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

Table of Contents

Date: March 11, 2013

The following Management's Discussion and Analysis ["MD&A"] presents an analysis of the financial condition of easyhome Ltd. and its subsidiaries [collectively referred to as "easyhome" or the "Company"] as at December 31, 2012 compared to December 31, 2011, and the results of operations for the three month period and year ended December 31, 2012 compared with the corresponding periods of 2011. This MD&A should be read in conjunction with the Company's 2012 audited consolidated financial statements and the related notes. The financial information presented herein has been prepared under International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in Canadian dollars unless otherwise indicated.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's 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. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings 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, 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 is Canada's largest merchandise leasing Company offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchised stores. In addition, the Company offers a variety of financial services, including loans and prepaid cards, through its easyfinancial Services business ["easyfinancial"].

The Company operates three complementary business units: easyhome Leasing, easyfinancial and easyhome Franchising.

Overview of easyhome Leasing

The largest segment of easyhome's business is merchandise leasing, with an option to purchase, top-quality, brand name household furnishings, appliances and home electronic products to consumers under weekly or monthly agreements. The Company's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who may not be able to purchase merchandise because of a lack of credit or insufficient cash resources, who have a short-term or otherwise temporary need for the merchandise, or who simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

The Merchandise Lease Agreement provides that the customer will lease merchandise for a set term and make periodic payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise at the end of the lease term. In addition, at specified times during the term of a Merchandise Lease Agreement, customers can exercise an option to purchase the leased merchandise at a predetermined price. easyhome maintains ownership of its merchandise unless and until this purchase option is exercised.

easyhome Leasing includes the corporately owned stores operated by easyhome and franchise operations where control is achieved on a basis other than through ownership of a majority of voting rights and which are included in the Company's consolidated results ["Consolidated Franchise Locations"].

Overview of easyfinancial

easyfinancial is the Company's financial services arm, offering short-term loans and other ancillary financial services. easyfinancial's loans occupy a critical niche in the marketplace, bridging the gap between traditional financial institutions and pay-day lenders. easyfinancial is a logical complement to easyhome's core leasing business, leveraging on the resources of its parent and its expertise in transacting with a similar customer segment.

easyfinancial offers unsecured short term installment loans in amounts from $500 to $5,000 for 6 to 36 month terms with bi-weekly, semi-monthly and monthly repayment options matched to the customer's payroll cycle. Customers can choose to repay the entire loan balance at any time during the term without penalty. As a credit reporting lender, easyfinancial positions its loan products as a vehicle to help rebuild credit for the credit constrained consumer.

Overview of easyhome Franchising

easyhome Franchising was launched in 2007 with the goal of helping the Company grow faster and to capitalize on the potential for easyhome leasing in the United States. The franchising business is built around the same principles of operational excellence as the Company's core leasing business.

easyhome's Franchising business has taken a two pronged approach to expansion. First, in Canada and in the 14 U.S. states that border Canada, easyhome acts as a direct franchisor to independent owner/operators that wish to run a merchandise leasing business in these marketplaces under easyhome's brand name and standard operating procedures. Second, in the U.S. states that do not border Canada, the Company is expanding through a master franchise agreement with an experienced U.S. merchandise leasing operator.

Corporate Strategy

The Company has three long-term business priorities:

- Evolving the delivery channels to better meet the needs of its customers
- Expanding the retail footprint
- Executing at the store level with efficiency and effectiveness

Evolving the Delivery Channels

Historically, all of easyhome's interactions with its leasing customers have occurred at a physical retail location. As at December 31, 2012, easyhome leasing operated 195 corporately owned stores across Canada and 9 Consolidated Franchise Locations. Likewise, the easyfinancial business was initially developed using a kiosk that was physically located within an existing easyhome leasing location. As at December 31, 2012, easyfinancial operated 82 such kiosks.

Landlord tenant restrictions included in many of the Company's real estate leases established a maximum limit of approximately 100 easyfinancial kiosks located within the easyhome Leasing retail stores. By 2011, the Company determined that it would reach capacity due to these restrictions and, as such, the easyfinancial business would scale more successfully by operating out of stand-alone locations that were physically separated from the easyhome leasing stores. The first easyfinancial stand-alone location was opened in July 2011 and as at December 31, 2012, easyfinancial operated 17 stand-alone locations.

The internet and mobile technology have changed the way that businesses interact with their customers. Although many customers expect the direct interaction that occurs at a retail storefront, a faster growing number of customers wish to utilize technology to transact instead. As a result, the Company has begun to evolve its delivery channels to meet the demands of this new group of customers. Beginning in 2012 and continuing in 2013, the Company is developing a multi-channel distribution structure for the delivery of financial services and merchandise leasing.

While easyfinancial has always had an online presence, it has been purely informational. In 2013, easyfinancial will introduce transactional online lending. This will not only allow the Company to reach consumers who may not have access to an easyfinancial location, it will allow it to reach those who are uncomfortable seeking financial assistance, but would do so through the privacy and convenience of the internet. The Company is developing an online application process in conjunction with an enhanced credit risk strategy that will enable it to make instant lending decisions for qualified customers. easyfinancial's credit risk strategy for online loans will be robust and will consider the risks associated with this customer segment and the new application process, including additional personal security features.

As a further means of responding to consumer demand and capturing growth, easyfinancial will also evolve its delivery channel by exploring indirect lending. Indirect lending involves creating partnerships with retailers, both online and offline, to provide financing for their customers who do not qualify for traditional credit offered by these retailers. Under such a delivery channel, these customers will be given the option of applying for a loan through easyfinancial.

The Company's evolution of its delivery channels will not be limited to the easyfinancial business. The Company is also developing online transaction capabilities for its leasing business. This new channel will create opportunities for customers to select merchandise, obtain approval, and arrange for delivery through an easyhome leasing website.

Expanding the Retail Footprint

While the Company intends to evolve its delivery channels, this will not be done at the expense of ignoring its retail footprint. To survive and grow in a competitive retail environment, an organization must continuously renew and expand its physical presence. The Company's expansion strategy is different for each of its business segments, based on their relative level of maturity.

First, within the easyhome leasing business, the rate of expansion will continue to be muted. During the period spanning 2001 to 2009 the Company significantly increased the number of stores, achieving a dominant position in the Canadian merchandise leasing industry. This position will be enhanced by relocating stores in markets where the target customer base has shifted, opening stores in new, rapidly growing markets and selectively acquiring stores that offer opportunities for consolidation with existing locations to take advantage of efficiencies. As an example, the Company completed the purchase of 15 Canadian leasing stores on December 31, 2012. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location.

The Company believes that there is significant demand for the products offered by easyfinancial in the Canadian marketplace. The Company estimates that the historic Canadian market for unsecured consumer installment loans, consistent with the products offered by easyfinancial, was in excess of $1.5 billion and that this market was serviced by over 400 retail locations. Since 2007, many of the largest participants in this market have either closed their operations or dramatically reduced their size, leaving easyfinancial as the only national participant with growth aspirations.

Unlike easyhome leasing, the retail footprint of easyfinancial is not yet mature and requires expansion. The Company estimates that its retail footprint for easyfinancial could expand to over 250 locations. The Company is responding to this opportunity by strategically adding new stand alone locations. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will assist with brand recognition, establishing easyfinancial as a leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday lenders.

Finally, increasing its market presence is the primary goal for easyhome franchising. The Company is convinced that the U.S. market offers tremendous opportunity for easyhome. The easyhome leasing concept is well received by U.S. consumers and franchisees have proven their ability to develop robust businesses. In the current U.S. economy, however, financing remains a challenge for potential franchisees. This is one reason why the Be-A-Contender program, which provides a start-up financing package for proven operators, has been such a success. Going forward, the Company intends to continue with this program to further stimulate the growth of its U.S. franchise business.

Executing at the Store Level

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. easyhome Leasing has established itself as the Canadian market leader by providing a more inviting retail experience than its direct competitors, providing consumers with the lowest weekly payment rates guaranteed and employing more engaged and better trained retail associates. easyfinancial provides consumers with an alternative that is less costly than payday loans and quicker and more convenient than traditional banks.

To meet the demands of its customers and to maximize the profitability of its retail locations, the Company will continue to focus on local execution at the store level. After streamlining the operations and re-aligning priorities in 2012, the Company will concentrate on executing the basics of its businesses. Both the leasing business and the lending business are straightforward, with only three fundamental tasks: selling, delivering/funding and collecting. It's how these tasks are executed that determines success.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its attempt to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisioning and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has intensive employee training programs, as well as performance measurement programs, incentive driven compensation plans and other tools, in order to drive a positive customer experience and ensure customer retention.

Increase Store Level Efficiency

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also aggressively manage all discretionary spending. Supplier relationships and economies of scale will be leveraged to reduce overall costs. Idle inventory levels within its stores will be maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, especially labour, will be tightly controlled through centrally established thresholds, allowing spending to occur only when it will result in improved revenues.

Outlook

Looking ahead, easyhome's strategic focus remains unchanged. The Company will focus on growing easyfinancial, increasing the profitability of the leasing business and growing the franchise network.

The additional financing obtained in 2012 will allow the Company to grow its consumer loans receivable portfolio unencumbered during 2013. Additionally, easyfinancial expects to open a further 25 to 35 easyfinancial locations during 2013 and expects these locations to be stand alone sites. easyfinancial will also focus on continuing to grow its consumer loans receivable portfolio at existing locations. The Company anticipates a loan book of between $95.0 and $100.0 million by the end of 2013.

The Company's view of the North American economic situation suggests that 2013 will be another challenging year, particularly impacting the purchasing decisions of consumers. As a result, easyhome Leasing is not expecting significant growth and does not intend to significantly grow its leasing footprint. Rather easyhome Leasing will continue to drive profitability enhancements across its existing store network. The Company does not plan to open any new corporate stores during 2013. Of course, should an economic recovery begin to take hold, these expansion plans for the leasing business will be reviewed in the future.

Fortunately, the Company's strategy of developing complementary business units is now somewhat mitigating the impacts of a negative economy on its revenue. While the Company is anticipating low growth within its leasing business, this is more than offset by the strong growth expected from easyfinancial. Ultimately, easyhome is targeting total revenue growth of between 8% and 12% for 2013. As such, next year is expected to be a record year for both revenues and earnings.

The achievement of these targets by the Company is predicated on a number of factors, including the availability of sufficient capital.

The Company believes that the cash flow provided by operations during 2013, coupled with the available loan facilities will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. While the Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of financing that is available, in the event that the Company decides to continue to expand its consumer lending business conducted by easyfinancial, additional sources of financing over and above the available loan facilities may be required.

Analysis of Results for the Year Ended December 31, 2012

Summary Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended Dec 31, 2012	Year Ended Dec 31, 2011	Variance $ / # / %	Variance % change
Summary Financial Results				
Revenue	**199,673**	188,325	11,348	6.0%
Operating expenses before depreciation and amortization	**129,198**	121,592	7,606	6.3%
EBITDA margin	**11.1%**	10.2%	0.9%	-
Depreciation and amortization expense	**52,766**	51,466	1,300	2.5%
Operating income	**17,709**	15,267	2,442	16.0%
Operating margin	**8.9%**	8.1%	0.8%	-
Interest expense	**2,643**	1,541	1,102	71.5%
Income tax rate	**26.6%**	30.0%	(3.4%)	-
Net income for the period	**11,057**	9,612	1,445	15.0%
Earnings per share	**0.93**	0.81	0.12	14.8%
Adjusted (Normalized) Financial Results				
Adjusted operating earnings[1]	**17,331**	15,267	2,064	13.5%
Adjusted earnings[1]	**10,481**	9,612	869	9.0%
Adjusted earnings per share[1]	**0.87**	0.81	0.06	7.4%
EBITDA margin (adjusted)[1]	**10.9%**	10.2%	0.7%	-
Operating margin (adjusted)[1]	**8.7%**	8.1%	0.6%	-
Key Performance Indicators (Period End)[1]				
Total System Revenue[2]	**233,822**	213,229	20,593	9.7%
Same store revenue growth[1]	**8.9%**	8.2%	0.7%	-
Same store revenue growth excluding easyfinancial[1]	**1.3%**	0.2%	1.1%	-
Potential monthly lease revenue[1]	**11,634**	11,694	(60)	(0.5%)
Change in potential monthly lease revenue due to ongoing operations[1]	**290**	239	50	20.9%
Gross consumer loans receivable[1]	**70,658**	47,565	23,093	48.6%
Growth in consumer loans receivable[1]	**23,093**	23,765	(672)	(2.8%)
Bad debt expense as a percentage of easyfinancial revenue[1]	**25.8%**	25.7%	0.1%	-
Total Franchisee Revenue[3]	**34,149**	24,904	9,245	37.1%

[1] See description in section "Key Performance Indicators and Non-IFRS Measures".
[2] Includes revenue per consolidated financial statements as well as revenue from unconsolidated franchises.
[3] Includes revenue from unconsolidated franchise locations.

Financial Highlights and Accomplishments

- The fiscal year ended December 31, 2012 represents the eleventh consecutive year of growing revenues and delivering positive net income. Since 2001, total revenue has seen a compounded annual growth rate of 10.3% while net income has grown from a loss of $1.9 million in 2001 to a profit of $11.1 million in 2012.

- easyhome continued to grow revenue during 2012. Revenue for the year increased to $199.7 million from $188.3 million in 2011, an increase of $11.4 million or 6.0%. The growth was driven primarily by the expansion of easyfinancial and its loan portfolio. Same store revenue growth for the year, which includes revenue growth from easyfinancial, was 8.9%. Excluding the impact of easyfinancial, same store revenue growth was 1.3%.

- During 2012, 13 new easyfinancial locations were added, 7 easyfinancial kiosks were converted to stand alone locations and the consumer loans receivable portfolio grew by $23.1 million, compared with growth of $23.8 million in 2011. During 2012, much of this growth was managed to correspond with the available capital. The gross consumer loans receivable as at December 31, 2012 was $70.7 million compared with $47.6 million as at December 31, 2011.

- Total Franchise Revenue in 2012, which includes the revenue generated from unconsolidated franchisees was $34.1 million; an increase of $9.2 million or 37.1% in comparison to 2011. The increase was driven by additional store count and growth of pre existing locations.

- The operating margin for easyfinancial was 30.7% for 2012 compared with 25.2% for 2011. During 2012, operating margins were positively impacted by efficiencies gained through a higher average consumer loans receivable portfolio per location and fewer new store openings thereby reducing the negative impact on earnings caused by new stores in their early stages of maturity. Bad debt expense expressed as a percentage of revenue was 25.8% in 2012, relatively consistent with 25.7% in 2011.

- Operating income increased from $15.3 in 2011 to $17.7 million in 2012, an increase of $2.4 million or 16.0%. Excluding the impact of restructuring and other items, operating income was $17.3 million in 2012, an increase of 13.5%.

- Operating income in 2012 was negatively impacted by $1.5 million of higher accrued but not paid stock based incentive compensation expenses included in operating expenses within corporate. Excluding the impact of the stock based incentive compensation plan expenses, which are based on expected performance versus targets and movements in the Company's share price, and excluding the impact of restructuring and other items, operating income increased by $3.6 million or 22.2%.

- Net income for 2012 was $11.1 million or $0.93 per share compared with $9.6 million or $0.81 per share for the prior year. Excluding the impact of restructuring and other items, net income was $10.5 million or $0.87 per share for 2012.

- The Company continued to generate strong cash flows. Cash flows provided by operating activities for the year were $58.2 million. Included in this $58.2 million is a net investment of $31.4 million to increase the easyfinancial loan portfolio. If this net investment in the easyfinancial loan portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $89.6 million in 2012 compared to $69.0 million in 2011. This cash flow enabled the Company to invest in the lease and loan portfolios to drive future growth and maintain its dividend for the quarter.

- During the second quarter of 2012 and in response to its negative performance, the Company completed a restructuring of its leasing business. Consequently, 13 locations with unsatisfactory performance were closed and a large portion of their active lease portfolios and assets were transferred to other nearby Company locations. Changes were also made to the leadership of the leasing business and seven senior positions were eliminated. Finally, operating procedures were adjusted to return the focus of field staff from administration processes to leasing, collecting and customer relationships. The Company recorded a $1.4 million charge related to this restructuring.

- On October 2, 2012, the Company entered into a new $20.0 million credit facility to support the growth of easyfinancial. In conjunction with this financing, the Company amended the terms and extended the maturity date of its revolving operating credit facility with a syndicate of banks. These actions, when taken together, will provide the Company with the capital necessary to achieve its growth objectives as it continues to build upon positive momentum in easyfinancial Services. The new credit facility also allows for up to $10 million of increased borrowings as the consumer loans receivable portfolio grows, subject to lender approval.

- On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location. The Company recorded a gain of $814 on this transaction, net of certain related restructuring costs.

- By December 31, 2012 all of the initial Be A Contender franchisees had successfully grown their businesses and had obtained independent financing allowing them to repay their loans to the easyhome. All three franchisees had or are working towards opening additional stores.

Store Locations Summary

	Locations as at December 31, 2011	**Locations opened during 2012**	**Locations closed / sold during 2012**	**Conversions**	**Locations as at December 31, 2012**
Leasing					
Canada	197	17	(16)	(3)	**195**
U.S.	16	-	(16)	-	**-**
Consolidated Franchise Location	5	4	-	-	**9**
Total	218	21	(32)	(3)	**204**
Franchise					
Canada	14	1	-	1	**16**
U.S.	29	2	-	2	**33**
Total	43	3	-	3	**49**
Easyfinancial					
Kiosks (in store)	85	5	(1)	(7)	**82**
Stand-alone locations	2	8	-	7	**17**
National loan office	1	-	-	-	**1**
	88	13	(1)	-	**100**

Summary Financial Results by Operating Segment

($ in 000's except earnings per share)	Year Ended December 31, 2012				
	Leasing	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	**160,269**	**37,766**	**1,638**	**-**	**199,673**
Total operating expenses before depreciation and amortization and restructuring and other items	**86,573**	**25,421**	**514**	**17,068**	**129,576**
Restructuring and other items	**1,296**	**-**	**-**	**(1,674)**	**(378)**
Depreciation and amortization	**51,277**	**751**	**193**	**545**	**52,766**
Operating income (loss)	**21,123**	**11,594**	**931**	**(15,939)**	**17,709**
Interest expense					**2,643**
Income before income taxes					**15,066**
Income taxes					**4,009**
Net Income for the period					**11,057**
Diluted earnings per share					**0.92**

($ in 000's except earnings per share)	Year Ended December 31, 2011				
	Leasing	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	162,464	24,463	1,398	-	**188,325**
Total operating expenses before depreciation and amortization and restructuring and other items	87,642	17,941	570	15,439	**121,592**
Restructuring and other items	-	-	-	-	-
Depreciation and amortization	50,531	355	89	491	**51,466**
Operating income (loss)	24,291	6,167	739	(15,930)	**15,267**
Interest expense					1,541
Income before income taxes					**13,726**
Income taxes					**4,114**
Net Income for the period					**9,612**
Diluted earnings per share					**0.81**

Revenue

Revenue for the year ended December 31, 2012 was $199.7 million compared to $188.3 million in 2011, an increase of $11.4 million or 6.0%.

Leasing - Revenue for the year ended December 31, 2012 was $16.0.3 million, a decline of $2.2 million or 1.3% from 2011. Revenue declines in the Canadian leasing business were partially offset by increased revenue from the U.S. corporate stores and the Consolidated Franchise Locations. The revenue decline in the Canadian leasing business was related to the closure or sale of 25 locations over the previous 24 months (including 16 closures and 3 sales in 2012). The lease portfolio, as measured by potential monthly lease revenue, was $11.6 million at December 31, 2012 compared with $11.7 million as at December 31, 2011, a decline of $0.1 million over the past 12 months. Changes to the store network during the preceding 12 months, much of it impacting the Canadian leasing business, accounted for a $0.3 million decline in the portfolio. Excluding the impact of the store sales, closures and acquisitions, the portfolio increased by $0.3 million year over year compared with $0.2 million in 2011. The concurrent acquisition of 15 Canadian lease stores and sale of all 15 U.S. corporately owned leasing stores had no impact on revenue during the year as the transaction occurred on December 31, 2012.

easyfinancial - Revenue for the year ended December 31, 2012 was $37.8 million, an increase of $13.3 million or 54% from 2011. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $47.6 million as at December 31, 2011 to $70.7 million as at December 31, 2012. The consumer loans receivable portfolio grew $23.1 million during 2012 compared with growth of $23.8 million during 2011.

Franchising - Revenue increased by $0.2 million for the year ended December 31, 2012, driven by additional franchise locations. The Company had 49 franchise locations as at December 31, 2012 compared with 43 as at December 31, 2011.

Total Operating Expenses before Depreciation and Amortization and Restructuring and Other Items

Total operating expenses before depreciation and amortization and restructuring and other items was $129.6 million for 2012, an increase of $8.0 million or 6.6% from 2011. The increase was driven by the growth of the easyfinancial business and higher corporate expenses (principally higher accrued but not paid stock based incentive compensation expenses) and was somewhat offset by lower operating costs in the leasing business. Operating expenses before depreciation and amortization and restructuring and other items represented 64.9% of revenue for 2012 compared with 64.6% last year.

Leasing – Total operating expenses before depreciation and amortization and restructuring and other items was $86.6 million, a decrease of $1.1 million or (1.2)% from 2011. The cost reductions associated with the store closures during the year were partially offset by the increased cost of additional consolidated franchise locations. Store count declined from 218 as at December 31, 2011 to 204 as at December 31, 2012.

easyfinancial – Total operating expenses before depreciation and amortization was $25.4 million for the year ended December 31, 2012, an increase of $7.5 million or 42% from 2011. The 42% increase in expenses was more than offset by the 54% increase in revenues. Excluding bad debt expense, costs increased from $11.7 million in 2011 to $15.7 million in 2012, an increase of $4.0 million or 34%. This increase was driven by the growth in the number of easyfinancial locations which grew from 88 as at December 31, 2011 to 100 as at December 31, 2012.

Bad debt expense increased to $9.8 million for the year ended December 31, 2012 from $6.3 million in 2011. The $3.5 million increase was due to the growth of the consumer loans receivable portfolio which increased from $47.6 million at December 31, 2011 to $70.7 million at December 31, 2012. Bad debt expense, expressed as a percentage of revenue, was 25.8% for 2012 compared with 25.7% for 2011.

Franchising – Total operating expenses before depreciation and amortization increased by $0.1 million during the year compared with the prior year.

Corporate – Total operating expenses before depreciation and amortization and restructuring and other items were $17.1 million for the year ended December 31, 2012, an increase of $1.6 million or 10.6% from 2011. The increase was related to higher incentive compensation expense and was somewhat offset by lower salary costs, professional fees and other administrative expenses. Stock based incentive compensation expenses increased by $1.5 million, driven by a 72% increase in the Company's share price during 2012 compared to a decline of 45% in 2011, and the improved financial performance of the Company versus expectations. Excluding the impact of this change in stock based incentive compensation expense, corporate operating expenses before depreciation and amortization and restructuring and other items was in line with 2011.

Restructuring and other items – During the year restructuring and other items resulted in a net gain of $378 and consisted of three elements:

- During the second quarter of 2012, the Company restructured the management and operating procedures of its leasing segment and closed 13 underperforming locations. In 2012, $1.3 million was recorded as restructuring charge against the leasing segment and $0.1 million was recorded against corporate. The total restructuring charge was $1.4 million.

- During the second quarter of 2012, the Company received a reimbursement from its insurers of a portion of the costs related to the forensic investigation of an employee fraud. The net insurance reimbursement of $0.9 million was recorded against Corporate and is net of professional fees related to obtaining this reimbursement.

- On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location. The Company recorded a gain of $814 on this transaction, net of certain related restructuring costs. The gain is recorded in the corporate segment.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2012 was $52.8 million compared to $51.5 million for 2011, an increase of $1.3 million or 2.5%. The increase was driven primarily by the growth of the Consolidated Franchise Locations included in the leasing segment and additional depreciation in easyfinancial related to the completed implementation of the new lending system. Also included in depreciation and amortization is impairment charges. During 2012 the Company recorded impairment recoveries of $0.3 million compared with a charge of $0.1 million during 2011. Depreciation and amortization represented 26.4% of revenue for 2012 down from 27.3% in 2011.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the year ended December 31, 2012 was $17.7 million. Excluding restructuring and other items, adjusted operating income was $17.3 million. Adjusted operating income for 2012 increased by $2.1 million compared with 2011. Adjusted operating margin was 8.7% for the year compared with 8.1% in 2011. Further, operating income in 2012 was negatively impacted by $1.5 million of higher accrued but not paid stock based incentive compensation expenses included with corporate costs. Excluding the impact of stock based incentive compensation plan expenses, which are based on expected performance versus targets and movements in the Company's share price, operating income increased by $3.6 million or 22.2%.

Leasing – Operating income excluding restructuring and other items was $22.4 million in 2012 compared with $24.2 million in 2011, a decrease of $1.9 million or 7.7%. While operating income in the second half of 2012 improved by $0.6 million, operating income for the first half of 2012 trailed that of 2011 by $2.5 million. This decline in the first half of the year was driven by lower revenue generated by the Canadian leasing business, increased advertising spend and the drag on earnings of new Consolidated Franchise Locations. Operating margin, excluding restructuring and other items, was 14.0% for the year ended

December 31, 2012 compared with 15.0% in 2011. Operating margin in the second half of 2012, excluding restructuring and other items, was 14.7% compared with 13.7% in the second half of 2011. This improvement was driven by the closure of underperforming stores in the second quarter of 2012 and impairment recoveries relating to improved leasing performance.

easyfinancial - Operating income was $11.6 million for the year ended December 31, 2012 compared with $6.2 million in 2011, an increase of $5.4 million or 88%. Operating margin for year ended December 31, 2012 was 30.7% compared with 25.2% in 2011. A higher average loan book per location contributed to higher operating margins in 2012.

Franchising – Operating income increased by $0.2 million for the year ended December 31, 2012 compared with 2011, due to additional franchise locations and increased revenue.

Interest Expense

Interest expense for the year ended December 31, 2012 was $2.6 million, up $1.1 million from 2011. The increase related to the higher average debt levels during the period and an increased cost of borrowing compared with prior year. The increased cost of borrowing was driven primarily by the $20.0 million term loan obtained in the fourth quarter of 2012 which bears interest at the Canadian Bankers' Acceptance rate plus 10.5%.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2012 was 26.6% compared to 30.0% in 2011. The decline in the effective rate was due to the improved performance of the U.S. business (taxable income in 2012 compared to a taxable loss in 2011) and a general reduction in income tax rates.

Net Income and EPS

Net income for year ended December 31, 2012 was $11.1 million. Excluding the impact of restructuring and other items, adjusted earnings was $10.5 million ($0.87 diluted earnings per share), up $0.9 million from net income of $9.6 million ($0.81 diluted earnings per share) in 2011.

Selected Annual Information

Operating Results

($ in 000's except per share amounts)	2012	2011	2010	2009	2008
Accounting basis	**IFRS**	IFRS	IFRS	C-GAAP	C-GAAP
Revenue	**199,673**	188,325	174,184	173,346	162,493
Net Income	**11,057**	9,612	6,072	5,055	8,972
Dividends declared on common shares	**4,043**	4,029	3,562	3,561	3,572
Cash dividends declared per common share	**0.34**	0.34	0.34	0.34	0.34
Earnings per Share					
Basic	**0.93**	0.81	0.58	0.48	0.86
Diluted	**0.92**	0.81	0.58	0.48	0.85

Assets and Liabilities

($ in 000's)	As at Dec. 31, 2012	As at Dec. 31, 2011	As at Dec. 31, 2010	As at Dec. 31, 2009
Accounting basis	**IFRS**	IFRS	IFRS	IFRS
Total Assets	**189,927**	159,123	139,088	130,192
Total Liabilities				
Bank debt	**21,281**	33,123	18,251	29,884
Term Loan	**18,330**	-	-	-
Other	**45,303**	28,458	29,326	22,164
	84,914	61,581	47,577	52,048

Analysis of Results for the Three Months Ended December 31, 2012

Summary Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	3 Months Ended Dec 31, 2012	3 Months Ended Dec 31, 2011	Variance $ / # / %	Variance % change
Summary Financial Results				
Revenue	**51,694**	49,292	2,402	4.9%
Operating expenses before depreciation and amortization	**32,784**	31,763	1,021	3.2%
EBITDA margin	**12.7%**	11.0%	1.7%	-
Depreciation and amortization expense	**13,120**	13,329	(209)	(1.6%)
Operating income	**5,790**	4,200	1,590	37.9%
Operating margin	**11.2%**	8.5%	2.7%	-
Interest expense	**1,215**	485	730	150.5%
Income tax rate	**17.7%**	29.6%	(11.9%)	-
Net income for the period	**3,766**	2,616	1,150	44.0%
Earnings per share	**0.31**	0.22	0.09	40.9%
Adjusted (Normalized) Financial Results				
Adjusted operating earnings	**4,976**	4,200	776	18.5%
Adjusted earnings	**2,885**	2,616	269	10.3%
Adjusted earnings per share	**0.24**	0.22	0.02	9.1%
EBITDA margin (adjusted)	**11.1%**	11.0%	0.1%	-
Operating margin (adjusted)	**9.6%**	8.5%	1.1%	-
Key Performance Indicators (Period End)				
Total System Revenue	**61,057**	56,609	4,448	7.9%
Same store revenue growth	**9.0%**	9.3%	(0.3%)	-
Same store revenue growth excluding easyfinancial	**2.7%**	0.1 %	2.6 %	-
Potential monthly lease revenue	**11,634**	11,694	(60)	(0.5%)
Change in potential monthly lease revenue due to ongoing operations	**614**	546	68	12.5%
Gross consumer loans receivable	**70,658**	47,565	23,093	48.6%
Growth in consumer loan receivable	**11,080**	4,881	6,199	127.0%
Bad debt expense as a percentage of easyfinancial revenue	**27.6%**	26.2%	1.4%	-
Total Franchisee Revenue	**9,363**	7,317	2,046	28.0%

Financial Highlights

- easyhome continued to grow revenue during the fourth quarter of 2012. Revenue for the quarter increased to $51.7 million from $49.3 million in the fourth quarter of 2011, an increase of $2.4 million or 4.9%. The growth was driven primarily by the expansion of easyfinancial and its loan portfolio. Same store revenue growth for the quarter, which includes revenue growth from easyfinancial, was 9.0%. Excluding the impact of easyfinancial, same store revenue growth was 2.7%. Same store revenue growth was positively impacted by the store closures in the second quarter as the portfolio of closed stores was generally transferred to nearby stores.

- During the quarter, after excluding the impact of the store sales, closures and acquisitions the portfolio grew by $0.6 million compared with growth of $0.5 million in the fourth quarter of 2011.

- During the fourth quarter of 2012, the consumer loans receivable portfolio experienced a record level of growth increasing by $11.1 million compared with growth of $4.9 million in the fourth quarter of 2011. The gross consumer loans receivable as at December 31, 2012 was $70.7 million compared with $47.6 million as at December 31, 2011.

- easyfinancial's operating margin for the fourth quarter of 2012 was 27.2% compared with 30.4% in the fourth quarter of 2011. While the average loan book per kiosk increased year over year, higher bad debt expense relative to revenue, additional earnings drag of new store openings and relocations, and increased depreciation and amortization related to the new loan system resulted in lower operating margin in the fourth quarter of 2012 compared with the same period in 2011. Bad debt expense expressed as a percentage of revenue was 27.6% in the fourth quarter of 2012 compared with 26.2% in the fourth quarter of 2011.

- Operating income increased from $4.2 million in the fourth quarter of 2011 to $5.8 million in fourth quarter of 2012, an increase of $1.6 million or 37.8%. The increase was driven by the continuing growth of easyfinancial, improved operating income from the leasing business and the $0.8 million gain on sale related to the exchange of leasing stores with a large U.S. based rent-to-own company. This was somewhat offset by higher corporate costs, specifically accrued but not paid stock based incentive compensation expense which increased by $1.1 million in the fourth quarter of 2012 compared to the fourth quarter of 2011.

- Operating margin for the fourth quarter of 2012 was 11.2%. Excluding the gain associated with the exchange of leasing store, operating margin was 9.6%. This compares with an operating margin of 8.5% in the fourth quarter of 2011.

- Net income for the fourth quarter of 2012 was $3.8 million or $0.31 per share. Excluding the gain associated with the exchange of leasing stores, adjusted earnings was $2.9 million or $0.24 per share compared with $2.6 million or $0.22 per share in the fourth quarter of 2011.

Store Locations Summary

	Locations as at September 30, 2012	Locations opened during fourth quarter	Locations closed / sold during fourth quarter	Conversions	Locations as at December 31, 2012
Leasing					
Canada	183	15	(2)	(1)	**195**
U.S.	15	-	(15)	-	**-**
Consolidated Franchise Location	8	2	-	(1)	**9**
Total	206	17	(17)	(2)	**204**
Franchise					
Canada	15	-	-	1	**16**
U.S.	31	1	-	1	**33**
Total	46	1	-	2	**49**
Easyfinancial					
Kiosks (in store)	86	1	(1)	(4)	**82**
Stand-alone locations	13	-	-	4	**17**
National loan office	1	-	-	-	**1**
	100	1	(1)	-	**100**

Summary Financial Results by Operating Segment

($ in 000's except earnings per share)	Three Months Ended December 31, 2012				
	Leasing	**Easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	**40,240**	**10,949**	**505**	**-**	**51,694**
Total operating expenses before depreciation and amortization and restructuring and other items	**21,602**	**7,634**	**145**	**4,217**	**33,598**
Restructuring and other items	**-**	**-**	**-**	**(814)**	**(814)**
Depreciation and amortization	**12,592**	**331**	**58**	**139**	**13,120**
Operating income (loss)	**6,046**	**2,984**	**302**	**(3,542)**	**5,790**
Interest expense					**1,215**
Income before income taxes					**4,575**
Income taxes					**809**
Net Income for the period					**3,766**
Diluted earnings per share					**0.31**

($ in 000's except earnings per share)	Three Months Ended December 31, 2011				
	Leasing	**Easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	40,987	7,831	474	-	**49,292**
Total operating expenses before depreciation and amortization	22,479	5,337	180	3,767	**31,763**
Depreciation and amortization	13,056	111	29	133	**13,329**
Operating income (loss)	5,452	2,383	265	(3,900)	**4,200**
Interest expense					**485**
Income before income taxes					**3,715**
Income taxes					**1,099**
Net Income for the period					**2,616**
Diluted earnings per share					**0.22**

Revenue

Revenue for the three months ended December 31, 2012 was $51.7 million compared to $49.3 million in the comparable period in 2011, an increase of $2.4 million or 4.9%.

Leasing - Revenue for the three months ended December 31, 2012 was $40.2 million, a decline of $0.7 million or 1.8% from the comparable period in 2011. The decline in revenue was due to a reduced number of stores operated by the leasing business. During the fourth quarter of 2012, the Company operated an average of 205 leasing stores compared to the fourth quarter of 2011 when the Company operated an average of 220 stores. The concurrent acquisition of 15 Canadian lease stores and sale of all 15 U.S. corporately owned leasing stores had no impact on revenue during the period as the transaction occurred on December 31, 2012.

easyfinancial - Revenue for the three months ended December 31, 2012 was $10.9 million, an increase of $3.1 million or 40% from the comparable period in 2011. The increase was due to the growth of the consumer loans receivable portfolio, which increased from $47.6 million as at December 31, 2011 to $70.7 million as at December 31, 2012. The consumer loans receivable portfolio grew $11.1 million during the fourth quarter of 2012 compared with growth of $4.9 million for the fourth quarter of 2011.

Franchising - Revenue remained flat at $0.5 million for the three months ended December 31, 2012, relatively unchanged from the same quarter last year. The Company had 49 franchise locations as at December 31, 2012 compared with 43 as at December 31, 2011.

Total Operating Expenses before Depreciation and Amortization and Restructuring and Other Items

Total operating expenses before depreciation and amortization and restructuring and other items were $33.6 million for the three months ended December 31, 2012, an increase of $1.8 million or 5.8% from the comparable period in 2011. Operating expenses before depreciation and amortization and restructuring and other items represented 65.0% of revenue for the fourth quarter of 2012 compared with 64.4% last year. The $1.8 million increase in total operating expenses before depreciation and amortization and restructuring and other items was driven primarily by the higher costs associated with an expanded easyfinancial business and higher accrued but not paid incentive compensation expenses.

Leasing – Total operating expenses before depreciation and amortization and restructuring and other items for the three months ended December 31, 2012 was $21.6 million, a decrease of $0.9 million or 4% from the comparable period in 2011. This decline was driven primarily by the store closure and sale activity during the year partially offset by the growth of the consolidated franchise locations. Store count declined from 218 as at December 31, 2011 to 204 as at December 31, 2012.

easyfinancial– Total operating expenses before depreciation and amortization were $7.6 million for the three months ended December 31, 2012, an increase of $2.3 million or 43% from the comparable period in 2011. This compared with revenue growth of 40% over the same period. Excluding bad debt expense, costs increased from $3.3 million in the fourth quarter of 2011 to $4.6 million in the current quarter, an increase of $1.3 million or 40% and driven by the increased number of easyfinancial locations which grew from 88 as at December 31, 2011 to 100 as at December 31,.

Bad debt expense increased to $3.0 million for the three months ended December 31, 2012 from $2.0 million during the comparable period in 2011. The $1.0 million increase was due to the growth of the consumer loans receivable portfolio which increased from $47.6 million at December 31, 2011 to $70.7 million at December 31, 2012. Bad debt expense, expressed as a percentage of revenue, was 27.6% for the fourth quarter of 2012 compared with 26.2% for the fourth quarter of 2011.

Franchising – Total operating expenses before depreciation and amortization decreased modestly for the three months ended December 31, 2012 compared with prior period.

Corporate – Total operating expenses before depreciation and amortization and restructuring and other items were $4.2 million for the three months ended December 31, 2012, an increase of $0.5 million or 12% from the comparable period in 2011. The increase was driven by higher stock base incentive compensation expenses offset by lower salary and administrative costs and gains on asset sales. Stock based incentive compensation expenses increased by $1.1, driven by a 34% increase in the Company's share price during the fourth quarter of 2012 compared to a decline of 27% in the fourth quarter of 2011 and the improved financial performance of the Company versus expectations.

Restructuring and other items – On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location. The Company recorded a gain of $814 on this transaction, net of certain related restructuring costs. The gain is recorded in the corporate segment.

Depreciation and Amortization

Depreciation and amortization for the three months ended December 31, 2012 was $13.1 million compared to $13.3 million for the comparable period in 2011, a decline of $0.2 million or 1.6%. The decline was driven by the leasing business and was due primarily to an impairment recovery of $0.5 million in the current quarter compared with a $0.2 million impairment charge in the fourth quarter of 2011. Depreciation and amortization within the easyfinancial business increased by $0.2 million driven by the increased number of locations and amortization of the recently implemented loan system.

Depreciation and amortization represented 25.3% of revenue for the three months ended December 31, 2012 down from 27.0% in the comparable period of 2011.

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the three months ended December 31, 2012 was $5.8 million compared to $4.2 million for the comparable period in 2011, an increase of $1.6 million or 38%. Operating margin was 11.2% in the quarter compared with 8.5% in the fourth quarter of 2011. Excluding restructuring and other items, adjusted operating income for the quarter was $5.0 million or 9.6% compared with $4.2 million or 8.5% in the fourth quarter of 2011. Further, operating income in the fourth quarter of 2012 was negatively impacted by $1.1 million of higher accrued but not paid stock based incentive compensation expenses included with corporate costs. Excluding the impact of the stock based incentive compensation plan expenses, which are based on expected performance versus targets and movements in the Company's share price, adjusted operating income increased by $1.9 million or 46.3%.

Leasing – Operating income was $6.0 million for the three months ended December 31, 2012, an increase of $0.6 million or 10.9% from the comparable period of 2011. Revenue declines were more than offset by lower operating expenses and impairment recoveries included in depreciation and amortization. Operating margin was 15.0%, up from 13.3% in the same period last year.

easyfinancial - Operating income was $3.0 million for the three months ended December 31, 2012 compared with $2.4 million for the comparable period in 2011, an increase of $0.6 million or 25%. Operating margin for the fourth quarter of 2012 was 27.2% compared with 30.4% in the fourth quarter of 2011. While the average loan book per kiosk increased year over year, higher bad debt expense relative to revenue and increased depreciation and amortization related to the new loan system resulted in lower operating margins in the fourth quarter of 2012 compared with the same period in 2011.

Franchising – Operating income for the three months ended December 31, 2012 grew modestly when compared with the comparable period of 2011.

Interest Expense

Interest expense for the three months ended December 31, 2012 was $1.2 million, up $0.7 million from the same period in 2011. The increase related to the higher average debt levels during the period and an increased cost of borrowing in the fourth quarter of 2012 compared to the same period in 2011. Both increases were driven by the $20.0 million term loan obtained on October 2, 2012 which bears interest at the Canadian Bankers' Acceptance rate plus 10.5%.

Income Tax Expense

The effective income tax rate for the three months ended December 31, 2012 was 17.7% compared to 29.6% in 2011. The decline in the effective rate was due primarily to the gain generated on the sale of the U.S. corporate stores which was not taxable due to the application of tax losses carried forward from prior fiscal periods. Excluding the impact of the gain generated on the sale of the U.S. corporate stores, the effective income tax rate for the three months ended December 31, 2012 was 26.0%.

Net Income and EPS

Net income for the three months ended December 31, 2012 was $3.8 million or $0.31 per share. Net income increased by $1.2 million from the $2.6 million or $0.22 per share reported in the fourth quarter of 2011. Excluding the impact of restructuring and other items, adjusted earnings for the fourth quarter of 2012 was $2.9 million or $0.24 per share.

Selected Quarterly Information

($ in millions except per share amounts)	Dec. 2012	Sept. 2012	Jun. 2012	Mar. 2012	Dec. 2011	Sept. 2011	Jun. 2011	Mar. 2011	Dec. 2010
Revenue	**51.7**	49.3	48.9	49.8	49.3	46.6	46.3	46.2	45.1
Net Income (loss) for the period	**3.8**	2.6	2.0	2.6	2.6	1.9	2.7	2.4	(0.4)
Net income (loss) as a percentage of revenue	**7.3%**	5.3%	4.1%	5.3%	5.3%	4.1%	5.8%	5.2%	(0.9%)
Earnings (loss) per share[1]									
Basic	**0.32**	0.22	0.17	0.22	0.22	0.16	0.23	0.20	(0.03)
Diluted	**0.31**	0.22	0.17	0.22	0.22	0.16	0.23	0.20	(0.03)

[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.

Key Performance Indicators and Non-IFRS Measures

The Company measures the success of its 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.

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 the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

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		Year ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Same store revenue growth	**9.0%**	9.3%	**8.9%**	8.2%
Same store revenue growth excluding easyfinancial	**2.7%**	0.1%	**1.3%**	0.2%

Potential Monthly Lease Revenue

Potential monthly lease revenue reflects the revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments due in that period. 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 the leased items. The Company believes that its potential monthly lease revenue is an important indicator of how revenue will change in future periods.

	Three months ended		Year ended	
($ in 000's)	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Opening balance - Potential monthly lease revenue	**11,133**	11,354	**11,694**	11,600
Change due to store openings or acquisitions during the period	**803**	63	**866**	199
Change due to store closures or sales during the period	**(917)**	(269)	**(1,216)**	(344)
Change due to ongoing operations	**614**	546	**290**	239
Net change	**501**	340	**(60)**	94
Ending balance – Potential monthly lease revenue	**11,634**	11,694	**11,634**	11,694

Gross Consumer Loans Receivable

Gross consumer loans receivable reflects the period end balance of the portfolio before provisioning for potential future charge offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. The Company believes that its gross consumer loans receivable value is an important indicator of the easyfinancial business and of how revenue will grow in future periods.

	Three months ended		Year ended	
($ in 000's)	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Gross consumer loans receivable	**70,658**	47,565	**70,658**	47,565
Growth in gross consumer loans receivable during period	**11,080**	4,881	**23,093**	23,765

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.

	Three months ended		Year ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Bad debt expense as a percentage of easyfinancial revenue	**27.6%**	26.2%	**25.8%**	25.7%

Adjusted Operating Earnings, Adjusted Earnings, Adjusted Earnings Per Share

At various times, the Company's 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. The Company defines 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. The Company believes 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 nine months ended December 31, 2012 and 2011 include those indicated in the chart below:

($ in 000's except earnings per share)	Three months ended December 31, 2012	Three months ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Operating income as stated	**5,790**	4,200	**17,709**	15,267
Restructuring charges included in operating expenses[1]	**-**	-	**1,379**	-
Insurance reimbursement included in operating expenses[2]	**-**	-	**(943)**	-
Gain on disposal of U.S. leasing stores, net of restructuring costs[3]	**(814)**		**(814)**	
Restructuring and other items	**(814)**	-	**(378)**	-
Adjusted operating earnings	**4,976**	4,200	**17,331**	15,267
Net income as stated	**3,766**	2,616	**11,057**	9,612
Restructuring charges included in operating expenses[1]	**-**	-	**1,379**	-
Insurance reimbursement included in operating expenses[2]	**-**	-	**(943)**	-
Gain on disposal of U.S. leasing stores, net of restructuring costs[3]	**(814)**		**(814)**	
Tax impact of above items	**(67)**	-	**(198)**	-
Restructuring and other items	**(881)**	-	**(576)**	-
Adjusted earnings	**2,885**	2,616	**10,481**	9,612
Weighted average number of diluted shares outstanding	**12,050**	**11,969**	**11,999**	**11,934**
Diluted earnings per share as stated	**0.31**	0.22	**0.92**	0.81
Per share impact of restructuring and other items	**(0.07)**	-	**(0.05)**	-
Adjusted diluted earnings per share	**0.24**	0.22	**0.87**	0.81

[1]During the year the Company restructured the management and operating procedures of its leasing segment and closed 13 of its underperforming locations incurring incremental charges of $1.4 million (2011 – nil). These charges consisted of the cost of the remaining lease terms of closed locations, lease asset write offs, severance and other charges.

[2]During the fourth quarter of 2010, the Company incurred $2.4 million in costs related to the forensic investigation of an employee fraud. During the second quarter of 2012, the Company received a reimbursement of a portion of these costs from its insurers. The net insurance reimbursement of $0.9 million is net of professional fees related to obtaining this reimbursement.

[3]On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location. The Company recorded a gain of $814 on this transaction, net of certain related restructuring costs. The gain is recorded in the corporate segment.

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses and impairment for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

	Three months ended		Three months ended	
($ in 000's except percentages)	**December 31, 2012**	**December 31, 2012 (adjusted)**	**December 31, 2011**	**December 31, 2011 (adjusted)**
Operating expenses before depreciation and amortization	**32,784**	**32,784**	31,763	31,763
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**814**	-	-
Restructuring and other items	**-**	**814**	-	-
Adjusted operating expenses before depreciation and amortization	**32,784**	**33,598**	31,763	31,763
Divided by revenue	**51,694**	**51,694**	49,292	49,292
Adjusted operating expenses before depreciation and amortization as % of revenue	**63.4%**	**65.0%**	64.4%	64.4%

	Year ended		Year ended	
($ in 000's except percentages)	**December 31, 2012**	**December 31, 2012 (adjusted)**	**December 31, 2011**	**December 31, 2011 (adjusted)**
Operating expenses before depreciation and amortization	**129,198**	**129,198**	121,592	121,592
Restructuring charges included in operating expenses	**-**	**(1,379)**	-	-
Insurance reimbursement included in operating expenses		**943**		
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**814**	-	-
Restructuring and other items	**-**	**378**	-	-
Adjusted operating expenses before depreciation and amortization	**129,198**	**129,576**	121,592	121,592
Divided by revenue	**199,673**	**199,673**	188,325	188,325
Adjusted operating expenses before depreciation and amortization as % of revenue	**64.7%**	**64.9%**	64.6%	64.6%

Operating Margin

The Company defines operating margin as operating income divided by revenue. The Company believes operating margin is an important measure of the profitability of operations which in turn assists it in assessing the Company's ability to generate cash to pay interest on its debt and to pay dividends.

($ in 000's except percentages)	Three months ended		Three months ended	
	December 31, 2012	**December 31, 2012 (adjusted)**	**December 31, 2011**	**December 31, 2011 (adjusted)**
Operating income	**5,790**	**5,790**	4,200	4,200
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**(814)**		
Restructuring and other items	**-**	**(814)**	-	-
Adjusted operating income	**5,790**	**4,976**	4,200	4,200
Divided by revenue	**51,694**	**51,694**	49,292	49,292
Operating margin	**11.2%**	**9.6%**	8.5%	8.5%

($ in 000's except percentages)	Year ended		Year ended	
	December 31, 2012	**December 31, 2012 (adjusted)**	**December 31, 2011**	**December 31, 2011 (adjusted)**
Operating income	**17,709**	**17,709**	15,267	15,267
Restructuring charges included in operating expenses	**-**	**1,379**	-	-
Insurance reimbursement included in operating expenses		**(943)**		
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**(814)**	-	-
Restructuring and other items	**-**	**(378)**	-	-
Adjusted operating income	**17,709**	**17,331**	15,267	15,267
Divided by revenue	**199,673**	**199,673**	188,325	188,325
Operating margin	**8.9%**	**8.7%**	8.1%	8.1%

Earnings before Interest, Taxes, Depreciation and Amortization and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of lease assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenues.

($ in 000's)	Three months ended December 31, 2012	Three months ended December 31, 2012 (adjusted)	Three months ended December 31, 2011	Three months ended December 31, 2011 (adjusted)
Net income as stated	**3,766**	**3,766**	2,616	2,616
Interest Expense	**1,215**	**1,215**	485	485
Income Tax Expense	**809**	**809**	1,099	1,099
Depreciation and amortization, excluding dep. of lease assets	**786**	**786**	1,239	1,239
EBITDA	**6,576**	**6,576**	5,439	5,439
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**(814)**	**-**	**-**
Restructuring and other items	**-**	**(814)**	**-**	**-**
Adjusted EBITDA	**6,576**	**5,762**	5,439	5,439
Divided by revenue	**51,694**	**51,694**	49,292	49,292
EBITDA margin	**12.7%**	**11.1%**	11.0%	11.0%

($ in 000's)	Year ended December 31, 2012	Year ended December 31, 2012 (adjusted)	Year ended December 31, 2011	Year ended December 31, 2011
Net income as stated	**11,057**	**11,057**	9,612	9,612
Interest Expense	**2,643**	**2,643**	1,541	1,541
Income Tax Expense	**4,009**	**4,009**	4,114	4,114
Depreciation and amortization, excluding dep. of lease assets	**4,387**	**4,387**	4,001	4,001
EBITDA	**22,096**	**22,096**	19,268	19,268
Restructuring charges included in operating expenses	**-**	**1,379**	**-**	**-**
Insurance reimbursement included in operating expenses		**(943)**	**-**	**-**
Gain on disposal of U.S. leasing stores, net of restructuring costs	**-**	**(814)**	**-**	**-**
Restructuring and other items	**-**	**(378)**	**-**	**-**
Adjusted EBITDA	**22,096**	**21,718**	19,268	19,268
Divided by revenue	**199,673**	**199,673**	188,325	188,325
EBITDA margin	**11.1%**	**10.9%**	10.2%	10.2%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2012 and December 31, 2011.

($ in 000's, except for ratios)	Dec. 31, 2012	Dec. 31, 2011
Total assets	**189,927**	159,123
External debt (includes term loan)	**39,611**	33,123
Other liabilities	**45,303**	28,458
Total liabilities	**84,914**	61,581
Shareholders' equity	**105,013**	97,542
Total capitalization (total debt plus total shareholders' equity)	**144,624**	130,665
External debt to shareholders' equity	**0.38**	0.34
External debt to total capitalization	**0.27**	0.25
External debt to Adjusted EBITDA*	**1.82**	1.72

*Adjusted EBITDA is expressed on a trailing twelve month basis.

Total assets were $189.9 million at December 31, 2012, an increase of $30.8 million or 19.3% over December 31, 2011. The growth in total assets was driven primarily by the increased size of the consumer loans receivable portfolio which increased by $21.6 million from December 31, 2011 to December 31, 2012. Additionally, $3.0 of goodwill was recognized as part of the acquisition of 15 leasing stores in Canada on December 31, 2012. Finally, cash balances increased by $3.6 million year over year.

The growth in total assets has been financed by a $23.3 million increase in total liabilities, which includes a $6.5 million increase in external debt, a payable of $7.0 million related to the acquisition of 15 leasing stores in Canada on December 31, 2012 and a $7.5 million increase in total shareholder's equity. Although the Company has continued to maintain its dividend payments to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

During the first three quarters of 2012, external debt consisted of Canadian dollar loans under a bank revolving credit facility, which bore interest at the lender's prime rate plus 125 bps.

On October 4, 2012 the Company entered into a new $20.0 million credit facility to support the growth of easyfinancial. The new five year credit facility is comprised of a $20 million term loan. Borrowings are at 10.50% over the Canadian Bankers' Acceptance rate and are secured by a first charge on the assets of easyfinancial and a second charge on substantially all of the other assets of the Company and its subsidiaries.

Concurrently, the Company revised the terms of its existing revolving credit facility and extended its maturity date to October 4, 2015. The revised and extended revolving credit facility has a maximum limit of $35.0 million, reducing to $30.0 million on October 5, 2013, and bears interest at the lead lender's prime rate plus 150 to 250 bps, depending on the Company's total debt to EBITDA ratio. The revolving facility is fully secured by a first charge on substantially all of the assets of the Company and its subsidiaries, excluding easyfinancial, and a second charge on the assets of easyfinancial.

At December 31, 2012 and December 31, 2011, the Company was in compliance with all of its financial covenants under its lending agreement.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Cash provided by operating activities before issuance of consumer loans receivable	**29,144**	**19,750**	**89,581**	**69,002**
Net issuance of consumer loans receivable	**13,495**	**6,512**	**31,425**	**29,398**
Cash provided by operating activities	**15,649**	**13,238**	**58,156**	**39,604**
Cash used in investing activities	**18,664**	**15,592**	**57,349**	**50,218**
Financing activities	**6,605**	**2,735**	**2,805**	**10,902**
Net increase in cash for the period	**3,590**	**381**	**3,612**	**288**

The Company continued to generate strong cash flows for the three months ended December 31, 2012. Cash flows provided by operating activities for the three months ended December 31, 2012 were $15.6 million. Included in this $15.6 million is a net investment of $13.5 million to increase the easyfinancial consumer loans receivable 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 $29.1 million, up $9.4 million from the fourth quarter of 2011.

The cash flows from operating activities in the fourth quarter of 2012, enabled the Company to i) meet the needs of easyfinancial as described above, ii) invest $22.3 million in new lease assets, iii) invest $3.3 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

The Company continued to generate strong cash flows for the year ended December 31, 2012. Cash flows provided by operating activities for the year ended December 31, 2012 were $58.2 million. Included in this $58.2 million is a net investment of $31.4 million to increase the easyfinancial consumer loans receivable 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 $89.6 million, up $20.6 million from 2011.

The cash flows from operating activities in 2012, enabled the Company to i) meet the needs of easyfinancial as described above, ii) invest $55.4 million in new lease assets, iii) invest $9.0 million in additional property and equipment and intangible assets, and iv) maintain its dividend payments.

The Company believes that the cash flow provided by operations will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. In addition the incremental financing obtained in the quarter will allow the Company to grow its consumer loan portfolio through 2013. However, for easyfinancial to achieve its full long-term growth potential, additional sources of financing over and above the currently available credit facility and term loan are required. There is no certainty that these long term sources of capital will be available or at terms favourable to the Company.

Outstanding Shares and Dividends

As at March 11, 2013 there were 11,940,464 shares, 515,552 options and no warrants outstanding.

For the three months ended December 31, 2012, the Company paid a $0.085 per share quarterly 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 years indicated:

	2012	2011	2010	2009	2008	2007	2006
Dividend per share	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.070	$ 0.060
Percentage increase	0.0%	0.0%	0.0%	0.0%	21.4%	16.7%	50.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next 5 years and thereafter are approximately as follows:

($ in 000's)	Premises	Other	Total
2013	19,684	2,253	21,937
2014	15,338	1,821	17,159
2015	12,011	1,354	13,365
2016	8,872	862	9,734
2017	4,556	232	4,788
Thereafter	4,958	11	4,969
	65,419	6,533	71,952

Class Action Lawsuit

The Company and certain of its current and former officers have been named as defendants in a 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. The claim is brought under s. 138 of the Ontario Securities Act. The plaintiff alleges, among other things, that, arising out of an employee fraud discovered in 2010, the Company and certain of its former and current officers made misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. The claim seeks $10 million in general damages. On March 26, 2012, the lawsuit was certified as a class proceeding on consent.

The Company has reached a settlement with the class. The settlement, which is subject to court approval, contemplates a payment by the Company of $2.25 million, which, if approved, will be distributed to class counsel and members of the class. The settlement funds will be paid by the Company's insurer pursuant to the Company's insurance policies. The settlement agreement reached between the Company and the class contains no admissions of liability on the part of the Company or any of its current or former officers or directors.

The settlement reflects an analysis of the facts and law applicable to the issues in this case, and takes into account the extensive burdens, complexity, risks and expense of continued litigation. 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.

Other Legal Actions

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

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

Transactions with Related Parties

The Company, through its wholly-owned subsidiary easyhome U.S. Ltd., signed a License/Master Franchise Agreement [the "License Agreement"] with an entity controlled by Walter "Bud" Gates ["easygates LLC"] on March 2, 2007. Mr. Gates was elected to the Company's Board of Directors in April 2010 and was a director until December 21, 2011. Mr. Gates did not participate or vote in any Board of Director discussions relating to the Licence Agreement. The License Agreement has an initial six-year term and allows easygates LLC to set up easyhome franchises in the U.S., excluding the 14 U.S. states that border Canada. The License Agreement provides that, for each franchise store that is opened, easygates LLC and easyhome will split both the initial franchise fee and the ongoing royalty fees. As at December 31, 2012, 38 franchise locations were opened and operated under the License Agreement.

Risk Factors

Overview

The Company's activities are exposed to a variety of operational and financial risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Dependence on Key Personnel

The biggest limiting factor in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years the Company has improved its hiring competencies and its training programs such that employee retention has improved by more than 50% since 2000.

In particular, the Company is dependent on the continued services of its President and Chief Executive Officer and the rest of the senior management team and the loss of these individuals without adequate replacement could materially adversely affect its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store level, the Company requires a growing number of qualified managers and other store personnel to operate its stores successfully. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining such personnel as it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with such statutes, regulations or regulatory policies, either in Canada or the U.S., could result in sanctions, fines or other settlements that could adversely affect both our earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of our merchandise leasing and consumer lending industries.

Future Capital Needs and Liquidity Risk

The Company believes that the cash flow expected to be provided by operations during 2013, coupled with the available loan facilities will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. While the Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of financing that is available, in the event that the Company decides to continue to expand its consumer lending business conducted by easyfinancial, additional sources of financing over and above the available loan facility may be required.

The Company intends in the future to significantly expand its operations and it will require substantial funds. The Company may have to obtain additional funding through debt or equity financing. However, there can be no assurance that additional funding will be available when needed or will be available on terms acceptable to the Company. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and growing dividends. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company has externally imposed capital requirements as governed through its credit facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud or other inappropriate behaviour) or inadequacy or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, and loss of competitive position or regulatory or civil penalties. While operational risk cannot be eliminated, the Company continues to take steps to mitigate this risk. The financial measure of operational risk is the actual losses incurred. No material losses occurred as a result of operational risk in 2012.

Litigation

From time to time the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Competition

Competition from U.S. based merchandise leasing companies and others in the Canadian market will increase the competition for customers and employees. Although the Company believes that such competition will stimulate industry growth and is an indication of the significant growth potential that exists in the merchandise leasing industry in Canada, this increased competition could have a material adverse effect on the Company's operational results should the Company not be able to adequately respond to it.

Other factors that may adversely affect the Company's growth are further competition from merchandise rental businesses and, to a lesser extent, rental stores that do not offer a purchase option. The Company also competes with discount stores and other retail outlets that offer an installment sales program or offer comparable products and prices and with financial institutions and payday lenders that offer consumer loans. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

The Company's financial services business occupies a market niche between traditional financial institutions and short-term pay day lenders. As such, it competes with companies from each of these sectors. Competition is based primarily on access, flexibility and cost (interest rate). Since the Company's products are more affordable than pay day loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not being adequately served by the incumbent participants in either of these market sectors. As at December 31, 2012, the Company was not aware of any other significant competitors offering a similar product to a comparable customer set in the Canadian marketplace. However, the Company believes that similar products targeting comparable customers will eventually appear but the potential marketplace is sufficiently large that such introductions will not adversely affect the Company's operational results in the near term.

Future Growth

The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional stand alone locations and evolve its delivery channels to access customers through means other than traditional retail locations. Revenue growth could be impacted significantly if the Company is not able to hire and train high quality management and staff to operate the stores and kiosks. The growth in the easyfinancial loan book could also be impaired if the Company is unable to secure adequate financing.

Compliance with Financial Covenants

The Company's successful financial and operating performance is required in order for the Company to continue to comply with the covenants in its debt instruments. While the Company was in compliance with all financial covenants as at December 31, 2012, there is no guarantee that in the future the Company will continue to meet these covenants.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and assets on lease with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers and has policies and procedures that are intended to ensure that it has no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers.

The credit risk related to amounts receivable and consumer loans receivable results principally from the possibility of default on rebate payments, consumer loans, and amounts due from licensee and former related parties. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts where determined to be appropriate.

The credit risk on the Company's consumer loans receivable is also impacted by both the credit policies and the lending practices which are overseen by the Company's senior management.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed payments. The Company has a collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company sources some of its merchandise out of the U.S. and as such, the Company's Canadian operations have U.S. denominated cash and payables balances. As a result, the Company has both foreign exchange transaction and translation risk.

Foreign currency risk was not material in 2012. Although easyhome has significant U.S. denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. The Company currently does not actively manage foreign currency risk and transacts in foreign currencies on a spot basis.

Economic Conditions

Current uncertainty in general economic conditions may negatively affect the Company's financial results. A prolonged period of economic decline could have a material adverse effect on its results of operations and financial condition and exacerbate some of the other risk factors described herein. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economy will show meaningful improvement.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

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

- consumer loan losses
- 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 are fully described in the Company's December 31, 2012 Notes to the Financial Statements.

Adoption of New Accounting Standards

No new accounting standards were adopted by the Company during the reporting period. The accounting standards issued but not yet effective that may affect the Company's future financial statements remain as described in the Company's December 31, 2012 Notes to the 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 Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of disclosure controls and procedures were effective as at December 31, 2012.

Internal Control 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").

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

Changes to ICFR During 2012

During 2012, the following is a summary of the material changes in the Company's ICFR that have occurred or were finalized during the year ended December 31, 2012:

- General computer controls, including change management and user access controls, were strengthened through the consistent adherence to the Company's formal policies regarding general computer controls.
- During the fourth quarter of 2012, the Company successfully replaced the information system supporting the easyfinancial business. The new information system automates many control processes that were previously performed manually, provides more detailed management and exception reporting and provides a platform that is scalable as easyfinancial continues to grow.

Evaluation of ICFR at December 31, 2012

As at December 31, 2012, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal control over financial reporting were effective as at December 31, 2012.