 million to $0.3 million.

Summary of Expected Adjustments – Consolidated Opening IFRS Balance Sheet at January 1, 2010 (Unaudited)

	Assets		**Liabilities**		**Shareholders' Equity**	
($ in 000's)	Low	High	Low	High	Low	High
Amortization of property & equipment	(200)	(400)	–	–	(200)	(400)
Impairment of assets	(1,400)	(2,700)	–	–	(1,400)	(2,700)
Revenue recognition – processing fees	100	200	500	600	(400)	(400)
Revenue recognition – customer protection programs	–	–	–	–	–	–
Vendor incentives, allowances & rebates	(3,900)	(4,300)	–	–	(3,900)	(4,300)
Share-based payments	–	–	–	–	–	–
Advertising & promotional expenditures	(300)	(400)	–	–	(300)	(400)
Functional currency	–	(100)	–	–	–	(100)
	(5,700)	(7,700)	500	600	(6,200)	(8,300)

Summary of Expected Adjustments – Consolidated IFRS Statement of Income for the Year Ended December 31, 2010 (Unaudited)

	Revenue		**Net Income**		**Diluted EPS**	
($ in 000's except per share amounts)	Low	High	Low	High	Low	High
Amortization of property & equipment	–	–	–	100	–	0.01
Impairment of assets	–	–	100	200	0.01	0.02
Revenue recognition – processing fees	–	(100)	–	(100)	–	(0.01)
Revenue recognition – customer protection programs	(3,000)	(3,000)	–	–	–	–
Vendor incentives, allowances & rebates	(3,400)	(3,800)	–	(100)	–	(0.01)
Share-based payments	–	–	100	200	0.01	0.02
Advertising & promotional expenditures	–	–	(200)	(300)	(0.02)	(0.03)
Functional currency	–	–	200	300	0.02	0.03
	(6,400)	(6,900)	200	300	0.02	0.03

As indicated, the information and quantifications regarding the anticipated impact of the Company converting to IFRS are preliminary and subject to audit and further refinement.

Based on management's preliminary estimates, the conversion of the opening consolidated balance sheet to IFRS will result in a decrease in assets between $5.7 million and $7.7 million, an increase in liabilities of $0.5 million to $0.6 million and a decrease in shareholders' equity of $6.2 million to $8.3 million. For 2010, the conversion of the consolidated statement of income to IFRS will result in a reduction to revenue of $6.4 million to $6.9 million, an increase in net income of $0.2 million to $0.3 million and an increase in basic and diluted earnings per share between $0.02 and $0.03.

IFRS Impact On Disclosure and Financial Statements Presentation

The conversion to IFRS will impact the way the Company presents its financial results. The first consolidated financial statements prepared using IFRS (i.e. interim consolidated financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies. Key areas of additional disclosure include:

- Reconciliation of financial statements presented under Canadian GAAP to those presented under IFRS as at the transition date and during 2010 and description of reconciling items.
- Provisions are to be presented separately from accounts payable and accrued liabilities.
- Assets and liabilities will need to be classified as current and non-current (currently the Company uses an unclassified consolidated balance sheet under Canadian GAAP).
- Potential change in the presentation of cash flow statement items between operating, investing and financing.

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 Disclosures in Issuers Annual and Interim Filings". Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2010, the Company's DC&P were ineffective, due to material weaknesses in internal controls over financial reporting described below.

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 GAAP. 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"). The Company reviews and, where appropriate, enhances its systems of controls and procedures on an ongoing basis. However, because of the inherent limitations in all control systems, ICFR will not prevent or detect all misstatements as a result of, among other things, error or fraud.

Update on December 31, 2009 Evaluation of ICFR and Related Remediation

At December 31, 2009, the Company noted that its ICFR were ineffective due to several weaknesses. These weaknesses were addressed through changes made to internal controls in 2010. The weaknesses identified in 2009 and the related remediation are described in the following:

- Certain of the necessary review and oversight functions were not completed to an acceptable level resulting from ongoing changes within the Company's financial systems and accounting staff. This weakness was addressed through the consolidation of all accounting and administrative functions into one central office and the recruitment of more qualified accountants. As part of this consolidation, additional procedures were put in place to ensure that the financial results were formally reviewed by knowledgeable management personnel on a regular basis.
- The Company's financial systems lacked adequate procedures and subroutines for the processing of foreign currency denominated transactions. This weakness was addressed by implementing a foreign currency module within the Company's general ledger system that was capable of adequately dealing with multiple currencies.
- Complexities around the Insta-rent acquisition which was completed on September 25, 2008 were not addressed in a timely manner. This weakness was addressed by implementing formal policies that require all non-routine and material transactions to be reviewed by senior finance management. Additionally, new documentation standards were developed and established for evaluating and tracking complex transactions.
- A senior member of the Company's finance team responsible for internal controls testing and certain aspects of financial disclosure admitted to improper insider trading. This weakness was addressed by terminating the noted individual and assigning the responsibilities to other individuals who were new to the organization.

Evaluation of ICFR at December 31, 2010

As of December 31, 2010, the Company's management, under the direction and supervision of the CEO and CFO of 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 those evaluations, the CEO and CFO have concluded that as at December 31, 2010, the ICFR was ineffective as a result of the weaknesses described below.

Independent Oversight for Risk Management

The execution of reviews to ensure that operating procedures are performed in accordance with established standards is a key element in the structure of the Company's ICFR. The Employee Fraud highlighted that in instances where such reviews are performed by individuals closely associated with field operations, independent oversight of this risk management function is appropriate. Subsequent to year-end, the Company has taken steps to enhance risk management oversight including hiring a vice president of risk management, hiring additional field auditors and separating the risk management function from the business. The Vice President of Risk Management also has a direct reporting relationship to the Company's Audit Committee.

Monitoring Controls

The regular monitoring of appropriate performance and operational measures by qualified management personnel may help to highlight instances of activity outside of normal parameters. The Employee Fraud has highlighted that monitoring of additional measures to those contemplated by existing policies and procedures is desirable to identify operational activities and transactions that are outside of the limits established by the Company as part of its credit risk management program. The Company has developed more robust financial and operational reporting which is reviewed regularly by qualified management personnel.

Process Controls

In environments where there is a high volume of similar transactions, such as the *easyfinancial* business, embedding process controls that limit transactions to those pre-determined criteria will help to limit or highlight unusual transactions. While the Employee Fraud has highlighted that it is always possible for individuals to attempt to circumvent such controls, enhancements can be made to the Company's information system that processes and manages the *easyfinancial* consumer loans to further limit transactions from being processed that are outside of the Company's specified consumer offerings. 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. Subsequent to year-end, 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.

In addition to the remediation steps identified above, the Company is in the process of implementing further remedial measures to address these deficiencies and to comply with the recommendations generated from the recent forensic investigation. The Company is continuing to work with its legal advisors, auditors and the Company's Audit Committee to review ICFR and to develop a comprehensive and responsible remediation plan.

See "Restatement Due to Employee Fraud" above for a discussion of the impact of these weaknesses upon the Company's financial reporting.

Other Changes in ICFR During 2010

During 2010 and as a result of the investigation into the Employee Fraud, the Company has begun to address the material weaknesses discussed above.

- The Company has terminated the perpetrator of the Employee Fraud as well as the regional manager and *easyfinancial* Vice President of Operations who did not discharge their oversight responsibilities for the employee and the kiosk where the Employee Fraud occurred which, if discharged, may have detected the fraud earlier.
- 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.
- Formal procedures have been established to monitor a revised set of key performance indicators for each *easyfinancial* location. The set of additional key performance indicators was determined, in part, based on recommendations from the forensic investigation.
- Several modifications have been made or are in the process of being 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. However, the Company has decided to replace this system and is currently in the process of selecting an alternative system.
- With the assistance of a recognized global leader in credit and information management, the Company is in the process of implementing a new electronic automated loan decisioning and ID verification tool.

Notwithstanding the above-mentioned weaknesses, the Company has concluded that the 2010 consolidated financial statements fairly present *easyhome's* consolidated financial position and consolidated results of operation as of and for the year ended December 31, 2010.