Interim Condensed Consolidated Financial Statements

easyhome Ltd.

(Unaudited)
June 30, 2012

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As at June 30, 2012	As at December 31, 2011
ASSETS (note 6)		
Current assets		
Cash	**1,197**	1,019
Amounts receivable	**3,810**	5,893
Income taxes recoverable	**-**	600
Consumer loans receivable (note 4)	**34,013**	32,619
Prepaid expenses	**1,127**	1,316
Total current assets	**40,147**	41,447
Amounts receivable	**1,448**	1,365
Consumer loans receivable (note 4)	**18,735**	12,319
Lease assets	**63,511**	66,996
Property and equipment (note 5)	**12,388**	12,612
Deferred tax assets (note 10)	**5,357**	2,933
Intangible assets	**4,972**	4,126
Goodwill	**17,325**	17,325
TOTAL ASSETS	**163,883**	159,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank revolving credit facility (note 6)	**32,921**	33,123
Accounts payable and accrued liabilities	**18,153**	19,504
Income taxes payable	**3,934**	-
Dividends payable (note 7)	**1,009**	1,007
Deferred lease inducements	**535**	598
Unearned revenue	**4,288**	4,562
Provisions (note 9)	**424**	24
Total current liabilities	**61,264**	58,818
Accounts payable and accrued liabilities	**293**	727
Deferred lease inducements	**1,784**	1,959
Provisions (note 9)	**353**	77
Total liabilities	**63,694**	61,581
Contingencies (note 13)		
Shareholders' equity		
Share capital (note 7)	**60,452**	60,207
Contributed surplus	**2,942**	3,171
Accumulated other comprehensive loss	**(57)**	(52)
Retained earnings	**36,852**	34,216
Total shareholders' equity	**100,189**	97,542
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**163,883**	159,123

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
REVENUE				
Lease revenue	**38,672**	39,376	**78,911**	80,158
Interest income	**5,790**	3,469	**11,030**	6,312
Other	**4,441**	3,419	**8,749**	5,997
	48,903	46,264	**98,690**	92,467
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits (note 8)	**15,560**	15,135	**32,025**	29,825
Advertising and promotion	**2,303**	1,872	**4,156**	3,466
Bad debts	**2,325**	1,390	**4,326**	2,514
Occupancy	**6,384**	6,217	**13,047**	12,674
Distribution and travel	**1,933**	2,058	**3,714**	3,939
Other	**3,142**	3,376	**6,679**	6,588
Restructuring and other items (note 9)	**436**	-	**436**	-
	32,083	30,048	**64,383**	59,006
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**12,122**	11,361	**24,198**	23,812
Depreciation of property and equipment	**996**	778	**1,971**	1,624
Amortization of intangible assets	**115**	171	**229**	277
Impairment (net) (note 5)	**166**	29	**282**	29
	13,399	12,339	**26,680**	25,742
Total operating expenses	**45,482**	42,387	**91,063**	84,748
Operating income	**3,421**	3,877	**7,627**	7,719
Interest expense	**463**	336	**947**	633
Income before income taxes	**2,958**	3,541	**6,680**	7,086
Income tax expense (note 10)				
Current	**3,534**	(781)	**4,451**	(449)
Deferred	**(2,606)**	1,608	**(2,424)**	2,439
	928	827	**2,027**	1,990
Net income	**2,030**	2,714	**4,653**	5,096
Basic earnings per share (note 11)	**0.17**	0.23	**0.39**	0.43
Diluted earnings per share (note 11)	**0.17**	0.23	**0.39**	0.43

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Net income	**2,030**	2,714	**4,653**	5,096
Other comprehensive loss				
Change in foreign currency translation reserve	**231**	(31)	**(5)**	(347)
Comprehensive income	**2,261**	2,683	**4,648**	4,749

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2011	**60,207**	**3,171**	**63,378**	**34,216**	**(52)**	**97,542**
Common shares issued	**245**	**(323)**	**(78)**	**-**	**-**	**(78)**
Stock-based compensation (note 8)	**-**	**94**	**94**	**-**	**-**	**94**
Comprehensive income	**-**	**-**	**-**	**4,653**	**(5)**	**4,648**
Dividends (note 7)	**-**	**-**	**-**	**(2,017)**	**-**	**(2,017)**
Balance, June 30, 2012	**60,452**	**2,942**	**63,394**	**36,852**	**(57)**	**100,189**
Balance, December 31, 2010	60,074	3,061	63,135	28,633	(257)	91,511
Common shares issued	133	(191)	(58)	-	-	(58)
Stock-based compensation (note 8)	-	207	207	-	-	207
Comprehensive income	-	-	-	5,096	(347)	4,749
Dividends (note 7)	-	-	-	(2,015)	-	(2,015)
Balance, June 30, 2011	60,207	3,077	63,284	31,714	(604)	94,394

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
OPERATING ACTIVITIES				
Net income	**2,030**	2,714	**4,653**	5,096
Add (deduct) items not affecting cash				
Depreciation of lease assets	**12,122**	11,361	**24,198**	23,812
Depreciation of property and equipment (note 5)	**996**	778	**1,971**	1,624
Impairment (net) (note 5)	**166**	29	**282**	29
Amortization of intangible assets	**115**	171	**229**	277
Stock-based compensation (note 8)	**58**	43	**94**	206
Bad debt expense	**2,325**	1,390	**4,326**	2,514
Deferred income tax expense	**(2,606)**	1,608	**(2,424)**	2,439
(Gain) loss on sale of property and equipment	**(127)**	(385)	**(100)**	(427)
	15,079	17,709	**33,229**	35,570
Net change in other operating assets and liabilities (note 11)	**7,697**	1,079	**5,102**	(5,556)
Net issuance of consumer loans receivable	**(8,938)**	(6,558)	**(12,136)**	(14,182)
Cash provided by operating activities	**13,838**	12,230	**26,195**	15,832
INVESTING ACTIVITIES				
Purchase of lease assets	**(10,224)**	(10,595)	**(20,829)**	(21,379)
Purchase of property and equipment	**(1,325)**	(826)	**(1,993)**	(1,425)
Purchase of intangible assets	**(845)**	(202)	**(1,078)**	(222)
Proceeds on sale of property and equipment	**180**	505	**180**	774
Cash used in investing activities	**(12,214)**	(11,118)	**(23,720)**	(22,252)
FINANCING ACTIVITIES				
Advances (repayments) of bank revolving credit facility	**(243)**	472	**(202)**	10,159
Payments of term loan	**-**	(862)	**-**	(1,735)
Payment of common share dividends (note 7)	**(1,010)**	(1,007)	**(2,017)**	(1,899)
Redemption of deferred share units	**-**	-	**(78)**	(58)
Cash provided by (used in) financing activities	**(1,253)**	(1,397)	**(2,297)**	6,467
Net increase (decrease) in cash during the period	**371**	(285)	**178**	47
Cash, beginning of period	**826**	1,063	**1,019**	731
Cash, end of period	**1,197**	778	**1,197**	778

See accompanying notes to the interim condensed consolidated financial statements

1. CORPORATE INFORMATION

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

The unaudited interim condensed consolidated financial statements include the financial statements of the Parent company, all wholly owned subsidiaries where control is established by the Parent company's ability to determine strategic, operating, investing and financing policies without the cooperation of others, and certain special purposes entities ["SPEs"] where control is achieved on a basis other than through ownership of a majority of voting rights [collectively referred to as "easyhome" or the ["Company"]. The Parent company's principal subsidiaries are:

- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.
- Insta-rent Ltd.

The Company's principal operating activities includes merchandise leasing of household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements. In addition, the Company offers a variety of financial services, including consumer loans and prepaid cards through its easyfinancial Services Inc. business ["easyfinancial"].

The Company operates in three reportable segments: leasing, easyfinancial and franchising. As at June 30, 2012, the Company operated 204 easyhome leasing stores (including 7 consolidated SPE franchises), 94 easyfinancial locations and had 45 franchise locations (June 30, 2011 – 221 easyhome leasing stores (including 4 consolidated SPE franchises), 74 easyfinancial locations and 37 franchise locations).

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 13, 2012.

These unaudited interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention.

Statement of Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements for the three and six month periods ended June 30, 2012 were prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* using the same accounting policies as those used in the Company's most recent annual consolidated financial statements. These interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the annual consolidated financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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, 2011 consolidated financial statements.

4. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represent amounts advanced to customers of easyfinancial. Loan terms generally range from 6 to 36 months.

(in $ 000's)	**June 30, 2012**	**December 31, 2011**
Consumer loans receivable	**55,818**	47,565
Allowance for loan losses	**(3,070)**	(2,627)
	52,748	44,938
Current portion of consumer loans receivable	**34,013**	32,619
Long-term portion of consumer loans receivable	**18,735**	12,319
	52,748	44,938

An aging analysis of consumer loans past due as at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012		**December 31, 2011**	
(in $ 000's except %)	**$**	**% of total loans**	**$**	**% of total loans**
1 - 30 days	2,371	4.2%	2,438	5.1%
31 - 44 days	366	0.7%	400	0.8%
45 - 60 days	370	0.7%	358	0.8%
61 - 90 days	549	1.0%	519	1.1%

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

(in $ 000's)	**Six months ended June 30, 2012**	**Year ended December 31, 2011**
Balance, beginning of period	**2,627**	1,971
Amounts written off against allowance	**(3,874)**	(5,046)
Increase due to lending and collection activities	**4,317**	6,301
Amounts written off against allowance due to employee fraud	**-**	(599)
Balance, end of period	**3,070**	2,627

5. PROPERTY AND EQUIPMENT

Various impairment indicators were used to determine the need to test a cash-generating unit ["CGU"] for an impairment loss and recovery. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined that this is at the individual store level. Examples of these indicators include significant declines in revenue, performance significantly below budget and expectation and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGUs value-in-use. When determining the CGUs value-in-use, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, five year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 3% long-term growth rate. The forecasted cash flow was discounted using a 17% before tax discount rate. Where the carrying value of the CGUs assets exceeded the recoverable amounts, as represented by the CGU's value-in-use, the stores property and equipment assets were written down. It was concluded that due to the portability of leased assets held within the CGU and the cash flows generated by individual lease assets that no impairment write down of the leased assets was required. As such, the CGUs impairment charge was limited to the property and equipment held by the impaired CGU.

For the three and six months ended June 30, 2012, the Company recorded an impairment charge of $166 and $517 respectively, offset by an impairment recovery of $0 and $235. The net impairment charge for the three and six months ended June 30, 2012 was $166 and $282, respectively. For the three and six months ended June 30, 2011, the Company recorded a net impairment charge of $29.

All impairment charges relate solely to the leasing segment.

6. BANK REVOLVING CREDIT FACILITY

Revolving credit facility

On July 21, 2011, the Company entered into new credit facilities with a syndicate of banks which provides for a $40 million revolving credit facility and also included related term and letter of credit facilities for $0.9 million and $0.5 million, respectively. The revolving facility reduces to $35 million on August 31, 2012 and matures on July 21, 2013. Borrowings under previous facilities were rolled into the new facilities.

(in $ 000's)	**June 30, 2012**	**December 31, 2011**
Revolving credit facility	**32,921**	33,123

Canadian dollar loans under the facilities bear interest at the lender's prime plus 125 bps or plus 175 bps if the Company's total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio equals or exceeds 2 times. The Company also has the option to convert the loans to US Base, Bankers' Acceptance or LIBOR rates. Currently, the Company's effective interest rate under the facilities is 4.25%.

The credit facilities are fully secured over substantially all assets of the Company and its subsidiaries, contain certain positive and negative covenants and other usual and customary terms and conditions. The financial covenants of the credit facilities are as follows:

Financial Covenant	**Requirements**	**As at June 30, 2012**	**As at December 31, 2011**
Total debt to EBITDA ratio	< 2.0	**1.66**	1.75
Fixed coverage ratio	> 1.15	**1.27**	1.18
Total debt to effective tangible net worth ratio	< 0.55	**0.43**	0.44
Total debt to lease assets	< 0.75	**0.53**	0.49

As at June 30, 2012, the Company was in compliance with all of its financial covenants under its lending agreement.

7. SHARE CAPITAL

Authorized capital

The authorized capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of preference shares. The common shares are listed for trading on the TSX.

Common shares issued and outstanding

The changes in common shares are summarized as follows:

	Six months ended June 30, 2012		**Year ended December 31, 2011**	
(in $ 000's except number of shares in 000's)	**# of shares**	**$**	**# of shares**	**$**
Balance, beginning of period	**11,849**	**60,207**	11,842	60,074
Issued for cash for redemption of Deferred Share Units	**25**	**245**	7	133
Balance, end of period	**11,874**	**60,452**	11,849	60,207

Dividends on common shares

The Company paid dividends of $1.0 million, or $0.085 per share and $2.0 million or $0.17 per share during the three and six months ended June 30, 2012, respectively. The Company paid dividends of $1.0 million, or $0.17 per share and $1.9 million or $0.085 per share for the three and six months ended June 30, 2011.

The Company declared a dividend of $0.085 per share on May 7, 2012 to shareholders of record on June 27, 2012, payable on July 6, 2012. The dividend paid on July 6, 2012 was $1.0 million. During the second quarter of 2011, the Company declared a dividend of $0.085 per share to shareholders on record on June 27, 2011, payable on July 5, 2011. The dividend paid on July 5, 2011 was $1.0 million.

8. STOCK-BASED COMPENSATION

Share option plan

The Company uses the fair value method of accounting for stock options granted to employees and directors. During the three and six months ended June 30, 2012, the Company granted nil options (2011 – 95,530 options). For the three and six months ended June 30, 2012, $26 and $63, respectively (2011 – ($72) and ($5), respectively) was recorded as stock-based compensation expense with respect to stock options in salaries and benefits expense in the interim consolidated statements of income, with a corresponding increase in contributed surplus.

Restricted share unit plan

During the three and six months ended June 30, 2012, the Company granted no Restricted Share Units ["RSUs"] (2011 – nil) to senior executives of the Company under its Restricted Share Unit Plan. For the three and six months ended June 30, 2012, $nil (2011 – $13 and $14, respectively) was recorded as stock-based compensation expense under the Restricted Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and six months ended June 30, 2012, an additional 1,193 and 2,716 RSUs (2011 – 937 and 2,147 RSUs, respectively) were granted as a result of dividends payable.

Performance share unit plan

During the three and six months ended June 30, 2012, the Company granted nil and 401,552 Performance Share Units ["PSUs"] respectively (2011- 309,356) to senior executives of the Company under its Performance Share Unit Plan. For the three and six months ended June 30, 2012, $138 and $399, respectively (2011 – $175 and $304, respectively) was recorded as stock-based compensation expense under the Performance Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and six months ended June 30, 2012, an additional 11,430 and 20,240 PSUs, respectively (2011 – 2,317 and 4,371 PSUs, respectively) were granted as a result of dividends payable.

Deferred share unit plan

During the three and six months ended June 30, 2012, the Company granted 4,924 Deferred Share Units ["DSUs"] (2011 – 12,534 and 22,974 DSUs, respectively) to Directors under its Deferred Share Unit Plan. For the three and six months ended June 30, 2012, $32 (2011 - $101 and $197, respectively) was recorded as stock-based compensation expense under the Deferred Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and six months ended June 30, 2012, no DSUs (2011 – $897 and $1,617, respectively) were granted as a result of dividends payable.

For the three and six months ended June 30, 2012, $196 and $494, respectively (2011 - $217 and $510, respectively) was recorded as stock-based compensation expense under all stock-based compensation plans. The liability relating to stock-based compensation for the three months ended June 30, 2012 was $1,045 (2011 - $753).

9. RESTRUCTURING AND OTHER ITEMS

	Three months ended June 30		**Six months ended June 30**	
(in $ 000's)	**2012**	**2011**	**2012**	**2011**
Restructuring charges	**1,379**	-	**1,379**	**-**
Insurance reimbursement	**(943)**	-	**(943)**	**-**
	436	-	**436**	**-**

Restructuring charges

During the second quarter of 2012, the Company restructured the management and operating procedures of its leasing segment and closed 13 underperforming locations. For the three and six months ended June 30, 2012, $1.4 million (2011 –

nil) was recorded as restructuring and other charges within operating income. These charges consisted of the cost of remaining lease terms for closed locations, lease asset write offs, severance and other charges. No further related charges are expected in future periods.

As at June 30, 2012, $0.7 million (2011 –$ nil) of provisions were due to restructuring charges.

Insurance Recovery

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 the costs from its insurers. The insurance reimbursement of $943 is net of professional fees related to obtaining this reimbursement.

10. INCOME TAXES

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

	Six months ended June 30	
(in $ 000's)	**2012**	**2011**
Combined basic federal and provincial income tax rates	25.8%	28.0%
Expected income tax expense	1,724	1,986
Impact of tax rate changes on deferred tax assets	(12)	(4)
Non-deductible expense	75	89
U.S losses not tax benefited	230	167
Other	10	(248)
	2,027	1,990

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

($ in 000's)	**June 30, 2012**	**December 31, 2011**
Loss carryforwards	-	256
Tax cost of lease assets and property and equipment in excess of net book value	3,271	929
Amounts receivable and provisions	996	882
Lease inducements	563	621
Unearned revenue	195	165
Financing fees	104	122
Other	228	(42)
	5,357	2,933

11. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share amounts are calculated by dividing the net income for the period by the weighted average of common shares outstanding during the period as follows:

(in $ 000's except number of shares in 000's and earnings per share)	**Three months ended June 30**		**Six months ended June 30**	
	2012	**2011**	**2012**	**2011**
Net income for the period	**2,030**	2,714	**4,653**	**5,096**
Weighted average number of common shares outstanding	**11,874**	11,849	**11,869**	**11,849**
Basic earnings per share	**0.17**	0.23	**0.39**	**0.43**

Diluted earnings per share

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

(in $000's except number of share in 000's and earnings per share)	**Three months ended June 30**		**Six months ended June 30**	
	2012	**2011**	**2012**	**2011**
Net income for the period	**2,030**	2,714	**4,653**	5,096
Weighted average number of common shares outstanding	**11,874**	11,849	**11,869**	11,849
Dilutive effect of share based rewards	**100**	113	**107**	113
Weighted average number of diluted shares outstanding	**11,974**	11,962	**11,976**	11,962
Dilutive earnings per share	**0.17**	0.23	**0.39**	0.43

The dilutive effect of share rewards reflects 100,672 options for the three months ended June 30, 2012 (three month ended (June 30, 2011 – 52,860) and 107,391 options for the six months ended June 30, 2012 (six month ended June 30, 2011 – 53,239).

For the period ended June 30, 2012, stock options to acquire 520,282 common shares (June 30, 2011 – 717,662 options) were not included in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the period.

12. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

The net change in non-cash working capital balances related to operating activities is as follows:

	Three months ended June 30		**Six months ended June 30**	
(in $ 000's)	**2012**	**2011**	**2012**	**2011**
Amounts receivable	**164**	(97)	**2,000**	(10)
Prepaid expenses	**175**	(33)	**189**	285
Accounts payable and accrued liabilities	**3,576**	2,253	**(1,785)**	(3,366)
Income taxes recoverable	**3,518**	(1,199)	**4,534**	(1,305)
Deferred lease inducement	**(185)**	(121)	**(238)**	(135)
Unearned revenue	**(222)**	395	**(274)**	(720)
Provisions	**671**	(119)	**676**	(305)
	7,697	1,079	**5,102**	(5,556)

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

	Three months ended June 30		**Six months ended June 30**	
($ in 000's)	**2012**	**2011**	**2012**	**2011**
Income taxes paid	**16**	438	**16**	877
Interest paid	**467**	336	**944**	633
Interest received	**5,695**	3,469	**10,958**	6,312

13. CONTINGENCIES

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 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 damages. As a result of recent amendments to the statement of claim, the claim for punitive damages was withdrawn. On March 26, 2012, the lawsuit was certified as a class proceeding on consent. It will now enter the discovery phase.

The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

Other legal actions

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

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

14. RELATED PARTY TRANSACTIONS

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 June 30, 2012, 34 franchise locations were opened and operated under the License Agreement. (December 31, 2011 - 32 franchise locations).

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

15. SEGMENTED REPORTING

For management purposes, the Company has three reportable segments as follows:

- Leasing
- easyfinancial
- Franchising

Accounting policies for each of these business segments are the same as those disclosed in the annual consolidated financial statements for the year ended December 31, 2011. Except for easyfinancial, revenue is allocated to each business segment based on the location of the easyhome store where the transaction originates. easyfinancial's revenue includes all revenue earned from the Company's consumer lending business. General and administrative expenses directly related to the Company's business segments are included as operating expenses for those segments. All other general and administrative expenses are reported separately in the Corporate amounts. Management assesses the performance based on pre-tax operating income.

The following tables summarize the relevant information for the dates disclosed:

Three months ended June 30, 2012 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	39,708	8,817	378	-	48,903
Total operating expenses before depreciation and amortization and restructuring and other items	22,040	6,175	103	3,329	31,647
Restructuring and other items	1,296	-	-	(860)	436
Depreciation and amortization	13,075	136	54	134	13,399
Segment operating income (loss)	3,297	2,506	221	(2,603)	3,421
Interest expense	-	-	-	463	463
Income (loss) before income taxes	3,297	2,506	221	(3,066)	2,958
Assets	98,862	60,088	2,002	2,931	163,883
Liabilities	24,491	2,715	-	36,488	63,694

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

Three months ended June 30, 2011 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	40,334	5,642	288	-	46,264
Total operating expenses before depreciation and amortization	22,014	4,133	135	3,766	30,048
Depreciation and amortization	12,124	77	20	118	12,339
Segment operating income (loss)	6,196	1,432	133	(3,884)	3,877
Interest expense	-	-	-	336	336
Income (loss) before income taxes	6,196	1,432	133	(4,220)	3,541
Assets	101,166	37,108	1,814	5,831	145,919
Liabilities	19,144	1,339	-	31,042	51,525

Six months ended June 30, 2012 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	80,896	17,010	784	-	98,690
Total operating expenses before depreciation and amortization and restructuring and other items	44,052	11,447	228	8,220	63,947
Restructuring and other items	1,296	-	-	(860)	436
Depreciation and amortization	26,064	264	85	267	26,680
Segment operating income (loss)	9,484	5,299	471	(7,627)	7,627
Interest expense	-	-	-	947	947
Income (loss) before income taxes	9,484	5,299	471	(8,574)	6,680
Assets	98,862	60,088	2,002	2,931	163,883
Liabilities	24,491	2,715	-	36,488	63,694

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

Six months ended June 30, 2011 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	81,693	10,194	580	-	92,467
Total operating expenses before depreciation and amortization	43,145	7,683	216	7,962	59,006
Depreciation and amortization	25,316	154	43	229	25,742
Segment operating income (loss)	13,232	2,357	321	(8,191)	7,719
Interest expense	-	-	-	633	633
Income (loss) before income taxes	13,232	2,357	321	(8,824)	7,086
Assets	101,166	37,108	1,814	5,831	145,919
Liabilities	19,144	1,339	-	31,042	51,525

The Company operates across Canada and in certain U.S. states. During the six months ended June 30, 2012, 92% or $91.0 million of revenue was generated in Canada and 8% or $7.7 million of revenue was generated in the U.S. (2011 - 93% or $86.3 million of revenue was generated in Canada and 7% or $6.2 million of revenue was generated in the U.S). Additionally, as at June 30, 2012, $150.4 million of the Company's assets were located in Canada and $13.5 million were located in the U.S. (December 31, 2011 - $145.4 million in Canada and $13.7 million in the U.S.).

As at June 30, 2012, the Company's goodwill of $17.3 million (December 31, 2011 - $17.3 million) is related entirely to its Canadian leasing segment.

The Company's leasing business consists of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by major product category as a percentage of total lease revenue for the periods ended June 30, 2012 and 2011 are as follows:

	Six months ended June 30,	
(percentage)	**2012 (%)**	**2011 (%)**
Furniture	**38**	36
Electronics	**32**	34
Computers	**18**	19
Appliances	**12**	11
	100	100