

Interim Condensed Consolidated Financial Statements

easyhome Ltd.

(Unaudited)

June 30, 2015

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At June 30, 2015	As At December 31, 2014
ASSETS		
Cash	4,794	1,165
Amounts receivable	11,947	16,508
Prepaid expenses	2,563	1,971
Consumer loans receivable (note 4)	216,673	180,693
Lease assets	61,013	64,526
Property and equipment (note 5)	19,886	16,915
Deferred tax assets (note 10)	6,273	6,725
Intangible assets	12,059	11,006
Goodwill	20,374	19,963
TOTAL ASSETS	355,582	319,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving operating facility (note 7)	-	1,756
Accounts payable and accrued liabilities	26,459	32,837
Income taxes payable	1,598	3,042
Dividends payable (note 8)	1,348	1,133
Deferred lease inducements	2,147	2,603
Unearned revenue	4,104	3,978
Provisions	393	314
Term loan (note 7)	155,223	119,841
TOTAL LIABILITIES	191,272	165,504
Contingencies (note 13)		
Shareholders' equity		
Share capital (note 8)	81,988	80,364
Contributed surplus	7,732	6,458
Accumulated other comprehensive income	889	694
Retained earnings	73,701	66,452
TOTAL SHAREHOLDERS' EQUITY	164,310	153,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	355,582	319,472

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:



David Ingram
Director



Donald K. Johnson
Director

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
REVENUE				
Lease revenue	36,120	38,082	72,873	76,582
Interest income	23,641	14,726	44,799	27,515
Other	13,129	10,438	25,743	19,483
	72,890	63,246	143,415	123,580
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	21,078	19,483	42,233	37,742
Stock based compensation (note 9)	975	1,721	2,595	3,268
Advertising and promotion	2,728	1,707	5,315	3,336
Bad debts	9,436	6,048	17,604	10,255
Occupancy	7,953	6,986	15,589	13,909
Other	6,405	5,565	12,363	11,593
	48,575	41,510	95,699	80,103
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	11,634	12,301	23,258	24,361
Depreciation of property and equipment	1,359	1,199	2,639	2,345
Amortization of intangible assets	862	506	1,584	986
Impairment, net (note 5)	46	60	46	142
	13,901	14,066	27,527	27,834
Total operating expenses	62,476	55,576	123,226	107,937
Operating income	10,414	7,670	20,189	15,643
Finance costs (note 7)	3,621	1,800	6,751	3,358
Income before income taxes	6,793	5,870	13,438	12,285
Income tax expense (recovery) (note 10)				
Current	1,786	3,714	3,038	6,913
Deferred	(10)	(2,380)	460	(3,794)
	1,776	1,334	3,498	3,119
Net income	5,017	4,536	9,940	9,166
Basic earnings per share (note 11)	0.37	0.34	0.73	0.68
Diluted earnings per share (note 11)	0.36	0.33	0.71	0.66

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income	5,017	4,536	9,940	9,166
Other comprehensive income (loss)				
Change in foreign currency translation reserve	(113)	(274)	492	32
Transfer of realized translation gains	-	-	(297)	-
Comprehensive income	4,904	4,262	10,135	9,198

See accompanying notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2014	80,364	6,458	86,822	66,452	694	153,968
Common shares issued	1,624	(273)	1,351	-	-	1,351
Stock-based compensation (note 9)	-	1,547	1,547	-	-	1,547
Comprehensive income	-	-	-	9,940	195	10,135
Dividends (note 8)	-	-	-	(2,691)	-	(2,691)
Balance, June 30, 2015	81,988	7,732	89,720	73,701	889	164,310
Balance, December 31, 2013	79,923	4,169	84,092	51,234	307	135,633
Common shares issued	415	(68)	347	-	-	347
Stock-based compensation (note 9)	-	875	875	-	-	875
Comprehensive income	-	-	-	9,166	32	9,198
Dividends (note 8)	-	-	-	(2,264)	-	(2,264)
Balance, June 30, 2014	80,338	4,976	85,314	58,136	339	143,789

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
OPERATING ACTIVITIES				
Net income	5,017	4,536	9,940	9,166
Add (deduct) items not affecting cash				
Depreciation of lease assets	11,634	12,301	23,258	24,361
Depreciation of property and equipment	1,359	1,199	2,639	2,345
Impairment, net (note 5)	46	60	46	142
Amortization of intangible assets	862	506	1,584	986
Stock-based compensation (note 9)	1,069	482	1,547	875
Bad debts expense	9,436	6,048	17,604	10,255
Deferred income tax (recovery) expense	(10)	(2,380)	460	(3,794)
Gain on sale of property and equipment	(1,108)	(899)	(2,360)	(1,018)
	28,305	21,853	54,718	43,318
Net change in other operating assets and liabilities (note 12)	(430)	8,697	(4,104)	9,771
Net issuance of consumer loans receivable	(31,347)	(26,634)	(53,584)	(43,069)
Cash (used in) provided by operating activities	(3,472)	3,916	(2,970)	10,020
INVESTING ACTIVITIES				
Purchase of lease assets	(9,716)	(10,852)	(21,483)	(19,635)
Purchase of property and equipment	(2,450)	(1,484)	(4,564)	(3,170)
Purchase of intangible assets	(307)	(1,261)	(1,118)	(2,206)
Acquisitions (note 6)	-	-	(3,671)	-
Proceeds on sale of assets	2,685	1,600	4,934	2,191
Cash used in investing activities	(9,788)	(11,997)	(25,902)	(22,820)
FINANCING ACTIVITIES				
Advances (repayments) of revolving operating facility	(1,617)	3,871	(1,756)	2,504
Advances of term loan	20,225	128	35,382	10,160
Payment of common share dividends (note 8)	(1,343)	(1,123)	(2,476)	(2,246)
Issuance of common shares	456	170	1,351	347
Cash provided by financing activities	17,721	3,046	32,501	10,765
Net increase (decrease) in cash during the period	4,461	(5,035)	3,629	(2,035)
Cash, beginning of period	333	5,329	1,165	2,329
Cash, end of period	4,794	294	4,794	294

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

1. CORPORATE INFORMATION

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

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

The Company operates in two reportable segments: easyhome Leasing and easyfinancial. As at June 30, 2015, the Company operated 185 easyhome Leasing stores (including 24 franchises and 6 consolidated franchises) and 201 easyfinancial locations (December 31, 2014 – 192 easyhome Leasing stores including 23 franchises and 6 consolidated franchises, and 154 easyfinancial locations).

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements include the financial statements of the Parent Company, and all companies that it controls (collectively referred to as “easyhome” or the “Company”). easyhome Ltd. controls an entity: i) when it has the power to direct the activities of the entity which have the most significant impact on the entity’s risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. This includes all wholly owned subsidiaries and certain special purpose entities [“SPEs”] where easyhome Ltd. has control but does not have ownership of a majority of voting rights.

As at June 30, 2015, the Parent Company’s principal subsidiaries were:

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

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2015.

Statement of Compliance with IFRS

The unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2015 were prepared in accordance with International Accounting Standards [“IAS”] 34, *Interim Financial Reporting* using the same accounting policies as those used in the Company’s most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company’s audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, and is to be applied retrospectively. The Company has not yet assessed the impact of this standard.

4. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represented amounts advanced to customers of easyfinancial. Loan terms generally ranged from 9 to 48 months.

	June 30, 2015	December 31, 2014
Consumer loans receivable	230,901	192,225
Allowance for loan losses	(14,228)	(11,532)
	216,673	180,693
Current	101,476	87,473
Non-current	115,197	93,220
	216,673	180,693

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

	June 30, 2015		December 31, 2014	
	\$	% of total loans	\$	% of total loans
1 - 30 days	9,314	4.1%	9,004	4.7%
31 - 44 days	1,948	0.8%	1,505	0.8%
45 - 60 days	2,049	0.9%	1,273	0.7%
61 - 90 days	2,313	1.0%	1,853	0.9%
	15,624	6.8%	13,635	7.1%

easyhome Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the periods ended June 30, 2015 and June 30, 2014

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

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
Balance, beginning of the period	11,532	6,768
Net amounts written off against allowance	(14,908)	(19,500)
Increase due to lending and collection activities	17,604	24,264
Balance, end of the period	14,228	11,532

5. PROPERTY AND EQUIPMENT

Various impairment indicators were used to determine the need to test a cash-generating unit ["CGU"] for impairment. A CGU was defined as the smallest identifiable group of assets that generated cash inflows that were largely independent of the cash inflows from other assets or groups of assets. The Company determined that this was at the individual store level. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, five-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 1% long-term growth rate consistent with industry practice. The pre-tax discount rate used on the forecasted cash flows was 17%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

For the three and six month periods ended June 30, 2015, the Company recorded an impairment charge of \$87 offset by an impairment recovery of \$41. The net impairment expense for the three and six month periods ended June 30, 2015 was \$46. For the three and six month periods ended June 30, 2014, the Company recorded impairment charges of \$87 and \$286, respectively, offset by impairment recoveries of \$27 and \$144, respectively. The net impairment expense for the three and six month periods ended June 30, 2014 was \$60 and \$142, respectively. All impairment charges and recoveries relate solely to the easyhome Leasing segment.

6. ACQUISITIONS

On February 10, 2015, the Company acquired the lease rights and obligations as well as certain related assets for 45 retail locations across Canada for total cash consideration of \$2,777, which included certain transaction costs. This transaction was accounted for as an asset acquisition. During the first quarter of 2015, these acquired locations were opened as easyfinancial branches.

In addition, the Company acquired the assets and operations of two leasing stores during the first quarter of 2015. The acquisition of the two leasing stores met the definition of a business combination as defined by IFRS 3. The total consideration of \$894 was paid in cash.

easyhome Ltd.

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

For the periods ended June 30, 2015 and June 30, 2014

The fair value of the identifiable assets acquired were as follows:

	Fair value recognized on acquisitions
Assets	
Property and equipment	1,308
Lease assets	433
Intangible assets	1,519
Total identifiable assets at fair value	3,260
Goodwill arising on store acquisitions	411
Cash consideration	3,671

Goodwill arising on acquisition of \$411 related to the Company's future ability to generate incremental revenues from the acquired customers and expected future growth. The goodwill arising on acquisition was allocated entirely to the Canadian leasing segment.

7. REVOLVING OPERATING FACILITY AND TERM LOAN

The Company's credit facilities consisted of a \$180.0 million term loan and a \$20.0 million revolving operating facility. \$105.0 million of the term loan was drawn at closing with the balance available in periodic advances until July 31, 2015. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 722 bps, while borrowing under the revolving operating facility bore interest at the lender's prime rate plus 200 to 300 bps depending on the Company's debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. This credit facility expires on October 4, 2018 and was secured by a first charge over substantially all assets of the Company.

The drawings under the Company's credit facilities were as follows:

	June 30, 2015	December 31, 2014
Revolving operating facility	-	1,756
Amounts borrowed under term loan	160,000	125,000
Unamortized deferred financing costs	(4,777)	(5,159)
Term loan	155,223	119,841

As at June 30, 2015, the Company's interest rates under the term loan and revolving operating facility were 8.22% and 5.00%, respectively.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

The financial covenants of the credit facility were as follows:

Financial Covenant	Requirements	June 30, 2015
Total debt to EBITDA ratio	< 3.75	3.46
Total debt to tangible net worth ratio	< 1.46	1.18
Adjusted EBITDA for preceding 12 months (consolidated)	> 45,497	46,201

The financial covenant requirements described above vary each quarter as per the lending agreement and were based on the Company's financial forecast over these periods. As at June 30, 2015, the Company was in compliance with all of its financial covenants under its lending agreements.

Finance Costs

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest expense	3,282	1,578	6,093	2,926
Amortization of deferred financing charges	339	222	658	432
	3,621	1,800	6,751	3,358

8. SHARE CAPITAL

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	# of shares	\$	# of shares	\$
Balance, beginning of the period	13,330	80,364	13,289	79,923
Exercise of stock options	152	1,593	39	403
Dividend reinvestment plan	2	31	2	38
Balance, end of the period	13,484	81,988	13,330	80,364

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

Dividends on Common Shares

For the three and six month periods ended June 30, 2015, the Company paid dividends of \$1.3 million or \$0.10 per share and \$2.5 million or \$0.185 per share, respectively. For the three and six month periods ended June 30, 2014, the Company paid dividends of \$1.1 million or \$0.085 per share and \$2.2 million or \$0.17 per share, respectively. On February 18, 2015, the Company increased the dividend rate from \$0.085 per share to \$0.10 per share. The Company declared a dividend of \$0.10 per share on May 4, 2015 to shareholders of record on June 26, 2015, payable on July 10, 2015. The dividend paid on July 10, 2015 was \$1.3 million.

9. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and six month periods ended June 30, 2015, the Company granted nil and 79,806 options, respectively (2014 – nil and 179,832 options, respectively). For the three and six month periods ended June 30, 2015, an expense of \$143 and \$255, respectively (2014 – \$114 and \$182, respectively) was recorded in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Restricted Share Unit ["RSU"] Plan

On May 4, 2015 the Company's shareholders approved a resolution to amend the RSU plan, increasing the maximum number of Common Shares reserved for issuance from treasury under the RSU Plan by 150,000 shares, from 765,000 to 915,000.

During the three and six month periods ended June 30, 2015, the Company granted 188,239 RSUs for both periods (2014 – nil for both periods) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three and six month periods ended June 30, 2015, \$781 and \$1,046, respectively (2014 – \$325 and \$609, respectively) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and six month periods ended June 30, 2015, an additional 2,073 and 4,222 RSUs, respectively (2014 – 1,535 and 3,088 RSUs, respectively) were granted as a result of dividends payable.

Performance Share Unit ["PSU"] Plan

During the three and six month periods ended June 30, 2015, the Company granted nil and 199,330 PSUs, respectively (2014 – nil and 174,134 PSUs, respectively) to senior executives of the Company under its PSU Plan. On May 5, 2015, the PSUs granted in 2015 were cancelled and an equivalent number of RSUs were granted to senior executives of the Company (see RSU Plan described above).

PSUs are granted at fair market value at the grant date and vest at the end of a three-year period based on long-term targets. For the three and six month periods ended June 30, 2015, an expense recovery of \$94 and an expense of \$1,048, respectively (2014 – \$1,239 and \$2,393 recorded as an expense, respectively) was recorded in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and six month periods ended June 30, 2015, an additional 993 PSUs and 2,775 PSUs, respectively (2014 – 4,249 and 7,675 PSUs, respectively) were granted as a result of dividends payable.

easyhome Ltd.

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

For the periods ended June 30, 2015 and June 30, 2014

The PSU liability as at June 30, 2015 was \$152 (December 31, 2014 – \$6,872).

Deferred Share Unit [“DSU”] Plan

During the three and six month periods ended June 30, 2015, the Company granted 7,361 and 10,754 DSUs, respectively (2014 – 1,512 and 3,270 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three and six month periods ended June 30, 2015, \$145 and \$246, respectively (2014 – \$42 and \$84, respectively) was recorded as stock-based compensation expense under the DSU Plan in the interim condensed consolidated statements of income. Additionally, for the three and six month periods ended June 30, 2015, an additional 672 and 1,285 DSUs, respectively (2014 – 623 and 1,244 DSUs, respectively) were granted as a result of dividends payable.

Stock Based Compensation Expense

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Equity-settled stock based compensation	1,069	482	1,547	875
Cash-settled stock based compensation	(94)	1,239	1,048	2,393
	975	1,721	2,595	3,268

10. INCOME TAXES

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

	Six Months Ended	
	June 30, 2015	June 30, 2014
Combined basic federal and provincial income tax rates	27.5%	27.1%
Expected income tax expense	3,698	3,342
Non-deductible expenses	156	134
U.S. and SPE results not tax effected	45	(138)
Other	(401)	(219)
	3,498	3,119

easyhome Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

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

	June 30, 2015	December 31, 2014
Tax cost of lease assets and property and equipment in excess of net book value	636	544
Amounts receivable and provisions	4,033	3,342
Deferred salary arrangements	999	2,546
Unearned revenue	471	239
Financing fees	64	213
Other	70	(159)
	6,273	6,725

11. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income	5,017	4,536	9,940	9,166
Weighted average number of ordinary shares outstanding (in 000's)	13,591	13,449	13,541	13,435
Basic earnings per ordinary share	0.37	0.34	0.73	0.68

Diluted Earnings Per Share

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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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For the periods ended June 30, 2015 and June 30, 2014

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income	5,017	4,536	9,940	9,166
Weighted average number of ordinary shares outstanding (in 000's)	13,591	13,449	13,541	13,435
Dilutive effect of stock-based compensation (in 000's)	478	412	493	392
Weighted average number of diluted shares outstanding (in 000's)	14,069	13,861	14,034	13,827
Dilutive earnings per ordinary share	0.36	0.33	0.71	0.66

12. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Amounts receivable	229	(726)	4,561	(794)
Prepaid expenses	298	417	(592)	57
Accounts payable and accrued liabilities	1,673	5,494	(6,378)	3,828
Income taxes payable	(2,513)	3,444	(1,444)	6,592
Deferred lease inducements	(176)	(7)	(456)	(159)
Unearned revenue	73	87	126	268
Provisions	(14)	(12)	79	(21)
	(430)	8,697	(4,104)	9,771

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Income taxes paid	4,270	268	4,467	319
Interest paid	3,287	1,588	6,111	2,942
Interest received	23,566	14,548	44,145	26,949

easyhome Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

13. CONTINGENCIES

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

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

14. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	June 30, 2015	December 31, 2014
Cash	Fair value	4,794	1,165
Amounts receivable	Amortized cost	11,947	16,508
Consumer loans receivable	Amortized cost	216,673	180,693
Accounts payable and accrued liabilities	Amortized cost	26,459	32,837
Revolving operating facility	Amortized cost	-	1,756
Term loan	Amortized cost	155,223	119,841

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

Fair Value Measurement

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

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

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For the periods ended June 30, 2015 and June 30, 2014

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at June 30, 2015:

	Total	Level 1	Level 2	Level 3
Amounts receivable	11,947	-	-	11,947
Consumer loans receivable	216,673	-	-	216,673
Accounts payable and accrued liabilities	26,459	-	-	26,459
Revolving operating facility	-	-	-	-
Term loan	155,223	-	-	155,223

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

15. SEGMENTED REPORTING

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

Accounting policies for each of these business segments were the same as those disclosed in the consolidated financial statements for the year ended December 31, 2014. General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss). The following tables summarize the relevant information for the three and six month periods ended June 30, 2015 and 2014:

Three Months Ended June 30, 2015	easyhome Leasing	easyfinancial	Corporate	Total
Revenue	37,571	35,319	-	72,890
Total operating expenses before depreciation and amortization	19,586	24,408	4,581	48,575
Depreciation and amortization	12,403	1,347	151	13,901
Segment operating income (loss)	5,582	9,564	(4,732)	10,414
Finance costs	-	-	3,621	3,621
Income (loss) before income taxes	5,582	9,564	(8,353)	6,793

easyhome Ltd.

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(Unaudited)

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

For the periods ended June 30, 2015 and June 30, 2014

Three Months Ended June 30, 2014	easyhome Leasing	easyfinancial	Corporate	Total
Revenue	39,936	23,310	-	63,246
Total operating expenses before depreciation and amortization	20,300	15,351	5,859	41,510
Depreciation and amortization	13,129	781	156	14,066
Segment operating income (loss)	6,507	7,178	(6,015)	7,670
Finance costs	-	-	1,800	1,800
Income (loss) before income taxes	6,507	7,178	(7,815)	5,870

Six Months Ended June 30, 2015	easyhome Leasing	easyfinancial	Corporate	Total
Revenue	75,864	67,551	-	143,415
Total operating expenses before depreciation and amortization	39,551	45,800	10,348	95,699
Depreciation and amortization	24,739	2,461	327	27,527
Segment operating income (loss)	11,574	19,290	(10,675)	20,189
Finance costs	-	-	6,751	6,751
Income (loss) before income taxes	11,574	19,290	(17,426)	13,438

Six Months Ended June 30, 2014	easyhome Leasing	easyfinancial	Corporate	Total
Revenue	80,236	43,344	-	123,580
Total operating expenses before depreciation and amortization	40,299	27,513	12,291	80,103
Depreciation and amortization	26,036	1,490	308	27,834
Segment operating income (loss)	13,901	14,341	(12,599)	15,643
Finance costs	-	-	3,358	3,358
Income (loss) before income taxes	13,901	14,341	(15,957)	12,285

The Company operated across Canada and in certain U.S. states. During the six month period ended June 30, 2015, 98% or \$141.1 million of revenue was generated in Canada and 2% or 2.3 million of revenue was generated in the U.S. (2014 – 97% or \$119.5 million of revenue was generated in Canada and 3% or \$4.1 million of revenue was generated in the U.S.). Additionally, as at June 30, 2015, \$349.8 million of the Company's assets were located in Canada and \$5.8 million were located in the U.S. (2014 – \$256.4 million in Canada and \$7.8 million in the U.S.).

As at June 30, 2015, the Company's goodwill of \$20.4 million (December 31, 2014 – \$20.0 million) related entirely to its easyhome Leasing segment.

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For the periods ended June 30, 2015 and June 30, 2014

The Company's easyhome Leasing business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the six month periods ended June 30, 2015 and 2014 were as follows:

	Six Months Ended	
	June 30, 2015 (%)	June 30, 2014 (%)
Furniture	39	37
Electronics	34	33
Computers	15	18
Appliances	12	12
	100	100

16. SUBSEQUENT EVENTS

On July 13, 2015, the Company acquired 14 Canadian merchandise leasing stores from a U.S. based rent-to-own company. As part of the transaction, the Company sold two of its remaining U.S. franchised locations whose financial results were consolidated for financial statement purposes. The net purchase price for the transaction was \$3.4 million. The Company is in the process of determining the accounting for the acquired assets and assumed liabilities and therefore disclosure of the details arising from the acquisition cannot be made at the time. The accounting for this transaction will be disclosed in the Company's financial statements for the period ending September 30, 2015.