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

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Date: August 3, 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 June 30, 2011 compared to December 31, 2010, and the results of operations for the three and six month periods ended June 30, 2011 compared with the corresponding periods of 2010. This MD&A should be read in conjunction with the Company's 2010 audited consolidated financial statements, the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2011 and the Company's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2011 and the respective notes and the MD&A relating thereto. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ["IFRS"]. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's MD&A for the three months ended March 31, 2011: Corporate Strategy & Outlook, Transactions with Related Parties, Risk Factors, Critical Accounting Estimates, Adoption of New Accounting Standards and Internal Controls.

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 IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. 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 258 store locations (including 41 franchised / licensed locations) as of June 30, 2011. easyhome leases, with or without an option to purchase, brand name furniture, appliances, home electronics and computers. The brands we offer include Ashley, Dynasty, Eztia furniture and Serta mattresses, Samsung and Whirlpool appliances, Sony, Samsung, LG and Toshiba home electronics as well as Dell, HP, Acer and Toshiba computers.

Through our stores we offer our customers lease agreements which enable them to obtain products they may not otherwise be able to have as a result of being either cash or credit constrained. Our stores also provide lease programs for those customers who wish to lease merchandise on a short-term basis, or try the product before they make a purchase decision. We commenced operations in 1990 and currently operate corporate stores in all provinces in Canada as well as in the state of New York in the U.S. Through various franchise and license agreements, we operate stores in three provinces in Canada and nine states in the U.S.

Beyond our merchandise leasing business and through easyfinancial Services [“easyfinancial”], we also offer our customers 6 to 18 month term loans, generally in the range of $500 to $3,000, and other financial services such as cheque cashing and prepaid cards. The services offered by easyfinancial bridge the gap between traditional financial institutions and payday lenders, providing a realistic alternative for many of our customers. easyfinancial commenced operations in 2006 and operates 72 kiosks within existing easyhome store locations in 9 provinces in Canada, one stand-alone easyfinancial location and one national loan office as of June 30, 2011.

Corporate Strategy & Outlook

The Company's long-term business objectives have three key elements, in order of strategic impact, that are described in greater detail in the 2010 Annual MD&A:

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

Store Locations Summary

	Locations as at December 31, 2010	Locations opened / (closed) during 2011	Locations as at June 30, 2011	Planned Openings for 2011
Corporate Stores				
Canada	203	(1)	202	1
U.S.	14	1	15	1
Franchise Locations				
Canada	10	1	11	1
U.S.	25	1	26	5
VIE franchise locations (included in consolidated results)	4	-	4	3
Total Stores	256	2	258	11
easyfinancial				
Kiosks / Locations	67	6	73	20 - 25
Virtual kiosk	1	-	1	-

During the most recent quarter, the Company opened four easyfinancial kiosks at existing easyhome stores, and opened its first stand-alone location, while continuing to focus on enhancing its internal controls and processes to allow for sustainable growth. Year to date the Company has opened 5 kiosks and one stand-alone location. The 2011 target of 20-25 kiosk / store openings remains with the balance of the kiosk openings to occur in the second half of 2011. One Canadian Corporate store, one U.S Corporate store and one U.S franchise location were opened, and one Canadian Corporate store was converted into a franchise during the quarter.

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.

Second Quarter Highlights

- The Company's results for the second quarter continue the trend of revenues and earnings growth. The continuing investment to improve both our internal processes and infrastructure are providing a platform for positive sustainable growth. These improvements, coupled with the increased capital secured through our recent bank refinancing and the December 2010 equity offering, will support the growth for all business units, in particular easyfinancial Services.

- During the first quarter of 2011, the Company completed its transition from Canadian generally accepted accounting principles ["CGAAP"] to IFRS. The Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2011, together with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2011, contain an analysis of this conversion, including the impacts on the previously reported fiscal periods that were originally reported under CGAAP.

- easyhome continued to show strong revenue increases during the second quarter of 2011. Revenue for the second quarter increased from $42.9 million in 2010 to $46.3 million in 2011, an increase of $3.4 million or 8.0%. The growth was driven by the expansion of easyfinancial and its loan portfolio. Revenue for easyfinancial increased by $3.0 million. Revenue for the six months ended June 30, 2011 also increased by 7.7% to $92.5 million compared to the same period last year.

- Same store revenue growth, which includes revenue growth from easyfinancial, was 6.4% and 6.9% for the three and six months ended June 30, 2011, respectively. Excluding the impact of easyfinancial, same store revenue growth was (1.0%) and (0.8%) for the three and six months ended June 30, 2011, respectively.

- Although the economic environment has begun to recover, consumer confidence has not yet returned to the pre-recession levels. As a result, revenues from easyhome's leasing and franchising businesses were relatively unchanged compared to the comparable period in 2010. However, the loan portfolio at easyfinancial continues to grow. The gross consumer loans receivable at June 30, 2011 was $35.3 million compared to $23.8 million at December 31, 2010 and $17.3 million at June 30, 2010. During the second quarter of 2011, the loan portfolio grew by $5.4 million or 18.1%.

- Operating expenses for the quarter excluding depreciation, amortization and non-recurring charges increased from $26.1 million for the second quarter of 2010 to $30.0 million for the second quarter of 2011, an increase of $3.9 million. The year-over-year growth of the easyfinancial kiosk network and the strengthening of its management team contributed $1.3 million to this cost increase. Additional bad debt expense of $1.0 million resulted from the growth of the easyfinancial loan portfolio and the refined methodology used for estimating the provision for consumer loans which was adopted in the third quarter of 2010 and used for all subsequent quarters. Costs related to the franchise locations which are consolidated for financial statement purposes and which were not open in the comparable period of 2010, contributed $0.6 million of increased costs (although this was offset by higher revenue associated with these new start up stores). A portion of the remaining increase in operating costs related to the corporate office where the Company strengthened its management team, established an independent risk management function and addressed other gaps identified by the fraud investigation. These increases in corporate office costs were necessary to position the business for long term sustainable growth.

- Operating income increased from $3.1 million in the second quarter of 2010 to $3.9 million in the second quarter of 2011. Revenue gains during the quarter were somewhat offset by additional costs necessary to strengthen the business units. The increase in operating income was driven by lower depreciation and amortization in the quarter compared with the corresponding period in the prior year.

- Net income increased from $2.0 million in the second quarter of 2010 to $2.7 million in the current quarter. Earnings per share for the quarter were $0.23 compared with $0.19 for the comparable period in the prior year. On a year to date basis, earnings per share have increased from $0.38 in 2010 to $0.43 in 2011.

- The Company continued to generate strong cash flows during the quarter. Cash flow provided by operating activities for the three months ended June 30, 2011 was $15.8 million. Included in these cash flows was a net investment in the easyfinancial consumer loans receivable portfolio of $6.6 million. If this net investment in the loan portfolio was treated as cash flow from investing activities, cash flow from operating activities would be $18.8 million. This cash flow enabled the Company to invest in the portfolios to drive future revenue growth of all business units, strengthen the management team and infrastructure to support sustainable growth and maintain its total dividend payments for the quarter. Subsequent to June 30, 2011, and as previously announced, the Company increased its bank revolving credit facility by $10 million to $40 million which will provide additional funding to further the growth of the easyfinancial business.

Outlook

The Company's outlook remains as described in its March 31, 2011 MD&A.

Key Performance Indicators and Non-IFRS Measures

We measure the success of our strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

Several non-IFRS measures that we use throughout this discussion are defined as follows:

Same Store Revenue Growth

Same store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same store revenue growth is influenced by both the Company's product offerings, including easyfinancial's product offerings, as well as the number of stores which have been open for a 12-36 month time frame as these stores tend to be in the strongest period of growth at this time.

	Three months ended		Six months ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Same store revenue growth	**6.4%**	1.3%	**6.9%**	0.9%
Same store revenue growth excluding easyfinancial	**(1.0%)**	(3.1%)	**(0.8%)**	(2.6%)

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		Six months ended	
($ in 000's)	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Potential monthly lease revenue	**11,110**	11,326	**11,110**	11,326
Change in potential monthly lease revenue	(330)	(101)	(490)	(362)

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 our easyfinancial business and of how revenue will grow in future periods.

	Three months ended		Six months ended	
($ in 000's)	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Gross consumer loans receivable	**35,320**	17,342	**35,320**	17,342
Growth in gross consumer loans receivable during quarter	**5,426**	5,708	**11,520**	8,091

Bad Debt Expense as Percentage of easyfinancial Revenue

Bad debt expense as a percentage of easyfinancial revenue reflects the collection performance of the easyfinancial loan portfolio. Bad debt expense includes actual write offs and the impact of the provision taken against the loan portfolio. 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		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Bad debt expense as a percentage of easyfinancial revenue	**24.6%**	29.7%	**24.7%**	28.8%
Bad debt expense as a percentage of easyfinancial revenue (adjusted)[1]	**24.6%**	15.6%	**24.7%**	16.1%

[1]Adjusted for the impact of the employee fraud discovered in October 2010

Adjusted Operating Earnings, Adjusted Earnings, Adjusted Earnings Per Share

At various times, our operating income, net income and earnings per share may be affected by unusual items which have occurred in the period and which impact the comparability of these measures with other periods. Items are considered unusual if they are outside of the normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. We define i) adjusted operating earnings as operating income excluding such unusual and non-recurring items, ii) adjusted earnings as net income excluding such items and iii) adjusted earnings per share as earnings per share excluding such items. We believe that adjusted operating earnings, adjusted earnings and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items which can be used to adjust operating income, net income and earnings per share for the three and six months ended June 30, 2011 and 2010 include those indicated in the chart below:

($ in 000's except earnings per share)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Operating income as stated	**3,877**	3,094	**7,719**	6,635
Restructuring charge included in operating expenses [1]	**-**	328	**-**	641
Additional bad debts expense due to the employee fraud [2]	**-**	329	**-**	490
Net unusual items	**-**	657	**-**	1,131
Adjusted operating earnings	**3,877**	3,751	**7,719**	7,766
Net income as stated	**2,714**	1,996	**5,096**	3,991
Restructuring charge included in operating expenses [1]	**-**	328	**-**	641
Additional bad debts expense due to the employee fraud [2]	**-**	329	**-**	490
Tax impact of above items	**-**	(200)	**-**	(344)
Net unusual items	**-**	457	**-**	787
Weighted average number of dilutive earnings per common share	**11,962**	10,484	**11,962**	10,476
Adjusted earnings	**2,714**	2,453	**5,096**	4,778
Earnings per share as stated	**0.23**	0.19	**0.43**	0.38
Per share impact of unusual items	**-**	0.04	**-**	0.08
Adjusted earnings per share	**0.23**	0.23	**0.43**	0.46

[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] In October 2010, the Company discovered an employee fraud.

Operating Expenses Before Depreciation and Amortization

We define operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. We believe that operating expenses before depreciation and amortization are an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods. Items which can be used to adjust operating expenses before depreciation and amortization for the three and six months ended June 30, 2011 and 2010 those indicated in the chart below:

	Three months ended			
($ in 000's except percentages)	**June 30, 2011**	**June 30, 2011 (adjusted)**	**June 30, 2010**	**June 30, 2010 (adjusted)**
Operating expenses before depreciation and amortization	**30,048**	**30,048**	26,800	26,800
Restructuring charges	**-**	**-**	**-**	(328)
Additional bad debts expense due to the employee fraud	**-**	**-**	**-**	(329)
Net unusual items	**-**	**-**	-	(657)
Operating expenses before depreciation and amortization	**30,048**	**30,048**	26,800	26,143
Divided by revenue	**46,264**	**46,264**	42,851	42,851
Operating expenses before depreciation and amortization as % of revenue	**64.9%**	**64.9%**	62.5%	61.0%

	Six months ended			
($ in 000's except percentages)	**June 30, 2011**	**June 30, 2011 (adjusted)**	**June 30, 2010**	**June 30, 2010 (adjusted)**
Operating expenses before depreciation and amortization	**59,006**	**59,006**	52,004	52,004
Restructuring charges	**-**	**-**	**-**	(641)
Additional bad debts expense due to the employee fraud	**-**	**-**	**-**	(490)
Net unusual items	**-**	**-**	-	(1,131)
Operating expenses before depreciation and amortization	**59,006**	**59,006**	52,004	50,873
Divided by revenue	**92,467**	**92,467**	85,889	85,889
Operating expenses before depreciation and amortization as % of revenue	**63.8%**	**63.8%**	60.5%	59.2%

Operating Margin

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

($ in 000's except percentages)	Three months ended			
	June 30, 2011	**June 30, 2011 (adjusted)**	**June 30, 2010**	**June 30, 2010 (adjusted)**
Operating income	**3,877**	**3,877**	3,094	3,094
Restructuring charges	**-**	**-**	-	328
Additional bad debts expense due to the employee fraud	**-**	**-**	-	329
Net unusual items	**-**	**-**	-	657
Operating income	**3,877**	**3,877**	3,094	3,751
Divided by revenue	**46,264**	**46,264**	42,851	42,851
Operating margin	**8.4%**	**8.4%**	7.2%	8.8%

($ in 000's except percentages)	Six months ended			
	June 30, 2011	**June 30, 2011 (adjusted)**	**June 30, 2010**	**June 30, 2010 (adjusted)**
Operating income	**7,719**	**7,719**	6,635	6,635
Restructuring charges	**-**	**-**	-	641
Additional bad debts expense due to the employee fraud	**-**	**-**	-	490
Net unusual items	**-**	**-**	-	1,131
Operating income	**7,719**	**7,719**	6,635	7,766
Divided by revenue	**92,467**	**92,467**	85,889	85,889
Operating margin	**8.3%**	**8.3%**	7.7%	9.0%

Return on Equity

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

($ in 000's except multiples and percentages)	Three months ended June 30, 2011	June 30, 2011 (adjusted)	June 30, 2010	June 30, 2010 (adjusted)
Net income for the period	**2,714**	**2,714**	1,996	1,996
Restructuring charges	**-**	**-**	-	328
Additional bad debts expense due to the employee fraud	**-**	**-**	-	329
Tax impact of above items				(200)
Net unusual items	**-**	**-**	-	457
Net income for the period	**2,714**	**2,714**	1,996	2,453
Multiplied by number of periods in year	**X 4/1**	**X 4/1**	X 4/1	X 4/1
Divided by average shareholders' equity for the period	**94,213**	**94,213**	80,738	80,738
Return on equity	**11.5%**	**11.5%**	**9.9%**	12.2%

($ in 000's except multiples and percentages)	Six months ended June 30, 2011	June 30, 2011 (adjusted)	June 30, 2010	June 30, 2010 (adjusted)
Net income for the period	**5,096**	**5,096**	3,991	3,991
Restructuring charges	**-**	**-**	-	641
Additional bad debts expense due to the employee fraud	**-**	**-**	-	490
Tax impact of above items				(344)
Net unusual items	**-**	**-**	-	787
Net income for the period	**5,096**	**5,096**	3,991	4,778
Multiplied by number of periods in year	**X 4/2**	**X 4/2**	X 4/2	X 4/2
Divided by average shareholders' equity for the period	**93,631**	**93,631**	**80,237**	80,237
Return on equity	**10.9%**	**10.9%**	**9.9%**	11.9%

Results of Operations for the Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Summary Financial Results

($ in 000's except earnings per share and percentages)	Six months ended June 30, 2011	Six months ended June 30, 2010	Variance $ / # / %	Variance % change
Revenue				
Lease revenue	**80,158**	80,366	(208)	(0.3%)
Interest income	**6,312**	2,193	4,119	187.8%
Other	**5,997**	3,330	2,667	80.1%
	92,467	85,889	6,578	7.7%
Operating expenses before depreciation and amortization				
Salaries and benefits	**29,825**	26,550	3,275	12.3%
Advertising and promotion	**3,466**	2,753	713	25.9%
Bad debts	**2,514**	1,110	1,404	126.5%
Occupancy	**12,674**	12,145	529	4.4%
Distribution and travel	**3,939**	3,263	676	20.7%
Other	**6,588**	5,542	1,046	18.9%
Restructuring charges	**-**	641	(641)	(100.0%)
	59,006	52,004	7,002	13.5%
Depreciation and amortization expense	**25,742**	27,250	(1,508)	(5.5%)
Operating income	**7,719**	6,635	1,084	16.3%
Interest expense	**633**	549	84	15.3%
Net income for the period	**5,096**	3,991	1,105	27.7%
Diluted earnings per share	**0.43**	0.38	0.05	13.2%
Key Performance Indicators				
Adjusted earnings	**5,096**	4,778	318	6.7%
Diluted EPS (adjusted)	**0.43**	0.46	(0.03)	(6.5%)
Operating margin (adjusted)	**8.3%**	9.0%	(0.7%)	-
Return on equity (adjusted)	**10.9%**	11.9%	(1.0%)	-
Key Performance Indicators (Quarter End)				
Potential monthly lease revenue	**11,110**	11,326	(216)	(1.9%)
Gross customer loan receivable	**35,320**	17,342	17,978	103.7%
Number of stores opened (corporate & franchise)	**2**	4	(2)	-
Number of kiosks opening in year	**6**	23	(17)	-
Corporate store count	**217**	217	-	-
Franchise store count (including consolidated franchise locations)	**41**	27	14	-
Total store count	**258**	244	14	-
easyfinancial kiosks	**74**	52	22	-
Same store revenue growth	**6.9%**	0.9%	6.0%	-

Revenue

Revenue for the six months ended June 30, 2011 was $92.5 million compared to $85.9 million in the comparable period in 2010, an increase of $6.6 million or 7.7%.

Lease revenue for the six month period decreased to $80.2 million from $80.4 million last year; a decline of $0.2 million. Revenue declines in the Canadian corporate stores were offset by the growth of the four franchise stores which are consolidated for financial statement purposes and which were opened in the fourth quarter of 2010. Potential monthly lease revenue as at June 30, 2011 declined by $0.2 million compared with June 30, 2010. Potential monthly lease revenue typically declines in the first half of the year due to the seasonality of the business. The year to date decline in potential monthly lease revenue was $0.5 million compared with $0.4 million for the same period in 2010. The number of customer agreements at June 30, 2011 was 136,000, relatively unchanged compared to June 30, 2010. However the average revenue per agreement was lower by 3%.

Interest income for the year increased to $6.3 million compared with $2.2 million for the same period last year, an increase of $4.1 million. The increase was due to the growth in the consumer loan portfolio which increased to $35.3 million as at June 30, 2011 from $17.3 million as at June 30, 2010.

Other revenue includes revenue generated on customer protection programs, franchise revenue and sundry revenue associated with the easyfinancial business. Other revenue increased to $6.0 million for the six months ended compared with $3.3 million for the same period last year, an increase of $2.7 million or 80.1%. The bulk of the increase related to the customer protection program associated with the easyfinancial business and is related to the growth in the loan portfolio.

Operating Expenses Before Depreciation and Amortization

Operating expenses before depreciation and amortization increased to $59.0 million for the six months ended June 30, 2011, an increase of $7.0 million or 13.5% from the comparable period in 2010. Operating expenses before depreciation and amortization represented 63.8% of revenue for the period compared with 60.5% last year.

The $7.0 million increase in operating expenses before depreciation and amortization is attributable to the following:

Salaries and Benefits

Salaries and benefits were $29.8 million for the six months ended June 30, 2011 compared to $26.6 million for six months ended June 30, 2010, an increase of $3.3 million or 12.3%. The growth of easyfinancial contributed $1.7 million of this increase. In late 2010, the Company increased the size and capability of the easyfinancial management team to provide greater support and experience to the easyfinancial business. The number of kiosks also increased significantly throughout 2010. Kiosk count as at June 30, 2011 was 74 compared with 52 from the same point a year ago driving a larger headcount. $0.5 million of the increase related to the four franchise locations, opened in late 2010, which are consolidated for financial statements purposes. $0.6 million of the increase related to higher corporate employee costs. During the first half of 2011 the Company significantly strengthened its management team to position the business for future sustainable growth.

Advertising and promotion

Advertising and promotion was $3.5 million for the six months ended June 30, 2010 compared to $2.8 million for same period last year, an increase of $0.7 million or 25.9%. The additional advertising spend was in support of both the leasing and easyfinancial businesses.

Bad Debts

Bad debt expense was $2.5 million for the six months ended June 30, 2011 compared to $1.1 million last year, an increase of $1.4 million. The increase is due primarily to the increased size of the loan portfolio and the refined methodology used for estimating the provision for consumer loans which was adopted in the third quarter of 2010 and used for all subsequent quarters. Expressed as a percentage of easyfinancial revenue, bad debts was 24.7% for the six month period ended June 30, 2011 compared with 28.8% for the same period last year. However, after adjusting for the impact of the employee fraud, adjusted bad debts expense as a percentage of easyfinancial revenue was 16.1% for the six months ended June 30, 2010.

Occupancy

Occupancy cost was $12.7 million for the six months ended June 30, 2011 compared with $12.1 million last year, an increase of $0.6 million or 4.4%. $0.3 million of this increase was due to the four franchise locations which are consolidated for financial statements and which opened in the fourth quarter of 2010. The balance primarily relates to higher occupancy costs at corporate (new head office premises in the second quarter of 2010).

Distribution & Travel

Distribution costs were $3.9 million for the six months ended June 30, 2011 compared with $3.3 million last year, an increase of $0.6 million or 20.7%. The increase was due to higher vehicle fuel costs and travel during the period. Higher travel costs were driven by training the additional staff required in the easyfinancial business.

Other

Other general and administrative expenses were $6.6 million for the six months ended June 30, 2011 compared to $5.5 million for the same period in 2010, an increase of $1.0 million or 18.9%. $0.6 million of this increase related to the increased size of the easyfinancial business while the balance related primarily to higher corporate administrative costs, particularly professional fees and training costs that were incurred early in the year to ensure that risks and gaps identified by the employee fraud were adequately addressed and that the Company was appropriately structured to support sustained future growth.

Restructuring charges

Restructuring charges of $0.6 million in the six months ended June 30, 2010 related to the restructuring that was announced in the third quarter of 2009. No such expenditures were incurred during 2011.

Depreciation and Amortization

Depreciation and amortization for the six months ended June 30, 2011 was $25.7 million compared to $27.3 million for the same period in 2010, a decrease of $1.4 million or 5.5%. The main drivers of this decrease were the reduced level of leasing activities and the impairment charge which accounted for $0.8 million of the decline. Under IFRS, individual stores or Cash Generating Units ["CGUs"] are tested for impairment on each reporting period when indicators of impairment exist. During the six months ended June 30, 2010, additional stores or CGUs were deemed to be impaired resulting in a charge of $0.9 million.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the six months ended June 30, 2011 was $7.7 million compared to $6.6 million for the six months ended June 30, 2010, an increase of $1.1 million or 16.3%. Revenue increases of $6.6 million and a $1.5 million reduction in depreciation and amortization expenses were partially offset by higher operating expenses which increased by $7.0 million. Operating income as a percentage of revenue for the six months ended June 30, 2011 and June 30, 2010 was 8.3% and 7.7%, respectively.

Excluding the non-recurring charges, adjusted operating income for the six months ended June 30, 2011 was relatively unchanged at $7.7 million or 8.3% of revenue compared to $7.8 million or 9.0% of revenue for the same period last year.

Interest Expense

Interest expense for the six months ended June 30, 2011 remained relatively consistent at $0.6 million compared to $0.5 million for the prior comparable period.

Income Tax Expense

The effective income tax rate for the six months ended June 30, 2011 was 28.1% compared to 34.4% in 2010. The effective tax rate has declined due to reductions in the statutory income tax rates in jurisdictions where the Company operates. Additionally, earnings at the Company's U.S. operations have improved, further reducing the effective income tax rate. No tax benefit has been recorded for the losses by the Company's U.S. operations. Finally, the income tax expense for the six month periods ended June 30, 2011 and June 30, 2010 were reduced by $0.2 million and $0.4 million, respectively, as a result of the finalization of tax amounts previously account for using estimates, including a reclassification of timing differences between current and future taxes.

Net Income and EPS

Net income for the six months ended June 30, 2011 was $5.1 million ($0.43 diluted earnings per share) compared to $4.0 million ($0.38 diluted earnings per share) in the comparable period last year.

Adjusted earnings for the six months ended June 30, 2011 was $5.1 million ($0.43 diluted earnings per share) compared to $4.8 million ($0.46 diluted earnings per share) in the comparable period last year. On a per share basis, the increased earnings were offset by the increased number of shares that resulted from the equity offering that was completed in the fourth quarter of 2010.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the six months ended June 30, 2011 and 2010 in the MD&A as we believe it provides meaningful analysis of our operating segments; leasing, easyfinancial and franchising as well as the unallocated costs of our corporate office.

Six months ended June 30, 2011 ($ in 000's)	Leasing	easyfinancial	Franchising	Corporate	Total
Revenue	81,693	10,194	580	-	**92,467**
Total operating expenses before amortization and unusual items	43,145	7,683	216	7,962	**59,006**
Restructuring charges	-	-	-	-	**-**
Depreciation and amortization	25,316	154	43	229	**25,742**
Operating income (loss)	13,232	2,357	321	(8,191)	**7,719**
Interest expense	-	-	-	633	**633**
Income (loss) before income taxes	13,232	2,357	321	(8,824)	**7,086**

Six Months Ended June 30, 2010 ($ in 000's)	Leasing	easyfinancial	Franchising	Corporate	Total
Revenue	81,563	3,857	469	-	**85,889**
Total operating expenses before amortization and unusual items	41,467	3,553	234	6,109	**51,363**
Restructuring charges	-	-	-	641	**641**
Depreciation and amortization	26,985	77	1	187	**27,250**
Operating income (loss)	13,111	227	234	(6,937)	**6,635**
Interest expense	-	-	-	549	**549**
Income (loss) before income taxes	13,111	227	234	(7,486)	**6,086**

Leasing

Revenue for the six months ended June 30, 2011 was $81.7 million, an increase of $0.1 million from the comparable period last year. Revenue declines in the Canadian corporate stores were offset by the growth of the four franchise stores which are consolidated for financial statement purposes and which were opened in the fourth quarter of 2010. Potential monthly lease revenue as at June 30, 2011 declined by $0.2 million compared with June 30, 2010. Potential monthly lease revenue typically declines in the first half of the year due to the seasonality of the business. The year to date decline in potential monthly lease revenue was $0.5 million compared with $0.4 million for the same period in 2010. The number of customer agreements at June 30, 2011 was 136,000, relatively unchanged compared to June 30, 2010. However, the average revenue per agreement was lower by 3%.

Operating income for the six month period ended June 30, 2011 was $13.2 million compared with $13.1 million for the same period last year; an increase of $0.1 million or 0.9%. Operating margin remained relatively unchanged at 16.2%.

easyfinancial

Revenue for the six month period ended June 30, 2011 was $10.2 million compared with $3.9 million for the same period last year, an increase of $6.4 million. The increase was related to the increased consumer loans receivable portfolio which increased from $17.3 million as at June 30, 2010 to $35.3 million as at June 30, 2011.

Operating income for the six month period ended June 30, 2011 was $2.4 million compared with $0.2 million for the same period last year; an increase of $2.1 million. Operating margin for the year to date period was 23.1% compared with 5.9% year.

The change in operating income was driven by the $6.3 million increase in revenue offset by a $2.7 million increase in operating expenses and $1.4 million increase in bad debt expense. During the fourth quarter of 2010, the Company increased the size and capabilities of the easyfinancial management team to provide greater support and experience to the easyfinancial business. The number of kiosks increased significantly requiring additional headcount. Kiosk count as at June 30, 2011 was 74 compared to 52 from the same point a year ago. Bad debts increased by $1.4 million driven by the growth of the loan portfolio. The increase in bad debt expense was driven by the increase in the size of the loan book and the refined methodology used for estimating the provision for consumer loans which was adopted in the third quarter of 2010 and used for all subsequent quarters, offset by the impacts of the employee fraud which increased the bad debt expense in the first six months of 2010. Expressed as a percentage of easyfinancial revenue, bad debts expense was 24.7% for the year to date period compared with 28.8% for the same period last year (16.1% in 2010 after adjusting for the impact of the employee fraud).

Franchising

The increase in revenue and operating income associated with franchising for the six months ended June 30, 2011 compared with the same period last year was largely related to the increased number of franchise locations. The Company had 27 franchise locations as at June 30, 2010 compared with 41 as at June 30, 2011.

Corporate

Operating expenses excluding amortization and unusual items for the six months ended June 30, 2011 were $8.0 million compared with $6.1 million for the same period last year, an increase of $1.9 million. Salaries and benefits increased by $0.9 million as the Company strengthened its management team, particularly in the area of risk management and financial controls, to position the business for long-term sustainable growth. Other costs increased by $0.9 million over the prior year due to an increase in professional fees and training expenditures at the corporate office that were incurred early in the year to ensure that risks and gaps identified by the employee fraud were adequately addressed and that the Company was appropriately structured.

Results of Operations for the Three Months Ended June 30, 2011 Compared to the Three Months Ended June 30, 2010

Summary Financial Results

($ in 000's except earnings per share and percentages)	Three months ended June 30, 2011	Three months ended June 30, 2010	Variance $ / # / %	Variance % change
Revenue				
Lease revenue	**39,376**	39,659	(283)	(0.7%)
Interest income	**3,469**	1,314	2,155	164.0%
Other	**3,419**	1,878	1,541	82.1%
	46,264	42,851	3,413	8.0%
Operating expenses before depreciation and amortization				
Salaries and benefits	**15,135**	13,613	1,522	11.2%
Advertising and promotion	**1,872**	1,606	266	16.6%
Bad debts	**1,390**	696	694	99.7%
Occupancy	**6,217**	6,084	133	2.2%
Distribution and travel	**2,058**	1,608	450	28.0%
Other	**3,376**	2,685	691	25.7%
Restructuring charges	**-**	328	(328)	(100.0%)
	30,048	26,800	3,248	12.1%
Depreciation and amortization expense	**12,339**	12,957	(618)	(4.8%)
Operating income	**3,877**	3,094	783	25.3%
Interest expense	**336**	266	70	26.3%
Net income for the period	**2,714**	1,996	718	36.0%
Diluted earnings per share	**0.23**	0.19	0.04	21.1%
Key Performance Indicators				
Adjusted earnings	**2,714**	2,453	261	10.6%
Diluted EPS (adjusted)	**0.23**	0.23	-	-
Operating margin (adjusted)	**8.4%**	8.8%	(0.4%)	-
Return on equity (adjusted)	**11.5%**	12.2%	(0.7%)	-
Key Performance Indicators (Quarter End)				
Potential monthly lease revenue	**11,110**	11,326	(216)	(1.9%)
Gross customer loan receivable	**35,320**	17,342	17,978	103.7%
Number of stores opened in quarter (corporate & franchise)	**3**	1	2	-
Number of kiosks opening in quarter	**5**	17	(12)	-
Corporate store count	**217**	217	-	-
Franchise store count (including consolidated franchise locations)	**41**	27	14	-
Total store count	**258**	244	14	-
easyfinancial kiosks	**74**	52	22	-
Same store revenue growth	**6.4%**	1.3%	5.1%	-

Revenue

Revenue for the three months ended June 30, 2011 was $46.3 million compared to $42.9 million in the comparable period in 2010, an increase of $3.4 million or 8.0%.

Lease revenue for the quarter decreased slightly to $39.4 million from $39.7 million for the same period last year, a decline of $0.3 million or 0.7%. Revenue declines in the Canadian corporate stores were offset by the growth of the four franchise stores which are consolidated for financial statement purposes and which opened in the fourth quarter of 2010. Potential monthly lease revenue as at June 30, 2011 declined by $0.2 million compared with prior year. Potential monthly lease revenue typically declines in the second quarter due to the seasonality of the business. The number of customer agreements at June 30, 2011 was 136,000, relatively unchanged compared to June 30, 2010. However the average revenue per agreement was lower by 3%.

Interest income for the quarter increased to $3.5 million compared with $1.3 million for the same period last year, an increase $2.2 million or 164%. The increase was due to the growth in the consumer loan portfolio which increased to $35.3 million as at June 30, 2011 from $17.3 million as at June 30, 2010.

Other revenue includes revenue generated on customer protection programs, franchise revenue and sundry revenue associated with the easyfinancial business. Other revenue increased to $3.4 million for the quarter compared with $1.9 million for the same period last year, an increase of $1.5 million or 82.1%. The bulk of the increase related to the customer protection program associated with the easyfinancial business and is related to the growth in the loan portfolio.

Operating Expenses Before Depreciation and Amortization

Operating expenses before amortization increased to $30.0 million in the quarter from $26.8 million for the same period last year, an increase of $3.2 million or 12.1%. Operating expenses before amortization represented 64.9% of revenue for the quarter compared with 62.5% for the same period last year.

The $3.2 million increase in operating expenses before amortization is attributable to the following:

Salaries and Benefits

Salaries and benefits were $15.1 million for the three months ended June 30, 2011 compared to $13.6 million for the three months ended June 30, 2010, an increase of $1.5 million or 11.2%. The growth of easyfinancial contributed to $0.9 million of this increase. In late 2010, the Company increased the size and capability of the easyfinancial management team to provide greater support and experience to our easyfinancial business. The number of kiosks also increased significantly throughout 2010. Kiosk count as at June 30, 2011 was 74 compared with 52 from the same point a year ago driving a greater headcount. $0.3 million of the increase related to the four franchise locations, opened in late 2010, which are consolidated for financial statements purposes while the remaining increase relates to the corporate office. The Company has been strengthening its management team, particularly in the area of risk management and financial controls, to position the business for long-term sustainable growth.

Advertising and promotion

Advertising and promotion was $1.9 million for the three months ended June 30, 2011 compared to $1.6 million for the three months ended June 30, 2010, an increase of $0.3 million or 16.6%. The additional spend was in support of both the leasing and easyfinancial businesses.

Bad Debts

Bad debts expense was $1.4 million for the three months ended June 30, 2011 compared to $0.7 million for the three months ended June 30, 2010, an increase of $0.7 million. The increase is due primarily to the increased size of the loan portfolio and the refinement of the methodology used for estimating the provision for consumer loans which occurred in the third quarter of 2010.

Expressed as a percentage of easyfinancial revenue, bad debts expense was 24.6% for the quarter compared with 29.7% for the same period last year. However, after adjusting for the impact of the employee fraud, adjusted bad debts expense as a percentage of easyfinancial revenue was 15.6% for the three months ended June 30, 2010.

Distribution & Travel

Distribution costs were $2.1 million for the three months ended June 30, 2011 compared to $1.6 million for the three months ended June 30, 2010, an increase of $0.4 million or 28.0%. The increase was due to higher vehicle fuel costs and travel during the quarter. Higher travel costs were driven by training the additional staff required in the easyfinancial business.

Other

Other general and administrative expenses were $3.4 million for the three months ended June 30, 2011 compared to $2.9 million for the comparable period in 2010, an increase of $0.5 million or 17.8%. $0.3 million of this increase related to the increased size of the easyfinancial business while the balance related primarily to higher corporate administrative costs, particularly professional fees and training costs.

Restructuring charges

Restructuring charges of $0.3 million in the three months ended June 30, 2010 related to the restructuring that was announced in the third quarter of 2009. No such expenditures were incurred during 2011.

Depreciation and Amortization

Depreciation and amortization of lease assets, property and equipment and intangible assets for the three months ended June 30, 2011 was $12.3 million compared to $13.0 million for the three months ended June 30, 2010, a decrease of $0.7 million or 4.8%. Approximately half of this decline related to the impairment charge of $0.3 million which occurred in the second quarter of 2010. Under IFRS, individual stores or Cash Generating Units ["CGUs"] are tested for impairment on a regular basis. During the three months ended June 30, 2010, additional stores or CGUs were deemed to be impaired resulting in a charge of $0.3 million.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the three months ended June 30, 2011 was $3.9 million compared to $3.1 million for the three months ended June 30, 2010, an increase of $0.8 million or 25.3%. Revenue increases of $3.4 million and a reduction in depreciation and amortization of $0.6 million were offset by a $3.2 million increase in operating expenses before depreciation and amortization. Operating income as a percentage of revenue for the three months ended June 30, 2011 and June 30, 2010 was 8.4% and 7.2%, respectively.

Excluding the non-recurring charges, adjusted operating income for the three months ended June 30, 2011 was $3.9 million or 8.4% of revenue compared to $3.8 million or 8.8% of revenue for the same period last year.

Interest Expense

Interest expense for the three months ended June 30, 2011 remained relatively unchanged at $0.3 million.

Income Tax Expense

The effective income tax rate for the three months ended June 30, 2011 was 23.4% compared with 29.4% in 2010. The effective tax rate has declined due to reductions in the statutory income tax rates in jurisdictions where the Company operates. Additionally, earnings at the Company's U.S. operations have improved, further reducing the effective income tax rate. No tax benefit has been recorded for the losses by the Company's U.S. operations. Finally, the income tax expense for the three month periods ended June 30, 2011 and June 30, 2010 were reduced by $0.2 million and $0.4 million, respectively, as a result of the finalization of tax amounts previously accounted for using estimates, including a reclassification of timing differences between current and future taxes.

Net Income and EPS

Net income for the three months ended June 30, 2011 was $2.7 million ($0.23 per share) compared to $2.0 million ($0.19 per share) in the comparable period last year.

Adjusted earnings for the three months ended June 30, 2011 was $2.7 million ($0.23 per share) compared to $2.5 million ($0.23 per share) in the comparable period last year. On a per share basis, the increased earnings were offset by the increased number of shares that resulted from the equity offering that was completed in the fourth quarter of 2010.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the three months ended June 30, 2011 and 2010 in the MD&A as we believe it provides meaningful analysis of our operating segments; leasing, easyfinancial and franchising as well as the unallocated costs of our corporate office.

Three months ended June 30, 2011 ($ in 000's)	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	40,334	5,642	288	-	**46,264**
Total operating expenses before amortization and unusual items	22,014	4,133	135	3,766	**30,048**
Restructuring charges	-	-	-	-	**-**
Depreciation and amortization	12,124	77	20	118	**12,339**
Operating income (loss)	6,196	1,432	133	(3,884)	**3,877**
Interest expense	-	-	-	336	**336**
Income (loss) before income taxes	6,196	1,432	133	(4,220)	**3,541**

Three months ended June 30, 2010 ($ in 000's)	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	40,265	2,345	241	-	**42,851**
Total operating expenses before amortization and unusual items	21,022	2,190	120	3,140	**26,472**
Restructuring charges	-	-	-	328	**328**
Depreciation and amortization	12,804	47	-	106	**12,957**
Operating income (loss)	6,439	108	121	(3,574)	**3,094**
Interest expense	-	-	-	266	**266**
Income (loss) before income taxes	6,439	108	121	(3,840)	**2,828**

Leasing

Revenue for the three months ended June 30, 2011 was $40.3 million, increased slightly from the comparable period last year. Revenue declines in the Canadian corporate stores were offset by the growth of the four franchise stores which are consolidated for financial statement purposes and which opened in the fourth quarter of 2010. Potential monthly lease revenue as at June 30, 2011 declined by $0.2 million compared with the prior year. Potential monthly lease revenue typically declines in the second quarter due to the seasonality of the business.

Operating income for the three month period ended June 30, 2011 was $6.2 million compared with $6.4 million for the same period last year; a decrease of $0.2 million or 3.8%. Operating margin for the current quarter was 15.4% compared with 16.0% during the same quarter last year.

easyfinancial

Revenue for the three month period ended June 30, 2011 was $5.6 million compared with $2.3 million for the same period last year, an increase of $3.3 million. The increase was related to the loan portfolio which increased from $17.3 million as at June 30, 2010 to $35.3 million as at June 30, 2011.

Operating income for the three months period ended June 30, 2011 was $1.4 million compared with $0.1 million for the same period last year; an increase of $1.3 million. Operating margin for the current quarter was 25.4% compared with 4.6% during the same quarter last year.

The change in operating income was driven by the $3.3 million increase in revenue offset by a $1.2 million increase in operating expenses and $0.7 million increase in bad debts expense.

Franchising

The increase in revenue and operating income associated with franchising for the three months ended June 30, 2011 compared with the same period last year was largely related to the increased number of franchise locations. The Company had 27 franchise locations as at June 30, 2010 compared with 41 as at June 30, 2011.

Corporate

Operating expenses excluding amortization and unusual items for the three months ended June 30, 2011 were $3.8 million compared with $3.1 million for the same period last year, an increase of $0.6 million. Salaries and benefits and other costs increased as the Company strengthened its management team, particularly in the area of risk management and financial controls, to position the business for long-term sustainable growth and addressed risks and gaps identified by the employee fraud investigation. Corporate costs represented 8.1% of revenue for the quarter compared with 7.3% in the prior year. The increase related to higher occupancy and administrative costs.

Selected Quarterly Information

($ in millions except per share amounts)	Jun. 2011	Mar. 2011	Dec. 2010	Sept. 2010	Jun. 2010	Mar. 2010	Dec. 2009	Sept. 2009
Accounting basis[2]	**IFRS**	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP
Revenue	**46.3**	46.2	45.1	43.2	42.9	43.0	43.3	42.6
Net Income (loss) for the period	**2.7**	2.4	(0.3)	2.5	2.0	2.0	0.9	(0.0)
Net income (loss) as a percentage of revenue	**5.8%**	5.2%	(0.8%)	5.7%	4.6%	4.6%	2.1%	(0.1%)
Earnings (loss) per share[1]								
Basic	**0.23**	0.20	(0.03)	0.23	0.19	0.19	0.09	(0.00)
Diluted	**0.23**	0.20	(0.03)	0.23	0.19	0.19	0.09	(0.00)

[1]Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.
[2] The Company transitioned to IFRS effective January 1, 2010. Financial results subsequent to this point are presented in accordance with IFRS. Financial results prior to the transition date continue to be presented under CGAAP

Liquidity and Capital Resources

The Company continued to generate strong cash flows for the six months ended June 30, 2011. Cash flows provided by operating activities for the six months ended June 30, 2011 were $15.8 million. Included in this $15.8 million is a net investment of $14.2 million to increase the easyfinancial loan portfolio. If this net investment in the easyfinancial loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $30.0 million. This represents a decline of $7.9 million compared to the first six months of 2010, primarily due to the timing of payments to vendors.

The cash flows from operating activities, combined with an $8.4 million increase in external debt, enabled the Company to i) meet the needs of easyfinancial as described above, ii) invest $21.4 million in new lease assets, iii) invest $1.6 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

For the six months ended June 30, 2010, cash flows provided by operating activities were $29.0 million. If the net investment in the easyfinancial loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities would be $37.9 million. This enabled the Company to i) meet the needs of easyfinancial, ii) invest $20.2 million in new lease assets, iii) invest $4.3 million in additional property and equipment and intangible assets, iv) reduce external debt by $3.3 million and iv) maintain its dividend payments.

As at June 30, 2011, the Company had a prime rate based revolving loan facility to a maximum of $30.0 million, of which $25.8 million was drawn upon as at quarter end. The Company also had a term loan, the balance of which was $0.9 million as at June 30, 2011. Both the revolving loan facility and the term loan matured on July 30, 2011.

Subsequent to June 30, 2011, and as previously announced, the Company increased its bank revolving credit facility by $10 million to $40 million which will provide additional funding to further the growth of the easyfinancial business. The revolving facility reduces to $35 million on July 21, 2012 and matures on July 21, 2013. Borrowings under previous facilities were rolled into the new facilities.

At June 30, 2011, the Company was in compliance with all of its financial covenants under its lending agreement.

As a result of the previously announced 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 representations 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 increased 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.

Outstanding Shares

As at August 3, 2011 there were 11,849,450 shares, 717,662 options and no warrants outstanding.

On December 23, 2010, the Company completed a private placement of 1,352,940 common shares ("Shares") at a price of $8.50 per Share for aggregate gross proceeds of $11.5 million. This included 176,470 Shares issued pursuant to an over-allotment option granted to the Underwriters. The Shares were offered pursuant to prospectus and registration exemptions in each of the provinces and territories of Canada, as well as in the United States under applicable private placement exemptions. Net proceeds of the private placement were $10.7 million.

Dividends

For the three months ended June 30, 2011, the Company paid a $0.085 per share dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. No dividends may be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

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

	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

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2010 MD&A except as follows:

Class action lawsuit

The Company and certain of its current and former officers have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010 and claimed total damages of $15.0 million (including punitive damages of $5.0 million). On April 8, 2011, the same plaintiff commenced a second action against certain current and former directors of the Company. The allegations made in this second action are the same as those in the first action.

In particular, the plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. The first action and the second action were consolidated into a single action during the quarter.

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.

Transactions with Related Parties

The Company's transactions with related parties remain as described in its March 31, 2011 MD&A.

Risk Factors

The Company's activities are exposed to a variety of operational and financial risks. The Company's overall risk management program focuses on internal controls and 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.

The Company's risk factors remain as described in its December 31, 2010 MD&A and AIF.

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 unaudited interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are:

- consumer loan loss provisions
- cost of lease assets
- depreciation of lease assets
- depreciation of property and equipment
- allocation of the purchase price in business combinations
- impairment and recovery of non financial assets
- impairment of goodwill and indefinite life intangibles
- fair value of stock-based compensation
- provisions
- contingencies
- taxation amounts

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical accounting estimates remain as described in its March 31, 2011 MD&A.

Adoption of New Accounting Standards

The Company adopted IFRS commencing on January 1, 2011 with a requirement to present 2010 comparable financial results under IFRS. The adopted accounting policies are described fully in the March 31, 2011 notes to the unaudited interim consolidated financial statements.

Internal Controls

Disclosure Controls and Procedures ["DC&P"]

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Officer ["CEO"] and Chief Financial Officer ["CFO"], so that timely decisions can be made regarding disclosure.

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument – 52-109, "*Certification of Disclosures in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that, as of June 30, 2011, 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 IFRS. Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). 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, 2010 Evaluation of ICFR and Related Remediation

At December 31, 2010, the Company noted that its ICFR were ineffective due to several weaknesses. Management has been working on remediating the internal control weaknesses and progress updates have been provided below. Such updates should be read in conjunction with the details contained in the Company's March 31, 2011 MD&A.

As disclosed in the Company's December 31, 2010 MD&A, process and system control weaknesses existed for the easyfinancial business. The impact of these weaknesses upon the Company's financial reporting remains as described in its December 31, 2010 MD&A.

The Company has made enhancements to the information system currently supporting the easyfinancial business to strengthen the controls that prevent such transactions from being processed. Several modifications have been made to the Company's information system that processes and manages the easyfinancial consumer loans that will automatically reject transactions that are outside of predetermined parameters or that lack information in data fields that are considered important for the detection of inappropriate transactions. Additionally, changes have been made to the Company's transaction reconciliation processes to ensure that reviews are performed at an individual transaction level rather than at an aggregated level.

Moreover, the Company continues in its efforts to replace the information system currently supporting the easyfinancial business. During the second quarter of 2011, the Company completed an in-depth requirement and configuration review. A detailed project plan has been developed with appropriate timelines to ensure the project is tested and implemented in a well governed and controlled manner. The system replacement project is currently expected to be completed in the first half 2012.

June 30, 2011 Evaluation of ICFR and Related Remediation

As of June 30, 2011, the Company's management, under the direction and supervision of the CEO and CFO of the Company, evaluated the effectiveness of the Company's ICFR. Based on those evaluations, the CEO and CFO concluded that as at June 30, 2011, the ICFR were ineffective as a result of the continuing existence of the above noted and previously disclosed material weaknesses. Management continues to work on remediating these internal controls as described and anticipates that such remediation will be completed in the first half of 2012.

Notwithstanding the above mentioned weaknesses, the Company has concluded that the unaudited interim condensed consolidated financial statements fairly present easyhome's consolidated financial position and consolidated results of operations as of and for the three months ended June 30, 2011.