

Interim Condensed Consolidated Financial Statements

**easyhome Ltd.**

(Unaudited)

March 31, 2015

**easyhome Ltd.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At March 31, 2015	As At December 31, 2014
<b>ASSETS</b>		
Cash	333	1,165
Amounts receivable	12,176	16,508
Prepaid expenses	2,861	1,971
Consumer loans receivable (note 4)	194,762	180,693
Lease assets	64,496	64,526
Property and equipment (note 5)	18,964	16,915
Deferred tax assets (note 10)	6,265	6,725
Intangible assets	12,614	11,006
Goodwill	20,374	19,963
<b>TOTAL ASSETS</b>	<b>332,845</b>	<b>319,472</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Revolving operating facility (note 7)	1,617	1,756
Accounts payable and accrued liabilities	24,786	32,837
Income taxes payable	4,111	3,042
Dividends payable (note 8)	1,343	1,133
Deferred lease inducements	2,323	2,603
Unearned revenue	4,031	3,978
Provisions	407	314
Term loan (note 7)	134,998	119,841
<b>TOTAL LIABILITIES</b>	<b>173,616</b>	<b>165,504</b>
<b>Contingencies (note 13)</b>		
<b>Shareholders' equity</b>		
Share capital (note 8)	81,442	80,364
Contributed surplus	6,753	6,458
Accumulated other comprehensive income	1,002	694
Retained earnings	70,032	66,452
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>159,229</b>	<b>153,968</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>332,845</b>	<b>319,472</b>

See accompanying notes to the interim condensed consolidated financial statements

On behalf of the Board:



David Ingram  
Director



Donald K. Johnson  
Director

**easyhome Ltd.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
<b>REVENUE</b>		
Lease revenue	36,753	38,500
Interest income	21,158	12,789
Other	12,614	9,045
	<b>70,525</b>	<b>60,334</b>
<b>EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>		
Salaries and benefits	21,155	18,259
Stock based compensation (note 9)	1,620	1,547
Advertising and promotion	2,587	1,629
Bad debts	8,168	4,207
Occupancy	7,636	6,923
Other	5,958	6,028
	<b>47,124</b>	<b>38,593</b>
<b>DEPRECIATION AND AMORTIZATION</b>		
Depreciation of lease assets	11,624	12,060
Depreciation of property and equipment	1,280	1,146
Amortization of intangible assets	722	480
Impairment, net (note 5)	-	82
	<b>13,626</b>	<b>13,768</b>
Total operating expenses	<b>60,750</b>	<b>52,361</b>
Operating income	<b>9,775</b>	<b>7,973</b>
Finance costs (note 7)	<b>3,130</b>	<b>1,558</b>
Income before income taxes	<b>6,645</b>	<b>6,415</b>
Income tax expense (recovery) (note 10)		
Current	1,252	3,199
Deferred	470	(1,414)
	<b>1,722</b>	<b>1,785</b>
<b>Net income</b>	<b>4,923</b>	<b>4,630</b>
<b>Basic earnings per share (note 11)</b>	<b>0.36</b>	<b>0.35</b>
<b>Diluted earnings per share (note 11)</b>	<b>0.35</b>	<b>0.34</b>

*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	
	March 31, 2015	March 31, 2014
Net income	4,923	4,630
<b>Other comprehensive income (loss)</b>		
Change in foreign currency translation reserve	605	306
Transfer of realized translation gains	(297)	-
<b>Comprehensive income</b>	<b>5,231</b>	<b>4,936</b>

See accompanying notes to the interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited)

(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
<b>Balance, December 31, 2014</b>	<b>80,364</b>	<b>6,458</b>	<b>86,822</b>	<b>66,452</b>	<b>694</b>	<b>153,968</b>
Common shares issued	1,078	(183)	895	-	-	895
Stock-based compensation (note 9)	-	478	478	-	-	478
Comprehensive income	-	-	-	4,923	308	5,231
Dividends (note 8)	-	-	-	(1,343)	-	(1,343)
<b>Balance, March 31, 2015</b>	<b>81,442</b>	<b>6,753</b>	<b>88,195</b>	<b>70,032</b>	<b>1,002</b>	<b>159,229</b>
<b>Balance, December 31, 2013</b>	<b>79,923</b>	<b>4,169</b>	<b>84,092</b>	<b>51,234</b>	<b>307</b>	<b>135,633</b>
Common shares issued	212	(35)	177	-	-	177
Stock-based compensation (note 9)	-	393	393	-	-	393
Comprehensive income	-	-	-	4,630	306	4,936
Dividends (note 8)	-	-	-	(1,131)	-	(1,131)
<b>Balance, March 31, 2014</b>	<b>80,135</b>	<b>4,527</b>	<b>84,662</b>	<b>54,733</b>	<b>613</b>	<b>140,008</b>

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	
	March 31, 2015	March 31, 2014
<b>OPERATING ACTIVITIES</b>		
Net income	4,923	4,630
Add (deduct) items not affecting cash		
Depreciation of lease assets	11,624	12,060
Depreciation of property and equipment	1,280	1,146
Impairment, net (note 5)	-	82
Amortization of intangible assets	722	480
Stock-based compensation (note 9)	478	393
Bad debts expense	8,168	4,207
Deferred income tax expense (recovery)	470	(1,414)
Gain on sale of property and equipment	(1,252)	(119)
	<b>26,413</b>	<b>21,465</b>
Net change in other operating assets and liabilities (note 12)	(3,674)	1,074
Net issuance of consumer loans receivable	(22,237)	(16,435)
<b>Cash provided by operating activities</b>	<b>502</b>	<b>6,104</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of lease assets	(11,767)	(8,783)
Purchase of property and equipment	(2,114)	(1,686)
Purchase of intangible assets	(811)	(945)
Acquisitions (note 6)	(3,671)	-
Proceeds on sale of property and equipment	2,249	591
<b>Cash used in investing activities</b>	<b>(16,114)</b>	<b>(10,823)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of revolving operating facility	(139)	(1,367)
Advances of term loan	15,157	10,032
Payment of common share dividends (note 8)	(1,133)	(1,123)
Issuance of common shares	895	177
<b>Cash provided by financing activities</b>	<b>14,780</b>	<b>7,719</b>
<b>Net (decrease) increase in cash during the period</b>	<b>(832)</b>	<b>3,000</b>
Cash, beginning of period	1,165	2,329
<b>Cash, end of period</b>	<b>333</b>	<b>5,329</b>

*See accompanying notes to the interim condensed consolidated financial statements*

**easyhome Ltd.**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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### **1. CORPORATE INFORMATION**

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

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

The Company operates in two reportable segments: easyhome Leasing and easyfinancial. As at March 31, 2015, the Company operated 188 easyhome Leasing stores (including 22 franchises and 6 consolidated franchises) and 194 easyfinancial locations (December 31, 2014 – 192 easyhome Leasing stores including 23 franchises and 6 consolidated franchises, and 154 easyfinancial locations).

### **2. BASIS OF PREPARATION**

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

As at March 31, 2015, the Parent Company's principal subsidiaries were:

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

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 4, 2015.

#### **Statement of Compliance with IFRS**

The unaudited interim condensed consolidated financial statements for the three month period ended March 31, 2015 were prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### IFRS 9 Financial Instruments

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

#### IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, and is to be applied retrospectively. The Company has not yet assessed the impact of this standard.

### 4. CONSUMER LOANS RECEIVABLE

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

	March 31, 2015	December 31, 2014
Consumer loans receivable	207,509	192,225
Allowance for loan losses	(12,747)	(11,532)
	<b>194,762</b>	180,693
Current	93,523	87,473
Non-current	101,239	93,220
	<b>194,762</b>	180,693

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

	March 31, 2015		December 31, 2014	
	\$	% of total loans	\$	% of total loans
1 - 30 days	8,161	3.9%	9,004	4.7%
31 - 44 days	2,074	1.0%	1,505	0.8%
45 - 60 days	1,710	0.8%	1,273	0.7%
61 - 90 days	2,224	1.1%	1,853	0.9%
	<b>14,169</b>	<b>6.8%</b>	13,635	7.1%

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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

	<b>Three Months Ended March 31, 2015</b>	<b>Year Ended December 31, 2014</b>
Balance, beginning of the period	<b>11,532</b>	6,768
Net amounts written off against allowance	<b>(6,953)</b>	(19,500)
Increase due to lending and collection activities	<b>8,168</b>	24,264
<b>Balance, end of the period</b>	<b>12,747</b>	11,532

**5. PROPERTY AND EQUIPMENT**

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

For the three month period ended March 31, 2015, the Company recorded an impairment charge of nil (2014 – \$199) offset by an impairment recovery of nil (2014 – \$117). The net impairment charge for the three month period ended March 31, 2015 was nil (2014 – \$82). All impairment charges and recoveries relate solely to the easyhome Leasing segment.

**6. ACQUISITIONS**

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

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



## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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

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

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

## 7. REVOLVING OPERATING FACILITY AND TERM LOAN

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

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

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Revolving operating facility</b>	<b>1,617</b>	1,756
Amounts borrowed under term loan	<b>140,000</b>	125,000
Unamortized deferred financing costs	<b>(5,002)</b>	(5,159)
<b>Term loan</b>	<b>134,998</b>	119,841

As at March 31, 2015, the Company's interest rates under the term loan and revolving operating facility were 8.2% and 5.0%, respectively.

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

The financial covenants of the credit facility were as follows:

<b>Financial Covenant</b>	<b>Requirements</b>	<b>March 31, 2015</b>
Total debt to EBITDA ratio	< 3.75	<b>3.35</b>
Total debt to tangible net worth ratio	< 1.42	<b>1.08</b>
Adjusted EBITDA for preceding 12 months (consolidated)	> 40,099	<b>41,773</b>

The financial covenant requirements described above vary each quarter as per the lending agreement and were based on the Company's future forecast over these periods. As at March 31, 2015, the Company was in compliance with all of its financial covenants under its lending agreements.

#### Finance Costs

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

	<b>Three Months Ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Interest expense	<b>2,811</b>	1,348
Amortization of deferred financing costs	<b>319</b>	210
	<b>3,130</b>	1,558

## 8. SHARE CAPITAL

#### Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	<b>Three Months Ended March 31, 2015</b>		<b>Year Ended December 31, 2014</b>	
	<b># of shares</b>	<b>\$</b>	<b># of shares</b>	<b>\$</b>
<b>Balance, beginning of the period</b>	<b>13,330</b>	<b>80,364</b>	13,289	79,923
Exercise of stock options	<b>103</b>	<b>1,061</b>	39	403
Dividend reinvestment plan	<b>1</b>	<b>17</b>	2	38
<b>Balance, end of the period</b>	<b>13,434</b>	<b>81,442</b>	13,330	80,364

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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### **Dividends on Common Shares**

For the three month period ended March 31, 2015, the Company paid dividends of \$1.1 million (2014 – \$1.1 million) or \$0.085 per share (2014 – \$0.085 per share). On February 18, 2015, the Company increased the dividend rate and declared a dividend of \$0.10 per share to shareholders of record on March 27, 2015, payable on April 10, 2015. The dividend paid on April 10, 2015 was \$1.3 million.

## **9. STOCK-BASED COMPENSATION**

### **Share Option Plan**

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three month period ended March 31, 2015, the Company granted 79,806 options (2014 – 179,832 options). For the three month period ended March 31, 2015, an expense of \$113 (2014 – \$68) was recorded in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

### **Restricted Share Unit ["RSU"] Plan**

During the three month period ended March 31, 2015, the Company granted nil RSUs (2014 – nil) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three month period ended March 31, 2015, \$264 (2014 – \$284) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2015, an additional 2,149 RSUs (2014 – 1,553 RSUs) were granted as a result of dividends paid.

### **Performance Share Unit ["PSU"] Plan**

During the three month period ended March 31, 2015, the Company granted 199,330 PSUs (2014 – 174,134 PSUs) to senior executives of the Company under its PSU Plan. PSUs are granted at fair market value at the grant date and vest at the end of a three-year period based on long-term targets. For the three month period ended March 31, 2015, \$1,142 (2014 – \$1,154) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2015, an additional 1,782 PSUs (2014 – 3,426 PSUs) were granted as a result of dividends paid.

The PSU liability as at March 31, 2015 was \$246 (December 31, 2014 – \$6,872).

### **Deferred Share Unit ["DSU"] Plan**

During the three month period ended March 31, 2015, the Company granted 3,394 DSUs (2014 – 1,758 DSUs) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three month period ended March 31, 2015, \$101 (2014 – \$42) was recorded as stock-based compensation expense under the DSU Plan in the interim condensed consolidated statements of income. Additionally, for the three month period ended March 31, 2015, an additional 613 DSUs (2014 – 620 DSUs) were granted as a result of dividends paid.

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

#### Stock Based Compensation Expense

	Three Months Ended	
	March 31, 2015	March 31, 2014
Equity-settled stock based compensation	478	393
Cash-settled stock based compensation	1,142	1,154
	<b>1,620</b>	<b>1,547</b>

#### 10. INCOME TAXES

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
Combined basic federal and provincial income tax rates	27.4%	27.1%
Expected income tax expense	1,822	1,740
Non-deductible expenses	67	52
U.S. and SPE results not tax effected	(81)	(81)
Other	(86)	74
	<b>1,722</b>	<b>1,785</b>

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

	March 31, 2015	December 31, 2014
Tax cost of lease assets and property and equipment in excess of net book value	1,429	444
Amounts receivable and provisions	3,633	3,342
Deferred salary arrangements	817	2,546
Lease inducements	98	100
Unearned revenue	223	239
Financing fees	195	213
Other	(130)	(159)
	<b>6,265</b>	<b>6,725</b>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

**11. EARNINGS PER SHARE**

**Basic Earnings Per Share**

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

	<b>Three Months Ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Net income	<b>4,923</b>	4,630
Weighted average number of ordinary shares outstanding (in 000's)	<b>13,493</b>	13,420
<b>Basic earnings per ordinary share</b>	<b>0.36</b>	0.35

**Diluted Earnings Per Share**

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

	<b>Three Months Ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Net income	<b>4,923</b>	4,630
Weighted average number of ordinary shares outstanding (in 000's)	<b>13,493</b>	13,420
Dilutive effect of stock-based compensation (in 000's)	<b>514</b>	369
Weighted average number of diluted shares outstanding (in 000's)	<b>14,007</b>	13,789
<b>Dilutive earnings per ordinary share</b>	<b>0.35</b>	0.34

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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#### 12. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
Amounts receivable	4,332	(68)
Prepaid expenses	(890)	(360)
Accounts payable and accrued liabilities	(8,051)	(1,666)
Income taxes payable	1,069	3,148
Deferred lease inducements	(280)	(152)
Unearned revenue	53	181
Provisions	93	(9)
	<b>(3,674)</b>	<b>1,074</b>

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

	Three Months Ended	
	March 31, 2015	March 31, 2014
Income taxes paid	197	51
Interest paid	2,824	1,354
Interest received	20,579	12,401

#### 13. CONTINGENCIES

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

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

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

#### 14. FINANCIAL INSTRUMENTS

##### Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	March 31, 2015	December 31, 2014
Cash	Fair value	333	1,165
Amounts receivable	Amortized cost	12,176	16,508
Consumer loans receivable	Amortized cost	194,762	180,693
Accounts payable and accrued liabilities	Amortized cost	24,786	32,837
Revolving operating facility	Amortized cost	1,617	1,756
Term loan	Amortized cost	134,998	119,841

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

##### Fair Value Measurement

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

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

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at March 31, 2015:

	Total	Level 1	Level 2	Level 3
Amounts receivable	12,176	-	-	12,176
Consumer loans receivable	194,762	-	-	194,762
Accounts payable and accrued liabilities	24,786	-	-	24,786
Revolving operating facility	1,617	-	-	1,617
Term loan	134,998	-	-	134,998

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

## easyhome Ltd.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

#### 15. SEGMENTED REPORTING

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

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

<b>Three Months Ended March 31, 2015</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	38,293	32,232	-	70,525
Total operating expenses before depreciation and amortization	19,965	21,392	5,767	47,124
Depreciation and amortization	12,336	1,114	176	13,626
Segment operating income (loss)	5,992	9,726	(5,943)	9,775
Finance costs	-	-	3,130	3,130
<b>Income (loss) before income taxes</b>	<b>5,992</b>	<b>9,726</b>	<b>(9,073)</b>	<b>6,645</b>

<b>Three Months Ended March 31, 2014</b>	<b>easyhome Leasing</b>	<b>easyfinancial</b>	<b>Corporate</b>	<b>Total</b>
Revenue	40,300	20,034	-	60,334
Total operating expenses before depreciation and amortization	19,999	12,162	6,432	38,593
Depreciation and amortization	12,907	709	152	13,768
Segment operating income (loss)	7,394	7,163	(6,584)	7,973
Finance costs	-	-	1,558	1,558
<b>Income (loss) before income taxes</b>	<b>7,394</b>	<b>7,163</b>	<b>(8,142)</b>	<b>6,415</b>

The Company operated across Canada and in certain U.S. states. During the three month period ended March 31, 2015, 98% or \$69.2 million of revenue was generated in Canada and 2% or \$1.3 million of revenue was generated in the U.S. (2014 – 96% or \$58.1 million of revenue was generated in Canada and 4% or \$2.2 million of revenue was generated in the U.S.). Additionally, as at March 31, 2015, \$326.6 million of the Company's assets were located in Canada and \$6.2 million were located in the U.S. (2014 – \$238.7 million in Canada and \$8.7 million in the U.S.).

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



**easyhome Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended March 31, 2015 and March 31, 2014

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The Company's easyhome Leasing business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the three month periods ended March 31, 2015 and 2014 were as follows:

	<b>Three Months Ended</b>	
	<b>March 31, 2015 (%)</b>	<b>March 31, 2014 (%)</b>
Furniture	<b>39</b>	37
Electronics	<b>34</b>	33
Computers	<b>16</b>	19
Appliances	<b>11</b>	11
	<b>100</b>	100

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