easyhome® Ltd.

2010 ANNUAL REPORT

Growing with *you*

Vision

Everyone should be given the opportunity to enhance their home and lifestyle. We are the leader in helping people get exactly what they want for as long as they want…right now!

Mission

We are a relationship-driven business that thrives on the opportunity to provide customers with access to household goods and financial services that enhance the quality of their lives.

Values

Integrity Respect Quality Pride Enterprising

Corporate profile

easyhome Ltd. is a consumer focused organization that offers its customers alternatives that may not be available from other retailers or financial institutions.

easyhome is Canada's largest merchandise leasing company and the third largest in North America, offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. In addition, the Company offers a variety of financial services, including personal loans, prepaid credit cards and cheque cashing through its *easyfinancial* Services business.

Growing stronger
Growing bigger

After a solid performance, *easyhome* emerged from 2010 stronger than ever, with new product leasing initiatives, tighter control of our *easyfinancial* Services business to ensure sustainable growth and a focused strategy to grow our franchising business.

In 2010 we succeeded in growing our store count, our customer base and our number of *easyfinancial* Services kiosks. We are excited about *easyhome's* growth potential in Canada and the United States, building upon our strong foundation.

Measuring our growth in 2010

2010

256 total stores

39 franchised/licensed locations

67 *easyfinancial* kiosks

2009

240 total stores

22 franchised/licensed locations

29 *easyfinancial* kiosks

Growing from a strong foundation

easyhome

easyhome leases, with an option to purchase, brand name home entertainment products, computers, appliances and household furniture.

easyhome Leasing is an accessible, affordable and debt-free solution for consumers who are looking for alternatives.

easyhome Leasing's customers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources, or they may have a temporary need for the merchandise.

217 stores

74,000 customers

easyhome Franchising

easyhome Franchising was created to capitalize on the enormous potential for *easyhome* Leasing in the United States.

The United States is the largest merchandise leasing market in the world. *easyhome* Franchising provides an attractive alternative to what is currently available in the market. Growing through franchising allows *easyhome* to penetrate the market fast and with a lower capital investment.

39 stores

6,000 customers

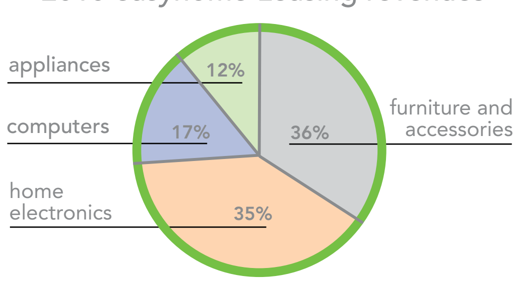
easyfinancial services

easyfinancial Services provides personal loans as well as other value-added services such as cheque cashing and prepaid credit cards. *easyfinancial* Services is a lending alternative that fills a large void. Its products are more affordable than payday loans and more accessible than traditional banks.

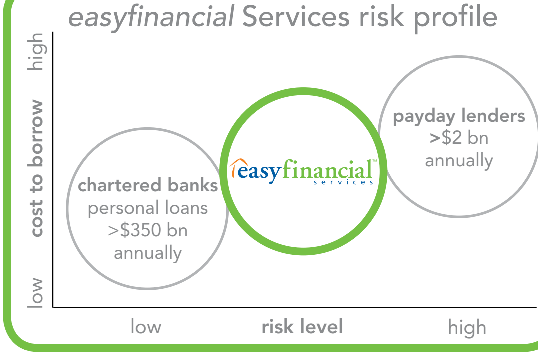
67 kiosks

16,000 customers

2010 *easyhome* Leasing revenues



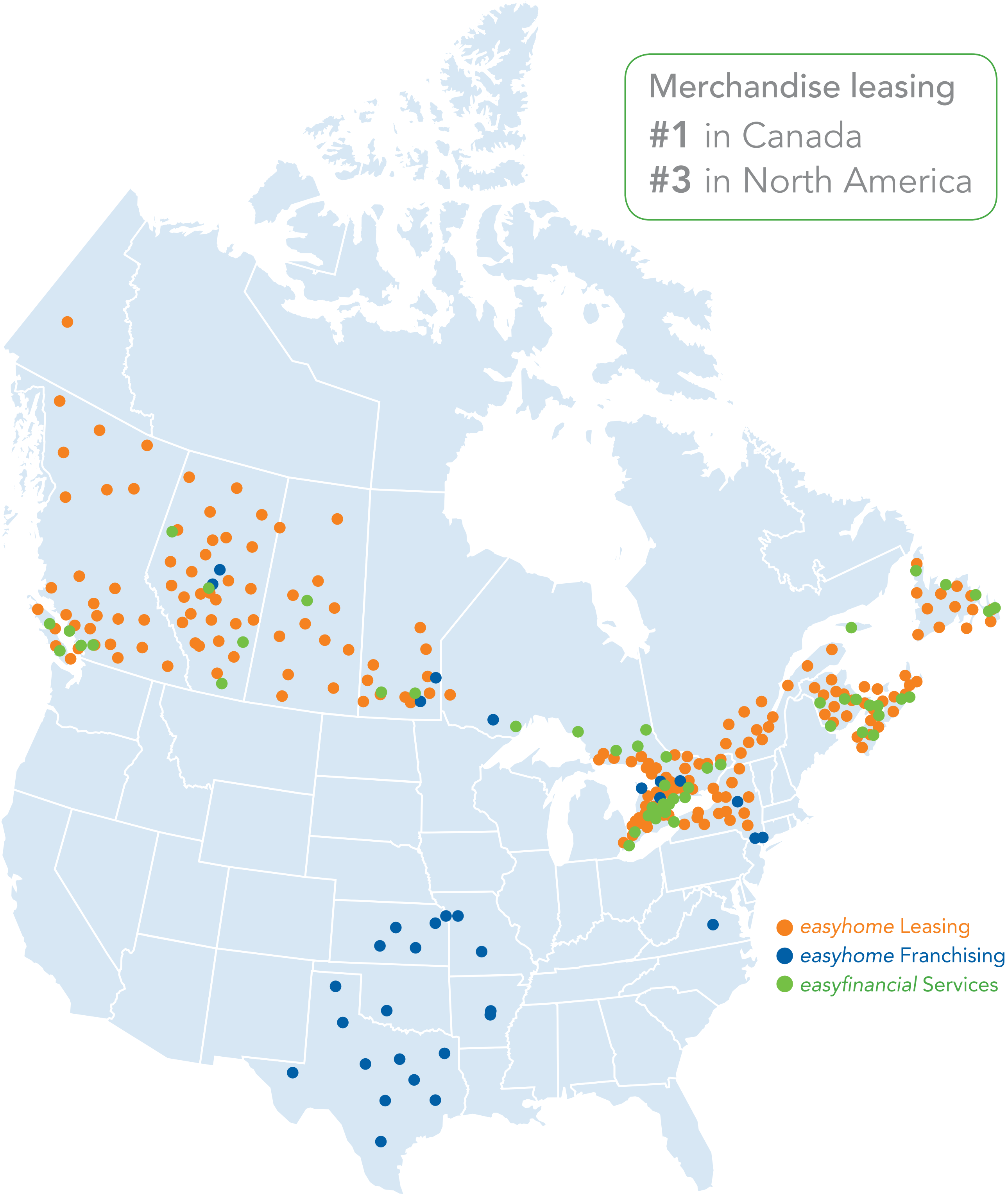
easyfinancial Services risk profile



* Canadian market positioning

An expanding presence
across North America

Merchandise leasing
#1 in Canada
#3 in North America



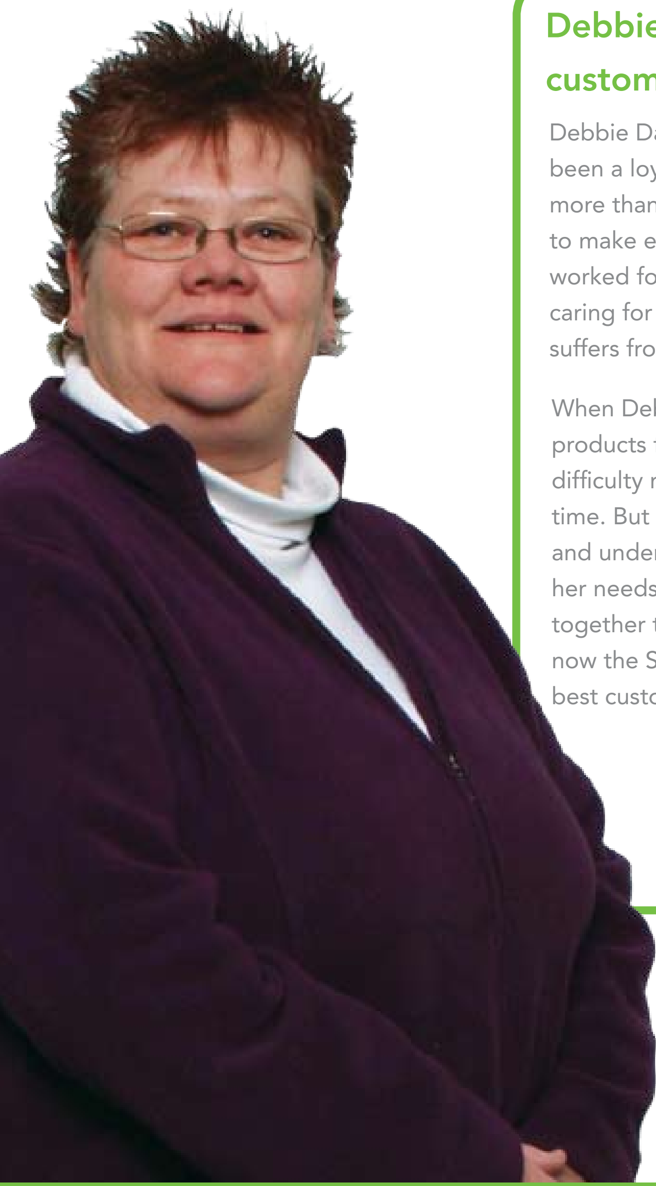
Our customers recognize value

Leasing from *easyhome* is straightforward and risk-free – a solution that's made to fit the unique needs of our customers, who are typically cash-and credit-constrained.

They need a low weekly payment, not a significant upfront cash outlay. That's why we do not require a down payment.

They need to know exactly what a product will cost now – and in the future. That's why our price includes delivery, set-up and repairs.

They need to know that if their circumstances change, they are not left with obligations they can not meet. That's why we offer an easy, anytime return policy without a penalty.



Debbie Dagley – a great *easyhome* Leasing customer and an inspiration to everyone she meets

Debbie Dagley of Smiths Falls has been a loyal *easyhome* customer for more than seven years. Struggling to make ends meet, she previously worked for a cleaning company while caring for her husband, Carmen, who suffers from a progressive disease.

When Debbie first started leasing products from *easyhome*, she had difficulty making her payments on time. But after talking to Debbie and understanding her situation and her needs, we were able to work together to find a solution. Debbie is now the Smith Falls location's best customer.

Debbie is a loyal customer who has not missed a payment in the past four years. She has referred several new customers, including her mother and her aunt.

Debbie brings an outstanding energy to everything she does. She now operates her own company and is actively involved in fundraising initiatives. Last year she organized a charity golf tournament and teamed up with *easyhome's* regional manager for the area to raise funds to build schools in Africa.

easyhome was pleased to recognize Debbie Dagley as its customer of the year for 2010.

$34.00
average cost of tickets and small popcorn for two people (one viewing only)

$24.00
average weekly cost of an *easyhome* complete home theatre system (unlimited viewing)

easyfinancial Services offers personal loans between $500 and $3,000 to customers who want an alternative to banks and payday lenders. Our loan process is accessible, requiring a simple application, proof of an income source, a bank statement and a credit check.

Behind the scenes is a rigorous process that makes use of sophisticated risk assessment mechanisms to make lending decisions. To our customers, however, it is a simple process and they can get a decision and their funds within 24 hours.

Rob Ryan – a single dad becomes a small business owner through courage and tenacity

Rob Ryan is a single father who had worked the same job for 23 years. Tired of the toll that shift work and long hours took on his personal life, Rob knew that there had to be something better for him.

After long months of job searching, he realized that what he really wanted was to build his own business – and he knew exactly what Port Hawkesbury needed. Rob knew that starting up his own delivery service would be challenging and he decided that his best chance at success would be to buy into a franchise. But when he found the ideal opportunity, he was $3,000 short. It was a lot of money for Rob, but not enough to hold him back from pursuing his dream. He needed to access funding quickly to ensure he didn't miss his big chance.

Rob had heard of *easyfinancial* Services through a friend, so he went into the local kiosk to see if they could help. He qualified for the full $3,000 and had his money within 24 hours.

Rob left his job and became a proud business owner. He now employs three workers and is in the process of hiring a fourth. He delivers for most restaurants in the area, operates a special delivery service for senior citizens and even delivers lunch orders to the 600 workers at his former place of employment.

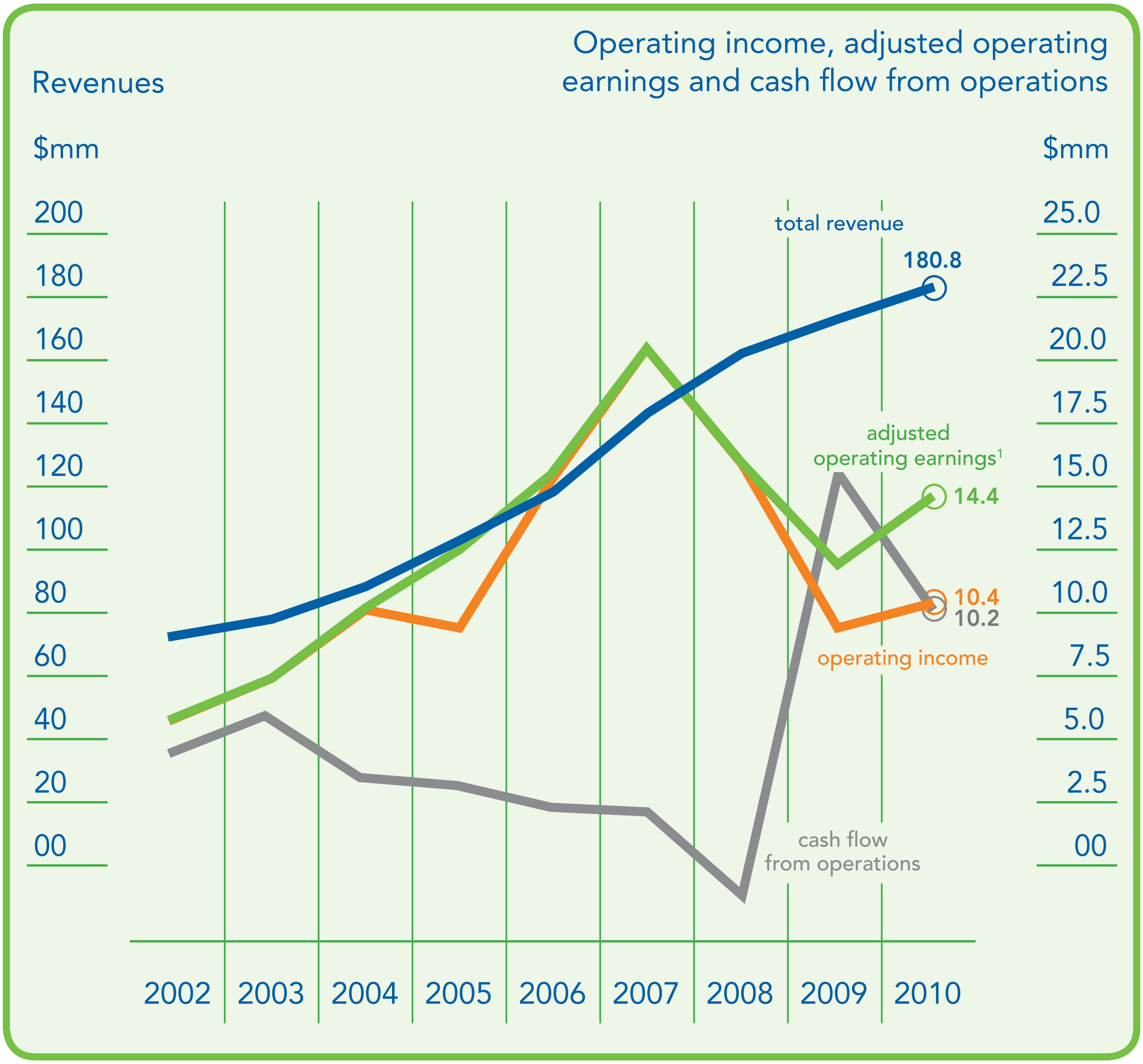
Rob achieved his dream with a lot of courage, and a little help from *easyfinancial*.

To leave with $500 in your pocket, you would pay:

	Cost of borrowing	Time to pay
MoneyMart	$105	14 days
Cash Store	$105	14 days
easyfinancial services	$9.01 or $72.08	14 days 6 months

Value for investors

- *easyhome* Leasing is a stable business and is the dominant player in a mature market
- *easyfinancial* Services is a complementary business with high growth potential
- Stable dividend
- Track record of revenue growth since 2001
- Solid cash flow generation from core businesses
- Disciplined approach to exploring and managing new business opportunities



[1] We define adjusted operating earnings as operating income excluding unusual and non-recurring items.

2010 – A year of growth and profitability

($ in 000's except earnings per share, employee count and percentages)	**Year Ended December 31, 2010**	Year Ended December 31, 2009	% Change
INCOME STATEMENT			
Revenue	**180,789**	173,346	4.3
Operating income	**10,445**	9,389	11.2
Net income	**6,871**	5,055	35.9
Diluted earnings per share	**0.65**	0.48	35.4
BALANCE SHEET			
Lease assets	**73,046**	75,398	(3.1)
Gross consumer loans receivable	**23,800**	9,251	157.3
Total assets	**146,252**	136,241	7.3
External debt	**18,251**	29,884	(38.9)
Shareholders' equity	**100,248**	85,707	17.0
CASH FLOW			
Cash flow provided by operating activities	**10,198**	15,481	(34.1)
Investment in consumer loans receivable	**12,888**	4,877	166.3
Investment in lease assets	**49,697**	45,563	9.1
Purchase of property and equipment and intangibles	**6,226**	5,474	13.7
Debt repayment	**11,769**	6,005	96.0
Dividend payments	**3,562**	3,561	–
KEY METRICS: CONSOLIDATED			
Adjusted earnings	**9,643**	6,773	42.4
Diluted EPS (adjusted)	**0.92**	0.63	46.0
Operating margin (adjusted)	**8.0%**	6.9%	–
Return on equity (adjusted)	**10.4%**	7.9%	–
Same store revenue growth	**4.3%**	1.8%	–
Employees	**1,191**	1,288	(7.5)

Message to shareholders

During 2010 we increased revenues and earnings, improved deliveries in our leasing business and significantly expanded our *easyfinancial* Services business.

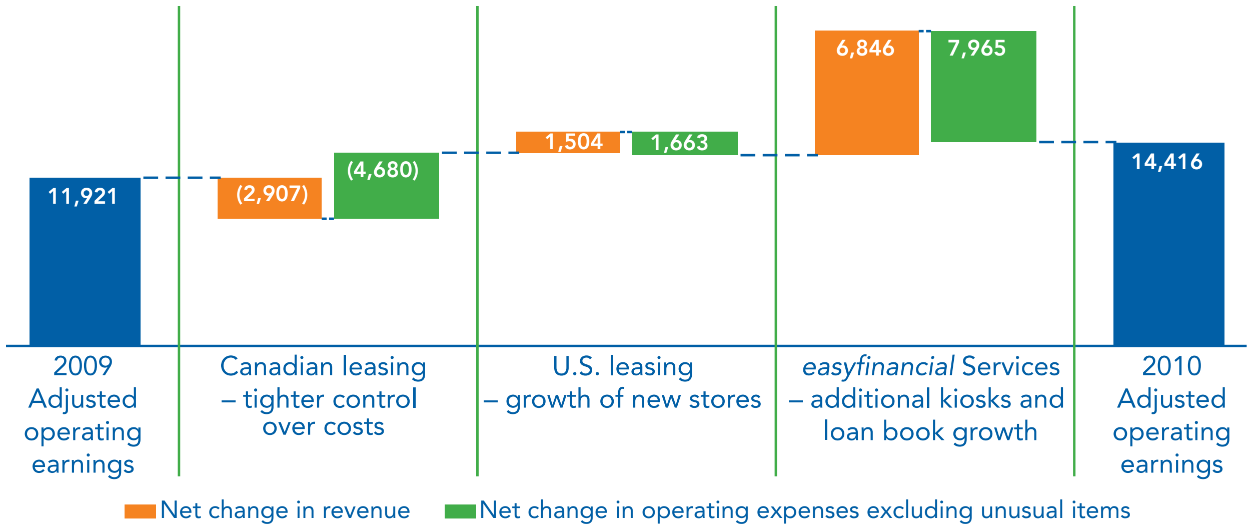
We delivered on our operational initiatives for *easyhome* Leasing with tighter cost controls and improved efficiency at the store level, better inventory management and smarter marketing communications. We combined product innovations with value offers to develop powerful merchandising campaigns that succeeded in mobilizing consumer interest, particularly in the fourth quarter of the year. At the same time, we maintained strong cash collections throughout the year.

We established *easyfinancial* Services as a true lending alternative, adding 38 new kiosks during the year and claiming as our own a substantially underserved segment of the financial services market. In response to high demand for our loan products and services, we accelerated the growth of this business while holding firm to our basic tenets of lending responsibly and managing bad debt.

The highlight of our *easyhome* Franchising business was the opening of three stores with some of the industry's best operators under our *Be A Contender* program. Each of these operators received a complete franchise financing package from *easyhome* and all three stores have surpassed all performance benchmarks since opening in the fall.

With these achievements and the beginning of the return of consumer confidence, *easyhome* delivered record revenue and solid earnings in 2010. Excluding the fraud that occurred within

Adjusted Operating Earnings ($000's)



our *easyfinancial* Services business, 2010 earnings per share were the second highest in our history. The fraud was a shocking and disappointing incident, but ultimately constructive. Our armor was dented, but not only are we still standing, we are charging forward with a better plan and a stronger organization.

Delivering Solid Financial Results

The expansion of our U.S. leasing and *easyfinancial* Services businesses drove revenues 4.3% higher to $180.8 million in 2010 from $173.3 million in 2009. Although some of our growth has come from new store openings, we also grew same-store revenues 4.3% in 2010 compared with 1.8% a year ago. During the fourth quarter alone, same store revenues increased 10.9%, driven by the growth of *easyfinancial* Services.

Our largest business segment, Canadian leasing, saw a 1.8% decrease in revenue to $158.6 million as it continued to experience the effects of the decline in potential monthly lease revenue that occurred during the economic downturn. This decrease was more than offset by gains in U.S. leasing and *easyfinancial*. U.S. leasing grew revenues 19.4% to $9.3 million from $7.7 million last year. *easyfinancial* Services more than tripled revenues to $12.9 million from $4.1 million a year ago.

Net income increased 35.9% to $6.9 million in 2010 compared with $5.1 million in 2009. On a per share basis, net income for the year was $0.65 compared with $0.48 last year.


David Ingram,
President and Chief Executive Officer

Excluding unusual items, including the costs associated with the fraud and the resulting forensic investigation and with the restructuring announced in 2009, net income increased 42.4% to $9.6 million, or $0.92 per share. This compares with adjusted earnings of $6.8 million, or $0.63 per share in 2009.

These improved results, coupled with the investments made in our business during 2010, provide a strong foundation on which to continue to grow all business segments.

We will continue to fund *easyhome*'s growth with the strong cash flow generated by our leasing business. In 2010, cash flow, net of investment in the *easyfinancial* loan portfolio, was $23.1 million compared with $20.4 million in 2009. Additionally, we further strengthened our financial position with the completion of an equity offering in December 2010 that raised a net $10.7 million.

We invested $12.9 million to increase the *easyfinancial* loan portfolio and $6.2 million in property, equipment and intangible assets. We maintained dividend payments at a total cost of $3.6 million for the year and reduced debt by $11.7 million.

Enhancing Risk Management Expertise

In October, we reported that an *easyfinancial* kiosk manager had defrauded the Company by, among other acts, processing fictitious loan applications. We immediately initiated an investigation to determine the scale and scope of the fraud and retained external legal and forensic accounting advisors. After a complete investigation under the oversight of the Audit Committee, we confirmed that the fraud was restricted to a single employee at one location and that certain individuals responsible for oversight of this employee and kiosk did not adhere to the Company's standard policies and procedures, which, if followed, may have detected the fraud earlier. The investigation also outlined a number of recommendations to further improve internal controls. We have already implemented many of these, including modifying the *easyfinancial* Services' transaction software, increasing the monitoring of key performance indicators and conducting a review of, and making refinements to, standard operating procedures. We also strengthened our team by accelerating the hiring of a Vice President of Risk Management with extensive risk management experience in the financial services industry and hiring new field auditors who are independent of operations.

To eliminate the fraudulent loans from the consumer loans receivable portfolio and provide for other financial impacts of the fraud, we reduced the gross consumer loans receivable by $2.8 million and increased the related provision by $0.9 million at September 30, 2010.

After many months of collaboration, during the first half of 2011 we partnered with a consumer credit reporting agency, TransUnion, to implement a new electronic automated loan decision-making and identity verification tool. A longer-term goal is to replace the *easyfinancial* Services' transaction software. We expect to have a new, improved system in place by the end of 2011.

The changes are designed to strengthen our internal control processes and to position our *easyfinancial* Services business for long-term sustainable growth.

Creating a More Effective Organization

One of our key initiatives for 2010 was to create a more effective organization by building a stronger support centre, enabling our business units to be more effective and focus on growth. This included bringing all support staff under one roof by closing our Edmonton, Alberta office and opening a new head office in Mississauga, Ontario. As part of this effort, we recruited a new finance team and developed a centralized collections department. Among the many benefits of a single office, we now have an improved communications flow, increased efficiency and a stronger team environment.

A very important part of creating an effective organization is providing exceptional training to employees. We rolled out a comprehensive new learning management system at our September National Conference. It is online, flexible and position-specific, offering training in both competency-based skills and soft skills such as leadership and communication. We believe this training program will play a critical role in retaining qualified people and improving the ability of our store associates to build relationships with customers. In addition, this training will be available to our franchisees, allowing *easyhome* to offer enhanced support to increase their success.

In 2011 we will further enhance our learning systems for the *easyfinancial* Services business unit.

Pursuing Our Goals

In 2010, we achieved our objectives of improved execution in the *easyhome* Leasing business and rapid growth in the *easyfinancial* Services business. Franchising fell short of its goal for store openings, largely due to economic conditions, and so we began a process of re-evaluation in the second half of the year. We now have a more focused strategy and a stronger team responsible for growing and supporting the franchise business.

Our goals for 2011 are to grow the *easyfinancial* Services business, to continue to enhance the store profitability within our leasing business and to expand our U.S. franchise presence.

We have developed a number of marketing and merchandising strategies based on customer segmentation research that are designed to bring more customers into our stores. We are equally focused on ensuring current customers maintain or increase their business with us. From excellent product quality to outstanding customer service, and from a pleasing shopping environment to value-added services, we are dedicated to enhancing profitability by providing a superior customer experience.

The market potential for *easyfinancial* Services is significant – we are serving a customer segment that is looking for alternatives. As a result, our challenge is to drive aggressive, yet manageable and controlled growth. For 2011, *easyfinancial* Services will continue to open new kiosks, adding another 20–25 during the year. To date, all *easyfinancial* kiosks have been located within *easyhome* stores. In 2011, we plan to test a stand-alone concept.

In franchising, we scrutinized every aspect of our sales and support efforts and hired a Vice President of Franchising to lead this business. We now have a strong support system for franchisees and a focused sales strategy to develop brand awareness and sell franchises in the northern border states. As part of this effort, we will launch a second round of our *Be A Contender* campaign, which is designed to attract the best operators in the industry who will ultimately become multi-store franchisees.

Thinking Big

We are a company with big aspirations. More than that, though, we have the ability and determination to make our visions a reality. While we've experienced some challenges along the way, our progress is unmistakable.

During the past ten years we have grown *easyhome* from one business to three, from 130 Canadian locations in 2000 to 256 *easyhome* stores across North America, a growing franchise

2010 results and 2011 targets

	1	2	3	4
2010 result	4.3% total revenue growth	3 new corporate leasing store	17 new franchise stores	38 new *easyfinancial* kiosks
2011 target	11 – 13% total revenue growth	1 – 2 new corporate leasing stores	10 – 15 new franchise stores	20 – 25 new *easyfinancial* kiosks

operation, and a thriving new financial services business with 67 kiosks across Canada.

Any advance involves risk. We weigh it carefully and proceed cautiously. If we encounter obstacles, we retrench, evaluate, and fix. Then, with our eyes firmly ahead, we move forward with greater knowledge and determination than we had before. And that is what we are doing. As I discussed above, we have made a number of changes to increase our vigilance and reduce risk. Now it is time to move forward once again with lessons learned and renewed commitment.

Our targets for 2011 remain:

- Total revenue growth of 11–13%
- 1–2 new corporate leasing stores
- 10–15 new franchise stores
- 20–25 new *easyfinancial* Services kiosks

We look forward to strong revenue growth in 2011. With the improvement in the Canadian and U.S. economies and increasing consumer confidence, we expect to see a continuation of the trend that began in 2010 toward a larger leasing portfolio.

The *easyfinancial* Services portfolio is projected to grow as existing kiosks increase their loan books and new kiosks are added. Finally, our franchising business is close to reaching critical mass, and we believe that our new franchise support team has the right strategy to accelerate the growth of this unit. Of course, the achievement of these targets is predicated on a number of factors, including the availability of sufficient capital.

We are entering 2011 with a strong vision of what *easyhome* can be, and the confidence and understanding necessary to achieve our goals.

In closing, I would like to thank our employees for their resilience, their enthusiasm for what we do, and their dedication to the Company and its customers. It is thanks to their efforts that we won the 2011 Retailer of the Year Award from the Canadian Home Furnishings Alliance. I would also like to thank *easyhome*'s Board of Directors. The Board provided exceptional representation for our shareholders, and offered sound oversight and guidance to management throughout the year. Finally, thank you – our shareholders – for your continued support. We are committed to growing a strong and thriving business that will create long-term value for our owners.

David Ingram
President and Chief Executive Officer
March 28, 2011

Candid answers

After a year of growth and challenges, David Ingram, President and CEO, and Steve Goertz, Senior VP and CFO, answer the questions that investors have asked most often.

Where are the opportunities for *easyhome* in 2011?

David Ingram: The first opportunity is to grow *easyfinancial* Services – the number of locations, the loan book and profitability. We are able to do this because of the steps we took at the end of 2010 to strengthen *easyfinancial's* support structure. We enhanced our operations and risk management teams and at the end of the first quarter of 2011 implemented TransUnion's electronic automated loan decision-making and identity verification tool.

During 2011, we plan to open another 20–25 kiosks in existing *easyhome* stores, and we will begin testing stand-alone locations. Because most of our kiosks are less than one year old, we expect their loan books to grow significantly as they mature, leading to improved profitability. While we have been successful relying on converting traffic from *easyhome* stores, we will begin to actively and independently promote our products and the *easyfinancial* Services' brand in 2011.

We also see opportunities in leasing. After two years of declines, in 2010 we maintained the value and size of our leasing portfolio while driving store level efficiencies and cost reductions. With the right cost structure now in place and the beginning of a return in consumer confidence, we expect to grow the portfolio modestly in 2011. Our focus in the leasing business will be to enhance store profitability. Finally, we plan on continuing to expand our U.S. franchise network.

What challenges have you identified and what are you doing to meet them?

Steve Goertz: Our key priority is to strengthen our internal controls and risk management activities to support sustainable growth. Although we still have more work to do, we have taken many steps to address these challenges, as we have outlined elsewhere in this report. One of our priorities during 2011 will be to replace the current *easyfinancial* Services' information system with advanced technology that will improve our access to data and allow tighter management controls.

In Canadian leasing, our challenge is the still-recovering economy. We have adjusted our cost structure and taken steps to realign our focus on the basics of leasing and collecting.

In the U.S., our challenge is growing the franchise business in a difficult lending environment. To address that, we have continued with our *Be A Contender* program to attract the best operators by providing them with the capital to get established and succeed.

How big could *easyfinancial* Services become? How are you different from payday loan companies? How are you different from traditional banks?

David Ingram: We know that the Canadian market for consumer lending is over $350 billion. Based on the demand we have seen to date, we believe that *easyfinancial* Services has the potential to be far bigger than it is today. Within five years, if not earlier, revenues and earnings from *easyfinancial* Services could very well exceed those from our leasing business.

It is because we are different that the demand for our products and services is strong. Payday loan companies and traditional banks represent the two ends of the consumer lending spectrum. Payday loans are readily available, but costly. Traditional bank loans offer lower rates, but the process is lengthy and borrowers often cannot meet the strict criteria to qualify. *easyfinancial* bridges the gap and provides customers with a third option. *easyfinancial* Services offers lower rates than payday lenders and easier access than traditional banks.

The U.S. is the largest merchandise leasing market in the world, but it is also very competitive. Why have you chosen franchising as the best way to enter it?

Steve Goertz: There are two main reasons. First, the U.S. is a very entrepreneurial environment. A large percentage of the U.S. population has aspirations to operate their own business. We want to tap into that to find the best operators who are motivated to achieve success.


Steve Goertz David Ingram

Second, franchising allows us to expand without putting our balance sheet at risk.

David Ingram: It's a risk-reward decision. The risk is too high until we have scale, performance and history. We have to be cautious in what we do. In particular, given that the capital return for *easyfinancial* Services is so strong, we have determined that our available capital should be prioritized for that business for the next few years.

What will be the key drivers of success in the next five years?

David Ingram: Clearly, we view the three businesses quite differently. Core leasing is a mature business with significant cash flow and some capacity for continued growth. Our opportunity is to maximize its profitability.

The franchise business is still new. It is small in scale and reach right now, but we expect it to grow steadily during the next five years.

And as I have said before, *easyfinancial* Services is our growth engine. For the next five years, *easyfinancial* will receive the largest investment of time and resources. Although the U.S. is a possible market for *easyfinancial*, the regulatory environment is much clearer in Canada and growth will be primarily in Canada.

Of course, the economy is always a factor in performance and, like everyone else, we hope to be operating in a stronger economy during the next several years.

Do you have the capital you need to grow? What will be your financial requirements and where will you get any additional capital required?

Steve Goertz: We believe there is capital available to match our desired rate of growth. If we determine that there is a need for additional capital that we can use to generate strong returns for our shareholders and lending partners, we will investigate our options for accessing capital. We believe there are sources available to us. We demonstrated this with the private placement that was completed in December. We have strong relationships with our bankers, and there are many alternative sources of capital available in the market that we continually evaluate.

What are your plans to advance financial controls and risk management in the future?

Steve Goertz: Financial controls are very important to us, and we have taken significant steps to improve controls during the past year. It is one of the reasons we consolidated our business offices. We have put in place the TransUnion software and by year-end we will install a new *easyfinancial* Services system that will address many identified control weaknesses. We are committed to identifying and addressing any further weaknesses that may exist in the business. Strong internal controls are our first priority.

Your product prices are higher than traditional retail stores. Some people might say it doesn't make sense to get products from *easyhome* when they can be cheaper to buy elsewhere. How do you respond?

David Ingram: We are not a traditional retailer. What we offer is quite different. We provide the product, complemented by service, access and choice. We give consumers complete control over what they lease and how long they lease it for. Many of our customers do not want to own the product, only to use it for a period of time. Others are cash or credit-constrained. They do not have the money to buy the product outright and do not have the usual sources of credit and so they are looking for alternatives. Our customers know that it can end up costing more to lease a couch from us compared to purchasing it outright. However, they choose to become customers of *easyhome* as there are no upfront costs and no need to borrow to buy it. Delivery and set-up are included and customers can return the merchandise at any time. *easyhome* is not for everyone, but what we offer and how we offer it is exactly right for some people; those people are our customers.

easyfinancial Services is our growth engine

Within five years or earlier, revenues and earnings from *easyfinancial* could very well exceed those from our leasing business.

Message from the Chairman

"Leadership and learning are indispensable to each other."

The words of former U.S. President John Fitzgerald Kennedy were particularly apt for your company in 2010. I truly believe that we saw the very best of leadership in *easyhome's* management team as they not just recognized, but embraced the opportunity to learn.

The year began strongly. The changes *easyhome* made in 2009 to improve its operations and streamline its administrative functions took hold in 2010, leading to higher revenues and increased earnings.

The Company's *easyfinancial* Services business took flight, and as its winning position in the financial marketplace became clear, management approached the Board about accelerating the growth of *easyfinancial*. After careful consideration, the Board agreed that the considerable potential of the business warranted additional expansion. The business exceeded all expectations, doubling its loan book while tightly controlling bad debt.

In early October came the news that an *easyfinancial* Services employee had been defrauding the Company. Your Board stepped in quickly and decisively, working with management as well as independent auditors and forensic accounting experts to determine the extent of the fraud. The results of the investigation were reassuring – the fraud was perpetrated by one employee at a single location – but also disquieting. Working with experts, the Board's Audit Committee prepared a detailed plan for the enhancement of internal controls and formally took on responsibility for the oversight of the Company's anti-fraud programs.

Throughout the investigation, management showed enormous integrity by acting swiftly, decisively and transparently. Management made a number of changes to its risk management controls and procedures immediately after learning of the fraud and has continued to evaluate its activities, implement new controls and follow the recommendations of the Audit Committee and its advisors.

It was a learning experience we would have preferred not to have, but it ultimately created a stronger company. The Board is confident that *easyhome* has taken the appropriate steps to enhance and expand its risk management program and is well-positioned for growth.

During the year, we saw several changes to the Board of Directors. At the Company's annual meeting in May 2010, we welcomed three new directors to replace those who retired from our Board after many years of service. James Bowland, Walter Gates and Wesley Voorheis each bring considerable experience to the Board in their various areas of expertise, which include retail, franchising and corporate governance. Later in the year, David Appel and Don Reid joined the Board, contributing comprehensive legal and business knowledge.

In closing, I would like to thank *easyhome's* management team for their tremendous work throughout the year, and particularly for their exceptional response to the challenges the Company faced. I also thank *easyhome's* dedicated team of employees who contribute every day to the success of this company. Finally, thank you to my colleagues on the Board for their commitment to serving the shareholders of *easyhome*.

Donald K. Johnson
Chairman of the Board
March 28, 2011

Community involvement

easyhome is active in community service through its partnership with the Boys and Girls Clubs of Canada. Boys and Girls Clubs offer programs that are accessible and affordable to all children.

Like *easyhome*, the Boys and Girls Clubs of Canada is a national organization that is rooted in communities. We share similar core values, such as respect and empowerment. David Ingram, *easyhome's* President and Chief Executive Officer, has served on the Board of Trustees of the Boys and Girls Clubs Foundation since 2008 and was made Vice Chair in 2010.

From 2005 until 2008, *easyhome* raised money through our "Backpack Challenge", donating 8,000 backpacks filled with school supplies to clubs across the country.

In 2010, *easyhome* established the *easyhome* Ltd. scholarship program, awarding ten scholarships of $4,000 each to youth across Canada. Our annual golf tournament will help raise funds for these scholarships. Each year we invite more than 120 vendor partners to participate in a fun day of golf as we increase awareness of Boys and Girls Clubs and contribute to their very worthwhile activities.

For a more personal connection, we host a Soccer Day at a local Toronto club, where we sponsor lunch and trophies, and even join in the game. We also launched the "Room to Learn" career workshop during the year, inviting 30 youths from local clubs in the Greater Toronto Area into our office to learn essential job search skills, including how to write a resume and interview techniques. In addition, each student had an opportunity to speak with individuals in key functional areas, including marketing, purchasing, finance, information technology, operations, and human resources.

Also in 2010, *easyhome* fulfilled its pledge to donate $100,000 to the Boys and Girls Clubs of Canada Foundation's Endowment Fund. The Endowment Fund supports the work of the national organization to provide direction and leadership to local clubs. We renewed our pledge, committing to donate an additional $250,000 over a five-year period.

Since our partnership in late 2004, *easyhome* has contributed more than $450,000 to the Boys and Girls Clubs.

Room to Learn

Boys & Girls Clubs of Canada
Clubs Garçons & Filles du Canada

easyhome Leasing

easyhome Leasing stabilized during 2010 as operational changes and cost-containment measures taken in the latter half of 2009 positively affected the business.

KEY METRICS: *easyhome* Leasing

($ in 000's except store/unit/customer counts and percentages)	**Year Ended December 31, 2010**	Year Ended December 31, 2009	% Change
Revenue	**167,892**	169,295	(0.8)
Adjusted operating earnings	**13,378**	11,764	13.7
Operating margin (adjusted)	**8.0%**	6.9%	–
Units on lease	**202,020**	198,669	1.7
Potential monthly lease revenue	**11,600**	11,688	(0.8)
Customers	**75,124**	75,948	(1.2)
New corporate stores	**3**	3	–
Corporate store count	**217**	218	(0.5)

Note: The financial results for *easyhome* Leasing are the total of Canadian leasing and U.S. leasing as disclosed in the Company's consolidated financial statements and MD&A. These reportable segments include the results of *easyhome* Franchising as it is not considered material at this time and all general and administrative expenses and interest expense.

Understanding Our Customers

easyhome is a relationship-based business. Since our transactions are ongoing, we have the opportunity to nurture our connections with our customers who look to us to provide solutions. The better we know the customers, the better we can help.

During the past year, we advanced our knowledge of both existing and potential customers through our investment in customer analytics and segmentation. While we have always employed market segmentation and customer-based analysis, in 2010 we delved deeper into the behavior and motivations of our customers.

This knowledge will help *easyhome* in several ways. It will enable us to target our communications better, focusing on specific customer segments and the types of products they want. It will also aid our merchandising team in supplying the most appropriate products and brands. We believe a firmer understanding of our customers will also help promote customer retention, extending agreements and winning back past customers.

Customer segmentation will guide and focus our marketing spending in 2011. With a better understanding of how to approach our customers, we can extend our marketing reach while maintaining the same level of spending.

Providing Exceptional Products

Our merchandising strategy is to provide quality, brand-name products at competitive prices. We are committed to our position as the provider of North America's lowest weekly lease rates.

In 2010, our highest growth category was electronics, with units on lease up 7% over the prior year. Strong performers were 3D technology and electronic gaming.

Overall, for the first time in three years, we increased comparable deliveries in 2010. Furniture, our largest product category, showed strong positive growth in the second half of the year. We achieved this through a methodical approach to product development and testing, along with key promotions and product bundling.

142,000
lease agreements
at year-end 2010

217 locations
at year-end 2010

In 2011, we will apply this approach to our other product categories. For 2011, we expect LED televisions to energize our TV business, and tablets to grow the computer category. We will actively pursue strategic product bundling to create value for customers while increasing the average price per agreement and the number of units per agreement.

Committed to Continuous Improvement

As part of our commitment to continuous improvement, we reduced the repair costs of lease assets in 2010 through strict discipline and working with vendors. We also improved our inventory management to maximize the utilization of our lease assets.

We are intent on maintaining tight controls on our merchandising costs, including seeking alternative, low-cost sources for products, and leveraging our buying power to secure better pricing from vendors. In 2011, we will concentrate on reducing the cost of getting products to our stores. We will also continue to inform purchase decisions by testing new products in key stores. This practice began last year in the furniture category to great success.

We are dedicated to improving our interactions with customers. In the third quarter of 2010, we introduced a new learning management system that delivers real-time, position-specific training. The training program is extensive, offering training in systems and procedures along with the softer skills that are so important in developing customer relationships. By the end of 2011, we expect to complete training for all store managers and assistant managers.

During 2010 we also enhanced efficiencies at the store level, taking $3.0 million of costs out of the Canadian leasing segment. We expect these efficiencies to continue into 2011.

Turning the Corner

Throughout 2009 and during the first half of 2010, weaker economic conditions and lower consumer confidence led to a decline in the size of our lease portfolio. We reversed this trend in the second half of 2010 and began to grow our lease portfolio as a result of a number of initiatives and operational changes as well as increased consumer confidence. The year-over-year decline of $0.9 million that existed at the beginning of the year was reduced to less than $0.1 million by December 31, 2010.

The change in the size of our lease portfolio does not have an immediate effect on financial results as we maintain an ongoing relationship with our customers. Instead, an increase in the size of our lease portfolio today leads to future revenue increases as our customers continue to lease the products in subsequent months.

Managing for Success

easyhome Leasing will maintain its focus on the basics of leasing and collecting, strengthening our existing business through disciplined management and strong merchandising and marketing.

As the Canadian and U.S. economies continue to recover and consumer confidence increases, we will concentrate on organic growth, with minimal investment in new stores. We will manage for long-term value, revitalizing our leasing expansion strategy when indicators are once again favourable. In the short term, the leasing business is a strong generator of cash.

easyhome Leasing brands

easyfinancial Services

easyfinancial Services posted exceptional growth in 2010, opening 38 new kiosks, doubling its customer base and growing its loan portfolio from $9.3 million to $23.8 million. The business achieved, and then surpassed, its growth objective.

KEY METRICS: *easyfinancial* Services

($ in 000's except kiosk/customer counts and percentages)	**Year Ended December 31, 2010**	Year Ended December 31, 2009	% Change
Revenue	**12,897**	4,051	218.4
Adjusted operating earnings	**1,038**	157	561.1
Operating margin (adjusted)	**8.0%**	6.9%	–
Bad debt (adjusted) (% of revenue)	**17.2%**	18.4%	–
Gross consumer loans receivable	**23,800**	9,251	157.3
Customers	**16,013**	7,201	122.4
New *easyfinancial* kiosks	**38**	16	137.5
Kiosk count	**67**	29	131.0

Differentiated by Our Market Position

easyfinancial Services is a lending alternative that fills a large void in the financial services market. We are more affordable than payday loans and more accessible and flexible than banks, serving a customer segment looking for alternatives. In 2011, we will deliver this message through targeted marketing communication, national advertising and increased community outreach.

Enhancing Risk Management

Following the discovery of fraud at one of our *easyfinancial* locations, management, in conjunction with independent advisors

easyfinancial Services kiosk

16,013 customers

67 locations

$12.9 million
revenues in 2010

$23.8 million
easyfinancial loan portfolio at year-end 2010

67
easyfinancial kiosks at year-end 2010

and the Audit Committee, developed a series of recommendations to enhance *easyfinancial's* internal controls. These included increased monitoring of additional key performance indicators, modifications to the *easyfinancial* Services' transaction software, and a quarterly audit of standard operating procedures. The TransUnion automated loan decision-making and identity-verification tool was released subsequent to year-end and has been deployed across the entire *easyfinancial* business. In 2011, we will continue to enhance risk management and internal controls, including replacing and upgrading the core loan software.

Strengthening Our Team

During the year, *easyfinancial* Services grew from a small and promising initiative to a substantial enterprise. As a result, we made a number of changes during 2010 to create a robust support structure. This involved recruiting a new management team that could offer a greater depth of financial services experience and establishing a centralized operational support team. We also hired a Vice President of Risk Management and field auditors to enhance our management of risks.

Expanding Our Network

We will expand into the remaining available *easyhome* locations in the second half of 2011. In addition, we plan to pilot test several stand-alone kiosks. We will continue to look for opportunities to expand *easyfinancial* Services.

Moving Forward

With tighter management controls and a strong new team, we are prepared and determined to continue *easyfinancial's* growth trajectory. We anticipate another year of solid improvement for our loan portfolio through existing locations and the addition of 20–25 new kiosks. To support this expansion, we will create and deploy new operating procedures and an enhanced training program, upgrade our loan software and enhance the TransUnion Decision Centre tool that was deployed early in 2011. We will maintain our focus on responsible lending, maximizing revenue and income and managing bad debt expense.

easyhome Franchising

easyhome's franchising business grew from 22 to 39 locations during 2010 and doubled its contribution to revenues. While the actual revenue earned is still small, it is on its way to achieving the operational scale necessary to make a meaningful contribution to revenues and earnings.

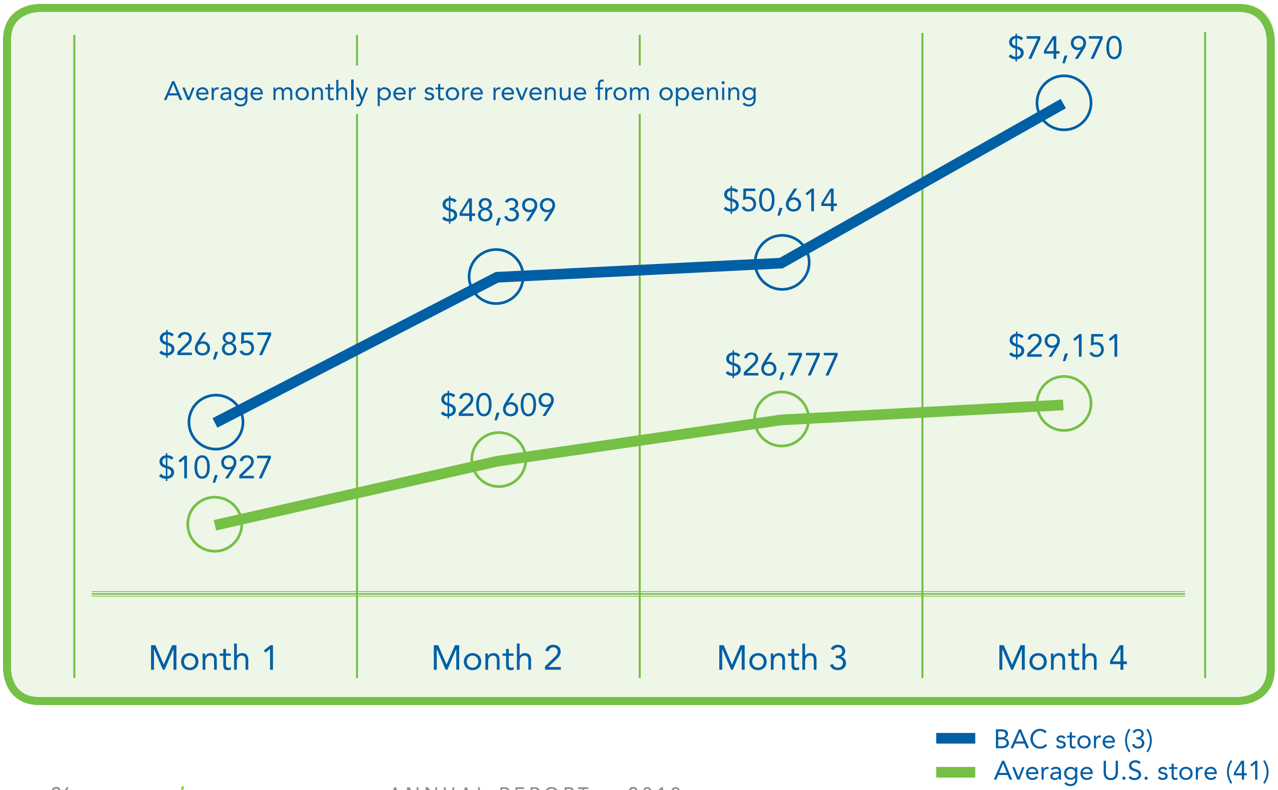
KEY METRICS: *easyhome* Franchising

($ in 000's except store count and percentages)	**Year Ended December 31, 2010**	Year Ended December 31, 2009	% Change
Gross revenue (revenue earned by franchise locations)	**16,515**	8,384	97.0
New franchise stores opened	**17**	13	30.8
Franchise store count	**39**	22	77.3

Refining Our Plan

While we are pleased with the performance of our franchisees, we are not signing up as many as we had planned. As a result, during 2010 we engaged in a thorough review of all aspects of our franchising program. Although the weak U.S. economy and challenging lending environment in the U.S. have been strong contributing factors to slower-than-expected sales, we also identified certain weaknesses in franchisee support, and decided to shift our sales strategy from a broad-based approach to a more targeted method.

Be A Contender stores outperform



In 2011 we will concentrate on selling franchises in three ways: through our partnership with *easygates*, through the *Be A Contender* program, and in northern border states. We believe that the initial success of our *Be A Contender* franchises offers a compelling story for potential franchisees. In addition, we have already built considerable consumer awareness and goodwill in those states that franchisees can leverage.

Improving Franchisee Support

As we grow the franchising business, we are learning what works. During 2010 we examined our processes, identified weaknesses and created a strategy for long-term support and growth. In 2011, we will implement this strategy, building our team and refining our processes.

We will enhance our operational support, providing more coaching, helping franchisees identify opportunities and ensuring that they have all the necessary tools to succeed. As our network expands, we understand that we must become more proactive in reaching out to our franchisees. At the same time, we plan to alleviate the administrative burden by streamlining key functions.

To maintain strong communication with our franchisees, we established a franchise advisory council comprising four franchisees. The advisory council will work with the *easyhome* support centre on marketing, events and strategy, and represent the needs of franchisees.

Creating Opportunities

We achieved significant success with the inaugural *Be A Contender* program and announced *Be A Contender II* early in 2011. The program was created to identify and attract top quality operators and offers the opportunity to receive a finance package of up to $750,000 for an initial start-up period. Candidates submitted complete business plans, and underwent a rigorous screening process. The three successful candidates opened their stores during 2010 and have exceeded all performance benchmarks.

By financing qualified, highly motivated individuals, *easyhome* develops experienced operators who will likely become multi-unit franchisees and help grow the franchise business and the *easyhome* brand in the United States.

Our goal is to open 10–15 franchise locations in 2011.

> **"There's no question in my mind that all three of the original *Be A Contender* franchisees will be millionaires."**
> **Bud Gates, Master Franchisor, *easygates***

Jerry Marshall: Living the entrepreneurial dream

Jerry has ten years' experience in the merchandise leasing industry, with a successful track record of strong day-to-day execution and revenue growth. While he loved his job, his dream was always to be his own boss.

"I have always wanted to own a Lease-to-Own store because I love the daily experiences. I looked at several franchise options, but it wasn't until I came across *easyhome* that I felt a strong fit. The structure of the *easyhome* franchise and their fresh ideas really appealed to me. I was hoping that *easyhome* could connect me with an investor, but then I was told about the *Be A Contender* program. It wasn't a contest of chance, but an application based on skill and background success. I haven't looked back since.

"Becoming an *easyhome* franchisee is a dream come true for me. Jerry Marshall and *easyhome* are a perfect match because we share the same passion for customers and the need to change the industry to support their needs. The *easyhome* program has been an incredible success in my community."

David Ingram, President and CEO of *easyhome* Ltd. describes Jerry this way: "Jerry Marshall is exactly the kind of passionate and experienced individual we were hoping to find when we launched the *Be A Contender* program."

Jerry Marshall
Franchise Store #73
Lynchburg, VA

Management's Discussion and Analysis

Management's Discussion and Analysis of Financial Condition and Results of Operations

Date: March 28, 2011

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of *easyhome* Ltd. and its subsidiaries as at December 31, 2010 compared to December 31, 2009 (restated), and the results of operations for the three month period and year ended December 31, 2010 compared with the corresponding periods of 2009 (restated). The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). 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 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 GAAP in Canada. These measures do not have standardized meanings and may not be comparable to similar measures presented by other companies. Although measures such as same-store revenue growth, potential monthly lease income and operating income do not have standardized meanings prescribed by GAAP, these measures are defined herein or can be determined by reference to our financial statements. We discuss these measures because we believe that they facilitate the understanding of the results of our operations and financial position.

Additional information is contained in the Company's filing with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.easyhome.ca.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about *easyhome* Ltd. including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenue, earnings or growth rates), ongoing business strategies or prospects about future events is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us, due to, but not limited to important factors such as our ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to our customers at a competitive rate, cope with changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance our system of internal controls. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless otherwise required by law.

Overview of the Business

easyhome Ltd. ("*easyhome*" or the "Company") is the largest merchandise leasing company in Canada and the third largest in North America with 256 store locations (including 39 franchised/licensed locations) as of December 31, 2010. *easyhome* leases, with or without an option to purchase, brand name furniture, appliances, home electronics and computers. The brands we offer include Ashley, Dynasty, Eztia and Serta Mattress; Samsung and Whirlpool appliances; Sony, Samsung, LG and Toshiba home electronics as well as Dell, HP, Acer and Toshiba computers.

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

Beyond our core merchandise leasing business and through *easyfinancial* Services ("*easyfinancial*"), we also offer our customers 6 to 18 month term loans, generally in the range of $500 to $3,000, and other financial services such as cheque cashing and prepaid credit cards. The services offered by *easyfinancial* bridge the gap between traditional financial institutions and payday lenders, providing a realistic alternative for many of our customers. *easyfinancial* commenced operations in 2006 and operated 67 kiosks within existing *easyhome* store locations in 9 provinces in Canada and one national virtual loan kiosk as of December 31, 2010.

Corporate Strategy & Outlook

The Company's long-term business objectives have three key elements, in order of strategic impact:

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

Growing easyfinancial

easyfinancial is a lending alternative that fills a large void in the financial services market. Its products are more affordable than payday loans while being more accessible and flexible than bank products, thus serving a customer segment that seeks alternative sources of credit. *easyfinancial* posted exceptional growth in 2010, opening 38 kiosks and growing its gross loan portfolio from $9.3 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

Since its inception in 2006, *easyfinancial* has grown from a small but promising initiative to a substantial enterprise. During 2010, the Company established a more robust support structure for *easyfinancial* and enhanced controls and risk management capabilities to facilitate sustainable growth into the future. These included a new management team with a greater depth of financial services experience, the establishment of a centralized operational support team and enhanced training. The Company also hired a Vice President of Risk Management and added field auditors and regional management oversight while augmenting systems, policies, procedures and management.

Also in 2010, the Company began to upgrade the loan application software utilized by *easyfinancial*. Following the discovery of fraud at one of our *easyfinancial* locations, modifications to the existing transactional software were made to improve the monitoring of key performance indicators and establish stronger authentication controls. With the assistance of recognized global leader in audit and in information management, the Company is in the process of implementing a new electronic automated loan decisioning and ID verification tool. A longer-term project has been initiated in 2011 to replace and upgrade the core loan software system.

Enhancing Store Profitability Within Our Leasing Business

The Company's experience has shown that the average store takes approximately three years to reach maturity and in most cases new stores generate a loss in their first year of operation and only a modest profit in the second year. As the Company has opened over 100 new stores in the last six years, growing the leasing portfolio and enhancing store profitability is a central focus of the operational staff. There are a number of tactics the Company pursues to enhance operational profitability including:

Differentiate the Company's Business Concept

The Company believes that the success of its operations is partly attributable to its approach to the business which is distinctive from that of its merchandise leasing competitors and discount stores and retail outlets that offer an installment sales program or offer comparable products and prices. For example, in order to meet changing customer needs, the Company utilizes merchandise lease agreements that result in a competitive lease rate and the Total Protection Coverage Policy that offers the ability to return the product at any time without further cost or obligation and also includes delivery, set-up, installation and pick-up. The Company also believes it offers more attractive store showrooms, a wider selection of higher-quality merchandise and a more positive shopping experience than its competitors. Additionally, most customers make their payments in person and the Company uses these frequent visits to strengthen customer relationships and make customers feel welcome in its stores.

Offer High Levels of Customer Service and Satisfaction

The Company fosters relationships with its customers in order to encourage merchandise leases and repeat business by providing high levels of service and satisfaction. As part of its attempt to provide superior customer service, the Company offers quick delivery of leased or rented merchandise, in many cases within the same or next day. 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 employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools, in order to increase the employee retention rate and to promote improved productivity.

Promote Its Brand Name

In early 2003, the Company announced the launch of the re-branding initiative to consolidate its six retail banners into the *easyhome* brand. The Company believes that the transition helped it meet its objectives of attracting new customers, increasing customer retention and increasing revenue per customer. The Company's marketing programs target the prime customer base. The Company typically markets through direct mail programs, flyers and in-store marketing programs and has expanded its marketing strategy to include English language television when appropriate.

Effectively Utilize Proprietary Management Information Systems

The Company utilizes computerized information systems to systematically pursue collections and merchandise returns and to match inventory with demand. Each store is linked by computer directly to corporate headquarters, which enables the Company to monitor the performance of each store on a real-time basis.

Expanding the U.S. Franchise Network

The Company believes that the U.S. marketplace provides an attractive opportunity. It is estimated to be a US$6 billion market that is highly fragmented, with approximately half the market served by small, independent operators. American consumers have a good understanding of merchandise leasing options and *easyhome* provides an attractive alternative to what is currently available in the marketplace.

easyhome plans to grow in the U.S. marketplace through franchise stores, utilizing the skills developed in the Canadian operations and the strength and industry knowledge of the Master Franchisor, easygates, LLC. The Company believes that growing through franchising in the U.S. market strikes a balance between exploring a significant growth opportunity and maximizing the return on capital.

easyhome's U.S. franchising business almost doubled from 15 stores at December 31, 2009 to 29 stores at December 31, 2010. While the Company was pleased with the performance of existing franchisees, the weak U.S. economy and challenging lending environment negatively impacted the growth in new franchise locations in 2010. The Company underwent a strategic review and identified certain necessary enhancements in its franchisee support and shifted the franchise sales strategy from a broad-based approach to a more targeted methodology.

The growth of *easyhome's* U.S. franchising business in 2010 was positively impacted by the opening of three new franchise stores under its "*Be-A-Contender*" program. The program is designed to identify and attract top quality operators and offers them the opportunity to receive financing from *easyhome* for the setup of a franchise store. Candidates submitted comprehensive business plans and underwent a rigorous screening process. All three *Be-A-Contender* stores have performed well beyond expectations.

Steps have been taken to enhance franchisee support and communications, providing more coaching, helping franchisees identify opportunities and ensuring that they have the necessary skills and tools to succeed. The Company also plans on alleviating the administrative burden for franchisees by streamlining processes and functions. A franchise advisory council was also created to coordinate *easyhome's* support of franchisees.

Store Location Summary

	Locations Opened in the 3 Months Ended December 31, 2010	Locations as at December 31, 2010	Planned Openings for 2011
Corporate Stores			
Canada	(1)	203	1
U.S.	–	14	1
Franchise Locations			
Canada	2	10	–
U.S.	3	25	10
VIE Franchise Locations (incl. in consolidated results)	4	4	5
Total Stores	8	256	17
easyfinancial			
Kiosks	9	67	20 – 25
Virtual kiosk	–	1	–

During the most recent quarter one Canadian corporate store was converted to a franchise location, one additional Canadian franchise location was added as were three U.S. franchise locations and four franchise locations deemed to be Variable Interest Entities ("VIEs") as they do not have sufficient equity at risk (as planned – see "Corporate Strategy & Outlook – Expanding the U.S. Franchise Network") to finance their activities without additional subordinated financial support and, as required by Canadian GAAP, are included in the Company's consolidated financial results ("VIE Franchise Locations"). Also during the most recent quarter nine *easyfinancial* kiosks were opened within our existing stores, for a total *easyfinancial* kiosk count of 67 within our stores and one national virtual loan kiosk as at December 31, 2010.

During 2010, the Company converted two Canadian and one U.S. corporate stores to franchise locations, closed one Canadian corporate store, opened three U.S. corporate stores, opened 10 U.S. and three Canadian franchise locations and opened four VIE Franchise Locations. The Company also opened 38 *easyfinancial* kiosks.

The achievement by the Company of the planned openings for 2011 as described above is predicated on a number of factors, including the availability of sufficient capital.

Financial Restatements

Restatement Due to Employee Fraud

In October 2010, the Company discovered a material fraud (the "Employee Fraud") perpetrated by an employee of its *easyfinancial* business. The Employee Fraud, which occurred at one *easyfinancial* kiosk, was detected during a detailed review of *easyfinancial's* consumer loans receivable portfolio.

Following the discovery of the Employee Fraud – as contemplated by the Mandate of the Audit Committee and with the unanimous approval of the Board of Directors – the Audit Committee of the Board assumed responsibility for the investigation of the Employee Fraud and related matters, and engaged independent legal counsel who, among other things, engaged a large national accounting and audit firm to provide expert assistance in a forensic review.

Under the oversight of the Audit Committee's counsel, a forensic review was undertaken related to the Employee Fraud and *easyfinancial's* policies, procedures and processes to, among other things: quantify the financial impact of the Employee Fraud, determine whether other individuals were involved in (or aware of) the Employee Fraud and assess whether practices that were associated with the Employee Fraud were evident at other *easyfinancial* kiosks.

The Audit Committee held regular, formal meetings to receive updates from, and to provide direction to, its legal advisors, management, and the Company's independent auditor. The Chair of the Audit Committee also held additional, separate, informal meetings with the other members of the Audit Committee, the Audit Committee's legal advisors, members of management and the Board of Directors, and the Company's independent auditor. Additionally the Audit Committee provided periodic updates to the Board of Directors.

The Audit Committee's investigation indicated that the manager of the *easyfinancial* kiosk processed fictitious loan applications, processed improper payments against legitimate customer accounts, subverted certain policies, procedures and controls and appropriated Company funds. The results of these activities were to, among other things, overstate the consumer loans receivable balance and reduce the amount of consumer loans that were not current or were otherwise in default. The Audit Committee's investigation also indicated that certain individuals responsible for oversight of this employee and kiosk did not adhere to the Company's standard policies and procedures, which, if followed, may have detected the fraud earlier. The individual responsible for the Employee Fraud and the individuals who did not discharge their oversight responsibilities for the employee and the kiosk have been terminated.

The Audit Committee's investigation revealed that:

- $0.7 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the prior year ended December 31, 2009;
- $1.5 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the first nine months of 2010, which was not reflected in the consolidated financial statements for the year ended December 31, 2010;
- $0.7 million had been either fraudulently removed from the Company or inappropriately applied as principal payments against legitimate consumer loans receivable;
- the consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures; and
- while other instances of fraud have occurred at other *easyfinancial* kiosks, there are no other significant instances.

To eliminate the fraudulent loans associated with the Employee Fraud from the Company's consumer loans receivable portfolio and provide for the other financial impacts of the Employee Fraud, the gross consumer loans receivable (consumer loans receivable before provision) was reduced by $2.8 million and the related provision was increased by $0.9 million as noted above. Altogether, the net impact of the Employee Fraud was a reduction in the consumer loans receivable balance of $3.7 million. These amounts were determined to have occurred by quarter as follows:

($ in 000's)	**Total**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009[2]	Q1 2009[2]
Erroneous recognition of revenue	**680**	–	–	–	–	244	168	159	109
Erroneous revenue initially recognized and subsequently eliminated in 2010	**1,499**	–	646	510	343	–	–	–	–
Fraudulent removal of funds	**652**	–	101	124	78	84	56	116	93
Additional provision[1]	**851**	–	311	205	83	91	43	49	69
Total	**3,682**	–	1,058	839	504	419	267	324	271

1 Additional provision required to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures.

2 The net impacts of the Employee Fraud for Q1 and Q2 2009 include approximately $120,000 per quarter that may be attributable to the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 have not been restated as this was not considered a material adjustment for that reporting period.

The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud, the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010.

Restatement Due to Understatement of Unearned Revenue

As a result of a review carried out in preparation for the pending conversion to International Financial Reporting Standards ("IFRS"), it was determined that an error existed in the historic calculation of the Company's unearned revenue balance resulting in an understatement of the unearned revenue balance and an overstatement of the earnings reported in prior periods. Accordingly, with the concurrence of the Company's Board, Audit Committee and external auditors, the Company's opening balance sheet as at January 1, 2009 has been restated to reflect a reduction to opening retained earnings of approximately $2.0 million.

The restatement (reduction) in 2009 opening retained earnings is required as a result of the cumulative effect since 2000 of this historical calculation error, which resulted in the amount of revenue received but not yet earned being understated by $2.0 million, net of corresponding impacts related to accumulated amortization and adjustments for income taxes. Accordingly, the 2009 opening retained earnings have been restated to $32.8 million (from $34.8 million).

Restating the Company's unearned revenue balance impacted the consolidated financial statements for the each of the quarterly periods from March 31, 2009 to September 30, 2010 and the annual consolidated financial statements for the year ended December 31, 2009. These amounts were determined to have occurred by quarter as follows:

($ in 000's)	**Total**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Erroneous recognition of revenue	**298**	–	–	–	–	(382)	293	151	236
Erroneous revenue initially recognized and subsequently eliminated in 2010	**336**	–	368	(431)	399	–	–	–	–
Deferral of related amortization	**(21)**	–	–	–	–	73	(106)	(15)	27
Deferral of related amortization subsequently eliminated in 2010	**(44)**	–	(93)	89	(40)	–	–	–	–
Total	**569**	–	275	(342)	359	(309)	187	136	263

As a result of the restatement due to the understatement of unearned revenue, the previously filed consolidated financial statements of the Company for each of the quarterly periods from March 31, 2009 through to September 30, 2010 and the annual consolidated financial statements for the year ended December 31, 2009 and the associated MD&A for the applicable periods should no longer be relied upon.

Restatement Summary

The following tables summarize the quarterly impact of the Employee Fraud and the understatement of unearned revenue (the "restatements") on the consolidated balance sheets for each quarterly period from March 31, 2009 through to September 30, 2010 and the consolidated statements of income (loss) and comprehensive income (loss) for each of the three month periods ended March 31, 2009 through to September 30, 2010. The annual impact is contained in note 3 of the notes to the Company's consolidated financial statements for the year ended December 31, 2010. No tables have been provided to disclose the impact of the restatements on the consolidated statements of cash flows as the restatements did not change the cash positions.

Selected Quarterly Consolidated Balance Sheet – Restated[1]

($ in 000's except per share amounts)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Consumer Loans Receivable							
As originally reported[1]	**18,518**	**19,320**	**13,007**	10,222	7,131	5,760	4,330
Adjustments							
Employee fraud	**–**	**(2,624)**	**(1,785)**	(1,281)	(862)	(595)	(271)
Unearned revenue	**–**	**–**	**–**	–	–	–	–
As restated	**18,518**	**16,696**	**11,222**	8,941	6,269	5,165	4,059
Income Taxes Recoverable							
As originally reported[1]	**3,451**	**3,989**	**2,493**	2,886	2,584	1,343	1,241
Adjustments							
Employee fraud	**–**	**309**	**179**	101	69	47	21
Unearned revenue	**–**	**–**	**–**	–	–	–	–
As restated	**3,451**	**4,298**	**2,672**	2,987	2,653	1,390	1,262
Lease Assets							
As originally reported[1]	**70,204**	**71,295**	**72,010**	74,686	77,825	79,001	80,861
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**668**	**761**	**672**	712	639	745	760
As restated	**70,872**	**72,056**	**72,682**	75,398	78,464	79,746	81,621
Future Tax Asset							
As originally reported[1]	**3,583**	**2,833**	**4,207**	4,655	4,831	5,658	5,829
Adjustments							
Employee fraud	**–**	**455**	**342**	274	183	126	57
Unearned revenue	**590**	**668**	**570**	674	583	642	680
As restated	**4,173**	**3,956**	**5,119**	5,603	5,597	6,426	6,566
Total Assets							
As originally reported[1]	**141,413**	**142,432**	**134,127**	135,761	136,456	136,168	136,088
Adjustments							
Employee fraud	**–**	**(1,860)**	**(1,264)**	(906)	(610)	(422)	(193)
Unearned revenue	**1,258**	**1,429**	**1,242**	1,386	1,222	1,387	1,440
As restated	**142,671**	**142,001**	**134,105**	136,241	137,068	137,133	137,335
Unearned Revenue							
As originally reported[1]	**577**	**708**	**792**	748	626	832	836
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**2,852**	**3,220**	**2,789**	3,188	2,806	3,099	3,250
As restated	**3,429**	**3,928**	**3,581**	3,936	3,432	3,931	4,086
Total Liabilities							
As originally reported[1]	**50,371**	**49,790**	**44,147**	47,346	48,060	46,502	47,621
Adjustments							
Employee fraud	**–**	**–**	**–**	–	–	–	–
Unearned revenue	**2,852**	**3,220**	**2,789**	3,188	2,806	3,099	3,250
As restated	**53,223**	**53,010**	**46,936**	50,534	50,866	49,601	50,871
Retained Earnings							
As originally reported[1]	**39,160**	**40,238**	**37,932**	36,539	36,356	37,227	36,205
Adjustments							
Employee fraud	**–**	**(1,860)**	**(1,264)**	(906)	(610)	(422)	(193)
Unearned revenue	**(1,594)**	**(1,791)**	**(1,547)**	(1,802)	(1,584)	(1,712)	(1,810)
As restated	**37,556**	**36,587**	**35,121**	33,831	34,162	35,093	34,202

1 The Company originally filed its 2009 financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 financial statements which were filed on December 22, 2010. The above depicts the impact of the restatements on the originally filed 2009 financial statements.

Selected Quarterly Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Information – Restated[1]

($ in 000's except per share amounts)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue							
As originally reported[1]	**44,629**	**45,464**	**44,293**	43,944	42,455	43,455	43,874
Adjustments							
Employee fraud	**–**	**(510)**	**(343)**	(244)	(168)	(159)	(109)
Unearned revenue	**368**	**(431)**	**399**	(382)	293	151	236
As restated	**44,997**	**44,523**	**44,349**	43,318	42,580	43,447	44,001
Operating Expenses							
As originally reported[1]	**41,942**	**40,833**	**40,413**	41,610	42,147	40,072	39,506
Adjustments							
Employee fraud	**–**	**329**	**161**	175	99	165	162
Unearned revenue	**93**	**(89)**	**40**	(73)	106	15	(27)
As restated	**42,035**	**41,073**	**40,614**	41,712	42,352	40,252	39,641
Operating Income							
As originally reported[1]	**2,687**	**4,631**	**3,880**	2,334	308	3,383	4,368
Adjustments							
Employee fraud	**–**	**(839)**	**(504)**	(419)	(267)	(324)	(271)
Unearned revenue	**275**	**(342)**	**359**	(309)	187	136	263
As restated	**2,962**	**3,450**	**3,735**	1,606	228	3,195	4,360
Income Taxes							
As originally reported[1]	**709**	**1,169**	**1,317**	505	10	1,277	1,698
Adjustments							
Employee fraud	**–**	**(243)**	**(146)**	(123)	(79)	(95)	(78)
Unearned revenue	**78**	**(98)**	**104**	(91)	59	38	75
As restated	**787**	**828**	**1,275**	291	(10)	1,220	1,695
Net Income (Loss) and Comprehensive Income (Loss)							
As originally reported[1]	**1,674**	**3,197**	**2,279**	1,427	20	1,915	2,403
Adjustments							
Employee fraud	**–**	**(596)**	**(358)**	(296)	(188)	(229)	(193)
Unearned revenue	**197**	**(244)**	**255**	(218)	128	98	188
As restated	**1,871**	**2,357**	**2,176**	913	(40)	1,784	2,398
Earnings (Loss) per Share – Basic and Diluted							
As originally reported[1]	**0.16**	**0.31**	**0.22**	0.14	0.00	0.18	0.23
Adjustments							
Employee fraud	**–**	**(0.06)**	**(0.04)**	(0.03)	(0.02)	(0.02)	(0.02)
Unearned revenue	**0.02**	**(0.02)**	**0.02**	(0.02)	0.01	0.01	0.02
As restated	**0.18**	**0.23**	**0.20**	0.09	(0.01)	0.17	0.23

1 The Company originally filed its 2009 financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 financial statements which were filed on December 22, 2010. The above depicts the impact of the restatements on the originally filed 2009 financial statements.

As disclosed under "Internal Controls", the Company and its Audit Committee have taken appropriate steps to enhance its internal controls. These initiatives will continue throughout 2011.

Fourth Quarter and Full Year Highlights

- The economic environment has begun to recover and *easyhome's* leasing business has improved, particularly in the fourth quarter of 2010. Potential monthly lease revenue, a key measure of our portfolio size and a leading indicator of future revenues, increased during the fourth quarter of 2010 by $0.6 million compared to an increase of $0.5 million in the fourth quarter of 2009. For the year ended December 31, 2010, potential monthly lease revenue declined by less than $0.1 million compared to a decline of almost $0.9 million in 2009.
- Revenue for the fourth quarter increased from $43.3 million in 2009 (restated) to $46.9 million in 2010, an increase of 8.3%. Most of the revenue increase related to *easyfinancial* (due to its growing loan book) but quarterly revenue increases were also achieved by both the Canadian and U.S. leasing businesses. On a full year basis, overall revenue for 2010 was $180.8 million compared to $173.3 million in 2009 (restated), an increase of 4.3%. The growth was driven by the expansion of *easyfinancial* and the U.S. leasing business while the Canadian leasing business reported modest revenue declines due primarily to the decline in the potential monthly leasing revenue that occurred during the prior year as a prior reduction in the size of the lease portfolio reduces revenue on a go-forward basis. Same store revenue growth, which includes revenue growth from *easyfinancial* Services, was 10.9% and 4.3% for the three months and year ended December 31, 2010, respectively.
- The loan book at *easyfinancial* continues to grow. The gross consumer loans receivable at December 31, 2010 was $23.8 million compared to $9.3 million at December 31, 2009 (restated) and $4.1 million at December 31, 2008. Adjusted bad debt expense as a percentage of financial revenue improved from 18.4% in 2009 (restated) to 17.2% in 2010. During the fourth quarter of 2010 the loan book grew by 16.9%.
- The trend of year-over-year improvements in adjusted earnings per share continued. Adjusted earnings per share of $0.20 for the three months ended December 31, 2010 were $0.06 per share greater than the adjusted earnings per share of $0.14 reported in the comparable period of 2009 (restated). Likewise, the adjusted earnings per share of $0.92 for the year ended December 31, 2010 were $0.29 per share greater than the adjusted earnings per share of $0.63 reported in the comparable period of 2009 (restated). Additionally, adjusted return on equity has similarly shown a year-over-year improvement from 7.9% in the 2009 (restated) to 10.4% in the current year.
- As discussed above, the Company uncovered an Employee Fraud at one of its *easyfinancial* kiosks during the fourth quarter which resulted in a write-down of our loan portfolio of $3.7 million. While unfortunate, the fraud highlighted opportunities to improve the Company's risk management and *easyfinancial* operational procedures and systems. The Company has taken decisive steps to make this improvement and position the business for sustainable future growth.
- Annual operating expenses, adjusted for unusual items, increased by $6.1 million from $103.1 in 2009 (restated) to $109.2 million in 2010 due to: i) $2.0 million of additional management and staffing costs to grow the *easyfinancial* business and its infrastructure; ii) $2.2 million of additional cost to deliver various customer protection programs (where the incremental revenues significantly exceed the incremental costs); and iii) bad debt expense increases of $2.5 million due to the growth of the *easyfinancial* loan book and the Company refining its methodology for estimating the provision for consumer loans receivable. On balance, the Company exhibited strong cost controls during the year.

- During the year the Company executed on its growth plan opening 38 *easyfinancial* kiosks and 17 franchise locations (including 4 VIE Franchise Locations) while corporate store count declined by one.
- The Company continues to generate strong cash flows. Cash flow provided by operating activities for the year ended December 31, 2010 was $10.2 million compared to $15.5 million in 2009. Included in these cash flows was a net investment in the *easyfinancial* loan portfolio of $12.9 million and $4.9 million for 2010 and 2009. Excluding this item, cash flow from operations grew from $20.4 million in 2009 to $23.1 million in 2010, an increase of 13.4%. In addition to increasing the *easyfinancial* loan portfolio, this positive cash flow when combined with the net $10.7 million raised from an equity offering in December 2010, allowed the Company to i) invest $6.2 million in additional property and equipment and intangible assets, ii) reduce external debt by $11.6 million and iii) continue its dividend payments of $3.6 million for the year.

Outlook

Excluding unusual items, in 2010 the Company reversed the profitability decline that occurred in the prior year. Adjusted earnings per share of $0.92 were above the adjusted earnings per share of $0.63 and $0.85 reported in 2009 (restated) and 2008, respectively. The growth strategy, careful cost control and disciplined management put in place in the prior years is beginning to deliver stronger results.

In 2011, we will continue to focus on improving our risk management policies and practices and strengthening our internal controls in all areas of our business. We know that both of these areas require significant oversight and enhancement as our business expands, particularly within *easyfinancial* as this business becomes an ever increasing portion of our operations.

In 2011, we anticipate opening 1 to 2 new corporate stores. We will also continue to expand our U.S. presence through franchising. The Company will concentrate on selling franchisees in three ways, i) through our partnership with easygates, ii) through the *Be-A-Contender* program and iii) directly in northern border states. We plan to add a total of 10 to 15 new franchise locations in 2011 (which includes five VIE Franchise Locations). Finally, the Company intends to add an additional 20 to 25 new *easyfinancial* kiosks and expand its loan book at existing kiosks during 2011. The achievement of these targets by the Company is predicated on a number of factors, including the availability of sufficient capital.

We believe that the cash flow provided by operations during 2011, coupled with the available loan facility and the $11.5 million equity offering completed in December 2010 will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. The Company is able to achieve significant growth of its consumer loans receivable portfolio and the resulting revenue based on the amount of financing that is available. In order for the Company to achieve the full growth opportunities available, as contemplated in its Outlook, it will require additional sources of financing over and above the available loan facility. The Company is currently considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

Key Performance Indicators and Non-GAAP Measures

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

Several non-GAAP 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* Services' 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. The revenue from the acquisition of Insta-rent in September 2008 was excluded from the same store revenue growth calculation for the first 12 months after acquisition.

	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Same store revenue growth	**10.9%**	(1.7%)	**4.3%**	1.8%

Potential Monthly Lease Revenue

Potential monthly lease revenue reflects the revenue that our portfolio of leased merchandise would generate in a month providing we collected all lease payments due in that period. Our growth in potential monthly lease revenue is driven by several factors, including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of our leased items. We believe that our potential monthly lease revenue is an important indicator of how revenue will change in future periods.

	Three Months Ended		Year Ended	
($ in 000's)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Potential monthly lease revenue	**11,600**	11,688	**11,600**	11,688
Growth in potential monthly lease revenue	**604**	491	**(88)**	(853)

Gross Consumer Loans Receivable

Gross consumer loans receivable reflects the period end balance of our consumer loans receivable portfolio before provisioning for potential future charge offs. Our growth in gross consumer loans receivable is driven by several factors, including an increased number of customers and an increased loan value per customer. We believe that our gross consumer loans receivable value is an important indicator of the overall size of our *easyfinancial* business and of how revenue will grow in future periods.

	Three Months Ended		Year Ended	
($ in 000's)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Gross consumer loans receivable	23,800	9,251	23,800	9,251
Growth in gross consumer loans receivable	3,443	2,769	14,549	5,155

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 book. Bad debt expense includes actual write-offs and the impact of the provision taken against the loan book. We believe that bad debt expense as a percentage of *easyfinancial* revenue is a useful indicator of the Company's ability to collect its outstanding consumer loans receivable in future periods.

	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Bad debt expense as a percentage of *easyfinancial* revenue	**23.6%**	30.9%	**30.9%**	33.2%
Bad debt expense as a percentage of *easyfinancial* revenue (adjusted)[1]	**23.6%**	18.2%	**17.2%**	18.4%

1 Adjusted for the impact of the Employee Fraud and the increase in provision due to refinement of estimating the provision for consumer loans receivable.

Adjusted Operating Earnings, Adjusted Earnings, Adjusted Earnings Per Share

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

Items which can be used to adjust operating income, net income and earnings per share for the year ended December 31, 2010 and 2009 (restated) include the following:

	Three Months Ended		Year Ended	
($ in 000's except earnings per share)	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		(restated)		*(restated)*
Operating income as stated	**298**	1,606	**10,445**	9,389
Restructuring charge included in operating expenses[1]	**–**	709	**641**	1,931
Fraudulent removal of funds[2]	**–**	84	**303**	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	91	**599**	252
Fraud investigation costs	**2,428**	–	**2,428**	–
Adjusted operating earnings	**2,726**	2,490	**14,416**	11,921
Net income as stated	**467**	913	**6,871**	5,055
Restructuring charge included in operating expenses[1]	**–**	709	**641**	1,931
Fraudulent removal of funds[2]	**–**	84	**303**	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	91	**599**	252
Fraud investigation costs	**2,428**	–	**2,428**	–
Tax impact of above items	**(733)**	(284)	**(1,199)**	(814)
Net unusual items	**1,695**	600	**2,772**	1,718
Adjusted earnings	**2,162**	1,513	**9,643**	6,773
Earnings per share as stated	**0.04**	0.09	**0.65**	0.48
Per share impact of the restructuring charge included in operating expenses[1]	**–**	0.06	**0.06**	0.18
Fraudulent removal of funds[2]	**–**	0.01	**0.03**	0.03
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures[3]	**–**	0.01	**0.06**	0.02
Fraud investigation costs	**0.23**	–	**0.23**	–
Per share tax impact of above items	**(0.07)**	(0.03)	**(0.11)**	(0.08)
Per share impact of unusual items	**0.16**	0.05	**0.27**	0.15
Adjusted earnings per share	**0.20**	0.14	**0.92**	0.63

1 During the third quarter of 2009, the Company initiated a reorganization of its administrative facilities and certain functions. This restructuring was completed on June 30, 2010 and consolidated all administrative functions into one central location to promote efficient and effective activities. The cost of this restructuring was $2.6 million.

2 Subsequent to the third quarter of 2010, the Company discovered the Employee Fraud.

3 The consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures.

Operating Expenses Before Amortization

We define operating expenses before amortization as total operating expenses excluding amortization expenses for the period. We believe that operating expenses before amortization are an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

Items which can be used to adjust operating expenses before amortization for the year ended December 2010 and 2009 (restated) include the following:

	Three Months Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating expenses as stated	**46,622**	**46,622**	41,712	41,712
Restructuring charges	**–**	**–**	–	(709)
Fraudulent removal of funds	**–**	**–**	–	(84)
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	(91)
Fraud investigation costs	**–**	**(2,428)**	–	–
	46,622	**44,194**	41,712	40,828
Amortization expenses included in operating expenses	**(14,763)**	**(14,763)**	(14,866)	(14,866)
Operating expenses before amortization	**31,859**	**29,431**	26,846	25,962
Divided by revenue	**46,920**	**46,920**	43,318	43,318
Operating expenses before amortization as % of revenue	**67.9%**	**62.7%**	62.0%	59.9%

	Year Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating expenses as stated	**170,344**	**170,344**	163,957	163,957
Restructuring charges	**–**	**(641)**	–	(1,931)
Fraudulent removal of funds	**–**	**(303)**	–	(349)
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**(599)**	–	(252)
Fraud investigation costs	**–**	**(2,428)**	–	–
	170,344	**166,373**	163,957	161,425
Amortization expenses included in operating expenses	**(57,172)**	**(57,172)**	(58,301)	(58,301)
Operating expenses before amortization	**113,172**	**109,201**	105,656	103,124
Divided by revenue	**180,789**	**180,789**	173,346	173,346
Operating expenses before amortization as % of revenue	**62.6%**	**60.4%**	61.0%	59.5%

Operating Margin

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

	Three Months Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating income	**298**	**298**	1,606	1,606
Restructuring charges	**–**	**–**	–	709
Fraudulent removal of funds	**–**	**–**	–	84
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	91
Fraud investigation costs	**–**	**2,428**	–	–
Operating income	**298**	**2,726**	1,606	2,490
Divided by revenue	**46,920**	**46,920**	43,318	43,318
Operating margin	**0.6%**	**5.8%**	3.7%	5.7%

	Year Ended			
($ in 000's except percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Operating income	**10,445**	**10,445**	9,389	9,389
Restructuring charges	**–**	**641**	–	1,931
Fraudulent removal of funds	**–**	**303**	–	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**599**	–	252
Fraud investigation costs	**–**	**2,428**	–	–
Operating income	**10,445**	**14,416**	9,389	11,921
Divided by revenue	**180,789**	**180,789**	173,346	173,346
Operating margin	**5.8%**	**8.0%**	5.4%	6.9%

Return on Equity

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

	Three Months Ended			
($ in 000's except multiples and percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Net income (loss) for the period	**467**	**467**	913	913
Restructuring charges	**–**	**–**	–	709
Fraudulent removal of funds	**–**	**–**	–	84
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**–**	–	91
Fraud investigation costs	**–**	**2,428**	–	–
Tax impact of above items	**–**	**(733)**	–	(284)
Net income for the period	**467**	**2,162**	913	1,513
Divided by average shareholders' equity for the period	**94,848**	**94,848**	85,954	85,954
Return on equity	**0.5%**	**2.3%**	1.1%	1.8%

	Year Ended			
($ in 000's except multiples and percentages)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009
		(adjusted)	(restated)	*(restated & adjusted)*
Net income (loss) for the period	**6,871**	**6,871**	5,055	5,055
Restructuring charges	**–**	**641**	–	1,931
Fraudulent removal of funds	**–**	**303**	–	349
Increase in provision due to fraudulent loans and non-compliance with underwriting procedures	**–**	**599**	–	252
Fraud investigation costs	**–**	**2,428**	–	–
Tax impact of above items	**–**	**(1,199)**	–	(814)
Net income for the period	**6,871**	**9,643**	5,055	6,773
Divided by average shareholders' equity for the period	**92,978**	**92,978**	85,177	85,177
Return on equity	**7.4%**	**10.4%**	5.9%	7.9%

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009 (restated)

Summary Financial Results

($ in 000's except earnings per share and percentages)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance $/#/%	Variance % Change
		(restated)		
Revenue				
Lease	**132,651**	135,005	(2,354)	(1.7)
Interest and other income	**48,138**	38,341	9,797	25.6
	180,789	173,346	7,443	4.3
Operating expenses before amortization				
Salaries and benefits	**53,746**	50,092	3,654	7.3
Selling, general and admin.	**24,554**	22,243	2,311	10.4
Occupancy	**25,094**	24,492	602	2.5
Automotive and travel	**6,709**	6,898	(189)	(2.7)
Restructuring & other charges	**3,069**	1,931	1,138	58.9
	113,172	105,656	7,516	7.1
Amortization expense	**57,172**	58,301	(1,129)	(1.9)
Operating income	**10,445**	9,389	1,056	11.2
Interest expense	**1,238**	1,138	100	8.8
Net income for the period	**6,871**	5,055	1,816	35.9
Diluted earnings per share	**0.65**	0.48	0.17	35.4
Key Performance Indicators				
Adjusted earnings	**9,643**	6,773	2,870	42.4
Diluted EPS (adjusted)	**0.92**	0.63	0.29	46.0
Operating margin (adjusted)	**8.0**	6.9	1.10	–
Return on equity (adjusted)	**10.4**	7.9	2.5	–
Key Performance Indicators (Year End)				
Potential monthly lease revenue	**11,600**	11,688	(88)	(0.8)
Gross customer loan receivable	**23,800**	9,251	14,549	157.3
Number of stores opened (corporate and franchise)	**16**	15	1	6.7
Corporate store count	**217**	218	(1)	(0.5)
Franchise store count	**39**	22	17	77.3
Total store count	**256**	240	16	6.7
easyfinancial kiosks	**67**	29	38	131.0
Same store revenue growth	**4.3%**	1.8%	2.5%	–

Revenue

Revenue for the year ended December 31, 2010 was $180.8 million compared to $173.3 million in 2009 (restated), an increase of $7.4 million or 4.3%. Revenue from the Canadian leasing business decreased by $2.9 million or 1.8% due to the decline in the potential monthly lease revenue that occurred during the prior year as a prior reduction in the size of the lease asset portfolio reduces revenue on a go-forward basis. The year-over-year difference in the potential monthly lease revenue has steadily reduced throughout the year as customer demand has improved.

Revenue from the U.S. leasing business and *easyfinancial* grew by $1.5 million and $8.8 million, respectively, both due to additional franchise stores and kiosks opened throughout 2009 and 2010 and due to the continued strong growth of existing locations.

Lease Revenue

Lease revenue was $132.7 million for the year ended December 31, 2010 compared to $135.0 million in 2009 (restated), a decrease of $2.4 million or 1.7%. This decrease is attributable to i) a 3.3% decline in the average number of units on lease, ii) a 0.5% decline in the revenue received per unit and iii) a 5.5% decrease in cash sales. The decline in the size of the lease portfolio in prior years has had a negative impact on 2010.

Interest Revenue and Other Income

Interest revenue and other income was $48.1 million for the year ended December 31, 2010 compared to $38.3 million in 2009 (restated), an increase of $9.8 million or 25.6%. The increase was primarily attributable to both the increase in *easyfinancial* revenue associated with the larger loan book and the increased penetration of the Customer Club Benefits Program.

Operating Expenses Before Amortization

Operating expenses before amortization increased to $113.2 million for the year ended December 31, 2010 compared to $105.7 million in 2009 (restated), an increase of $7.5 million or 7.1%. Operating expenses before amortization represented 62.6% of revenue in 2010 compared to 61.0% in 2009 (restated).

After adjusting for unusual or non-recurring items, operating expenses before amortization increased from $103.1 million in 2009 (restated) to $109.2 million in 2010, an increase of $6.1 million or 5.9%. Additionally, after adjusting for unusual or non-recurring items, operating expenses before amortization represented 60.4% of revenue in 2010 compared to 59.5% in 2009 (restated). Unusual or non-recurring items in 2010 total $4.0 million and included the impact of the fraud, restructuring costs and costs related to the forensic investigation while unusual or non-recurring items in 2009 included the impact of the fraud and restructuring costs which total $2.5 million.

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

Salaries and Benefits

Salaries and benefits were $53.7 million for the year ended December 31, 2010 compared to $50.1 million in 2009, an increase of $3.7 million or 7.3%. The increase is related to higher staff levels associated with the 38 additional *easyfinancial* kiosks and added corporate management to support the business and facilitate sustainable growth. The cost increase was partially offset by efficiencies gained through the improved focus on managing labour within our *easyhome* stores. As a percentage of revenue, salaries and benefits for the year increased to 29.7% of revenue in 2010 from 28.9% of revenue in 2009 (restated).

Selling, General and Administrative

Selling, general and administrative expenses for the year ended December 31, 2010 were $24.6 million or 13.6% of revenue compared to $22.2 million or 12.8% of revenue in 2009 (restated), an increase of $2.3 million. Excluding unusual items, selling, general and administrative expenses were $23.7 million or 13.1% of revenue in 2010 compared to $21.6 million or 12.5% of revenue in 2009 (restated), an increase of $2.1 million. This increase is related to a $2.2 million increase in costs associated with the customer benefit program and customer loan protection plan (more than offset by increased revenue) and a $2.6 million increase in *easyfinancial's* bad debt expense associated with the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. These increases were offset by a planned $2.0 million reduction in advertising and promotional spend and lower general office costs.

Occupancy

Occupancy costs for the year ended December 31, 2010 were $25.1 million or 13.9% of revenue compared to $24.5 million or 14.1% of revenue in 2009 (restated), an increase of $0.6 million. Occupancy costs increased due to higher store level rent and utility costs and the additional occupancy costs of the new U.S. franchise stores that were deemed to be VIE Franchise Locations that opened during the last 3 months of 2010.

Automotive and Travel

Automotive and travel expenses for the year ended December 31, 2010 were $6.7 million or 3.7% of revenue compared to $6.9 million or 4.0% of revenue in 2009 (restated), a nominal decline of $0.2 million.

Amortization

Amortization of lease assets for the year ended December 31, 2010 was $52.0 million or 28.8% of revenue compared to $53.3 million or 30.8% of revenue in 2009 (restated). Amortization of lease assets declined by $1.3 million due to i) a decline in the size of the lease portfolio as indicated by the lower book value of lease assets and the lower potential monthly lease revenue throughout the year; ii) lower lease revenue (amortization of lease assets is a function of revenue recognized on those assets) and iii) lower charge offs resulting from improved collections.

Amortization of property and equipment and intangible assets for the year ended December 31, 2010 was $5.1 million, a nominal increase of $0.2 million from the comparable period in 2009. As a percentage of revenue, amortization for property and equipment and intangible assets for the year decreased to 2.8% of revenue in 2010 from 2.9% of revenue in 2009 (restated).

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the year ended December 31, 2010 was $10.4 million or 5.8% of revenue compared to $9.4 million or 5.4% of revenue in 2009 (restated), an increase of $1.1 million. Increases in revenue were largely offset by correspondingly higher costs including unusual costs such as the fraud, restructuring costs and costs related to the forensic investigation.

Excluding the unusual items, adjusted operating earnings for the year ended December 31, 2010 was $14.4 million or 8.0% of revenue compared to $11.9 million or 6.9% of revenue in 2009 (restated), an increase of $2.5 million.

Interest Expense

Interest expense for the year ended December 31, 2010 was $1.2 million, an increase of $0.1 million over the $1.1 million reported in 2009 due to slightly higher effective interest rates and average debt levels.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2010 was 25.4% compared to 38.7% in 2009 (restated). The effective tax rate has declined due to i) reductions in the statutory income tax rates in jurisdictions where the Company operates, ii) immaterial out-of-period adjustments in the current year and iii) correcting for a $0.4 million future tax adjustment as a result of proposed tax reassessments. No tax benefit has been recorded for the losses by the Company's U.S. operations.

Net Income and EPS

Net income for the year ended December 31, 2010 was $6.9 million or $0.65 per share compared to $5.1 million or $0.48 per share in the same period last year (restated), an increase of 35.4%.

Adjusted net income for the year ended December 31, 2010 was $9.6 million or $0.92 per share compared to $6.8 million or $0.63 per share in the same period last year (restated), an increase of 42.4%.

Segmented Reporting

We have provided segmented reporting information for the year ended December 31, 2010 and 2009 (restated) in the MD&A as we believe it provides meaningful analysis of our three main segments: the Canadian leasing division, the U.S. leasing division and *easyfinancial*, our consumer lending business, which operates in Canada. Management is continuing to assess the Company's reporting segments as a result of the previously announced restructuring and the Company's corresponding growth strategy.

Year Ended December 31, 2010 *($ in 000's)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	**2010 Total**
Revenue	158,642	9,250	12,897	**180,789**
Total operating expenses before amortization and restructuring charges	89,890	7,715	12,498	**110,103**
Amortization	53,490	3,419	263	**57,172**
Restructuring and other charges	3,069	–	–	**3,069**
Operating income (loss)	12,193	(1,884)	136	**10,445**

Year Ended December 31, 2009 *($ in 000's) (restated)*	Canadian Leasing	U.S. Leasing	*easyfinancial*	2009 Total
Revenue	161,549	7,746	4,051	173,346
Total operating expenses before amortization and restructuring charges	92,888	6,448	4,389	103,725
Amortization	55,172	3,023	106	58,301
Restructuring and other charges	1,931	–	–	1,931
Operating income (loss)	11,558	(1,725)	(444)	9,389

Canadian Leasing

Revenue declined from $161.5 million in 2009 (restated) to $158.6 million in 2010, a decline of $2.9 million or 1.8%. The decline was primarily due to declines in the potential monthly lease revenue that occurred throughout 2009, driven by weak economic conditions and two fewer corporate stores. Although the potential monthly lease revenue decreased through the first six months of 2010, the lease portfolio has increased during the second half of 2010.

Operating income increased from $11.6 million in 2009 (restated) to $12.2 million in 2010, an increase of $0.6 million or 5.5%. The $2.9 million reduction in revenue, year-over-year, and the $1.1 million increase in restructuring and other charges were offset by a $3.0 million reduction in operating expenses and a $1.7 million decrease in amortization. The decline in operating expenses was due to i) fewer corporate stores, ii) tighter cost controls, particularly around labour, and iii) a reduction in advertising and promotional spending. Amortization is calculated as a function of revenue so it has declined in line with revenue. Restructuring and other charges consisted of $1.9 million in restructuring costs in 2009 (restated) and $0.6 million in restructuring costs and $2.4 million in costs related to the forensic investigation in 2010.

U.S. Leasing

Revenue increased from $7.7 million in 2009 (restated) to $9.2 million in 2010, an increase of $1.5 million or 19.4%. The increase was due to i) the development of stores opened during 2009, ii) opening additional stores in 2010 and iii) increasing the number of U.S. franchise locations from 15 as at December 31, 2009 to 29 as at December 31, 2010. This included the opening of four franchises which are considered to be Variable Interest Entities and are therefore consolidated for financial statement purposes. These Variable Interest Entity franchises opened in the fourth quarter of 2010 and represented $0.5 million of the increase year-over-year.

Operating loss was relatively consistent year-over-year as revenue gains were offset by higher costs. The higher costs were due to an increased number of stores (including the franchise locations deemed to be Variable Interest Entities). These particular franchise locations commenced operations in the fourth quarter of 2010 and, as typical of new stores, operated at a loss while ramping up.

easyfinancial

Revenue increased from $4.1 million in 2009 (restated) to $12.9 million in 2010. This increase was due to the increased loan portfolio which increased from $9.2 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

easyfinancial generated operating income of $0.1 million in 2010 compared to a loss of $0.4 million in 2009 (restated). The increase in revenues was offset by a $8.1 million increase in operating expenses. The increase in operating expenses was due to: i) staff and management costs as the Company added 38 additional kiosks during the year (kiosks which are still ramping up their loan book), ii) higher costs to provide the customer loan protection plan program which is more than offset by higher revenues and iii) higher bad debt expense. Bad debt expense as a percentage of revenue for the year was 30.9% compared to 33.2% in 2009 (restated). Adjusted bad debt expense as percentage of revenue, (which excludes the impact of the Employee Fraud and the refinement of estimating the provision for consumer loans receivable), for the year ended December 31, 2010 was 17.2% of revenue, an improvement over 18.4% in 2009 (restated).

Selected Annual Information

($ in 000's except per share amounts)	**2010**	2009	2008	2007	2006
		(restated)			
Revenue	**180,789**	173,346	162,493	143,675	119,566
Net income	**6,871**	5,055	8,972	11,685	8,983
Dividends declared on common shares	**3,562**	3,561	3,572	2,935	2,474
Cash dividends declared per common share	**0.34**	0.34	0.34	0.28	0.24
Earnings per Share					
Basic	**0.65**	0.48	0.86	1.13	0.89
Diluted	**0.65**	0.48	0.85	1.11	0.86
Consolidated Balance Sheet					
Total assets	**146,252**	136,241	138,186	116,259	97,045
Total debt	**18,251**	29,884	35,889	13,770	6,275

Results of Operations for the Three Months Ended December 31, 2010 Compared to the Three Months Ended December 31, 2009 (restated)

Summary Financial Results

($ in 000's except earnings per share and percentages)	**Three Months Ended Dec. 31, 2010**	Three Months Ended Dec. 31, 2009	Variance $/#/%	Variance % Change
		(restated)		
Revenue				
Lease	**34,083**	33,453	630	1.9
Interest and other income	**12,837**	9,865	2,972	30.1
	46,920	43,318	3,602	8.3
Operating expenses before amortization				
Salaries and benefits	**14,067**	12,050	2,017	16.7
Selling, general and admin.	**6,676**	6,348	328	5.2
Occupancy	**6,714**	6,093	621	10.2
Automotive and travel	**1,974**	1,646	328	19.9
Restructuring & other charges	**2,428**	709	1,719	242.5
	31,859	26,846	5,013	18.7
Amortization expense	**14,763**	14,866	(103)	(0.7)
Operating income	**298**	1,606	(1,308)	(81.4)
Interest expense	**385**	402	(17)	(4.2)
Net income for the period	**467**	913	(446)	(48.8)
Diluted earnings per share	**0.04**	0.09	(0.05)	–
Key Performance Indicators				
Adjusted earnings	**2,162**	1,513	649	42.9
Diluted EPS (adjusted)	**0.20**	0.14	0.06	42.9
Operating margin (adjusted)	**5.8**	5.7	(0.1)	–
Return on equity (adjusted)	**2.3**	1.8	(0.5)	–
Key Performance Indicators (Quarter-End)				
Number of stores opened (corporate and franchised)	**8**	3	5	166.7
Number of kiosks opened	**9**	10	(1)	(10.0)
Same store revenue growth	**10.9%**	(1.7%)	12.6%	–

Revenue

Revenue for the three months ended December 31, 2010 was $46.9 million compared to $43.3 million in the comparable period in 2009 (restated), an increase of $3.6 million or 8.3%. Revenue from the Canadian leasing business improved modestly from the prior year as the growth in the lease portfolio during the three month period was able to offset the declines in the potential monthly lease revenue that occurred throughout the balance of the year.

Revenue from the U.S. leasing business was $2.6 million for the three months ended December 31, 2010 compared to $2.1 million in the comparable period in 2009 (restated), an increase of $0.5 million or 26.5%. The increase was due to the addition of U.S. corporate and franchise locations and higher revenue per store. *easyfinancial* revenue for the three month period was $4.3 million compared to $1.4 million for the same period in 2009 (restated), an increase of $2.9 million – more than tripling revenue year-over-year. The increase was due to the larger gross customer loan receivable which grew from $9.3 million as at December 2009 (restated) to $23.8 million as at December 2010.

Lease Revenue

Lease revenue was $34.1 million for the three months ended December 31, 2010 compared to $33.5 million for the comparable period in 2009 (restated), an increase of $0.6 million, or 1.9%. This increase is primarily attributable to U.S. leasing where the Company added corporate and franchise locations and where revenue per store increased.

Interest Revenue and Other Income

Interest revenue and other income was $12.8 million for the three months ended December 31, 2010 compared to $9.9 million for the comparable period in 2009 (restated), an increase of $3.0 million or 30.1%. The increase was primarily attributable to the increase in *easyfinancial* revenue (both from interest and the loan protection plan, driven by the larger gross consumer loans receivable) and the increasing penetration of the Customer Club Benefits Program in the leasing business.

Operating Expenses Before Amortization

Operating expenses before amortization increased to $31.9 million for the three months ended December 31, 2010 compared to $26.8 million for the three months ended December 31, 2009 (restated), an increase of $5.0 million or 18.7%. Operating expenses before amortization represented 67.9% of revenue in the three months ended December 31, 2010 compared to 62.0% in the comparable period of 2009 (restated).

After adjusting for unusual or non-recurring items, operating expenses before amortization for the three months ended December 31, 2010 was $29.4 million compared to $26.0 million for the three months ended December 31, 2009 (restated), an increase of $3.5 million or 13.4%. Excluding the unusual or non-recurring items, operating expenses before amortization represented 62.7% of revenue in the fourth quarter of 2010 compared to 59.9% in the fourth quarter of 2009 (restated).

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

Salaries and Benefits

Salaries and benefits were $14.1 million for the three months ended December 31, 2010 compared to $12.1 million for the three months ended December 31, 2009, an increase of $2.0 million or 16.7%. In 2010, the Company increased the size of our *easyfinancial* management team to provide greater support and experience to our *easyfinancial* business. Further, the increase in staff levels associated with the growth of our *easyfinancial* and leasing business has been somewhat offset by efficiencies gained through the improved focus on managing labour within our *easyhome* stores. As a percentage of revenue, salaries and benefits for the three months increased to 30.0% of revenue in 2010 from 27.8% of revenue in 2009 (restated).

Selling, General and Administrative

Selling, general and administrative expenses were $6.7 million for the three months ended December 31, 2010 compared to $6.3 million for the comparable period in 2009 (restated). Selling, general and administrative expenses, excluding unusual items, were $6.7 million for the three months ended December 31, 2010 compared to $6.2 million for the three months ended December 31, 2009 (restated), an increase of $0.5 million or 8.1% The increases in costs were due to i) the Customer Benefits and Loan Protection Plan programs (increase of $0.8 million which was more than offset by higher associated program revenue) and ii) a $0.6 million increase in *easyfinancial's* bad debt expense associated with the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. They were offset by iii) lower advertising and promotion costs (down $0.3 million), iv) a gain on the sale of a store location to a franchisee of $0.4 million, and v) lower general administrative costs. Excluding the unusual items, selling, general and administrative expenses as a percentage of revenue for the three months ended December 31, 2010 were 14.2% compared to 14.3% in 2009 (restated).

Occupancy

Occupancy costs were $6.7 million for the three months ended December 31, 2010 compared to $6.1 million for the three months ended December 31, 2009, an increase of $0.6 million or 10.2%. The increase is primarily attributed to higher Canadian corporate store rent and utility costs and the additional occupancy costs of the new U.S franchise stores that were deemed to be VIE Franchise Locations that opened in the final three months of 2010. As a percentage of revenue, occupancy costs for the three months increased to 14.3% of revenue in 2010 from 14.1% of revenue in 2009 (restated).

Automotive and Travel

Automotive and travel expenses were $2.0 million for the three months ended December 31, 2010 compared to $1.6 million for the three months ended December 31, 2009, an increase of $0.3 million or 19.9%. The primary reason for the increase is due to a greater number of customer deliveries, higher fuel prices and the training of new *easyfinancial* management. As a percentage of revenue, automotive and travel expenses for the three months increased to 4.2% of revenue in 2010 from 3.8% of revenue in 2009 (restated).

Amortization

Amortization of lease assets for the three months ended December 31, 2010 was $13.2 million compared to $13.3 million for the three months ended December 31, 2009 (restated), a nominal decrease of $0.1 million or 0.4%. Amortization of lease assets as a percentage of revenue decreased to 28.2% for the three months ended December 31, 2010 from 30.7% of revenue for the three months ended December 31, 2009 (restated).

Amortization of property and equipment and intangible assets for the three months ended December 31, 2010 was $1.5 million compared to $1.6 million for the three months ended December 31, 2009, a nominal decrease of $0.1 million or 3.4%. As a percentage of revenue, amortization for property and equipment and intangible assets decreased to 3.2% of revenue for the three months ended December 31, 2010 from 3.6% of revenue in the comparable period last year (restated).

Operating Income (Income before Interest Expense and Income Taxes)

Operating income for the three months ended December 31, 2010 was $0.3 million compared to $1.6 million for the three months ended December 31, 2009 (restated) down $1.3 million. Operating income as a percentage of revenue for the three months ended December 31, 2010 was 0.6% compared to 3.7% for the same period last year (restated).

Excluding the unusual items, adjusted operating income for the three months ended December 31, 2010 was $2.7 million or 5.8% of revenue compared to $2.5 million or 5.7% of revenue for the same period last year (restated), an increase of $0.2 million. Revenue growth in our leasing and *easyfinancial* businesses was largely offset by increased operating expenses during the three month period, including infrastructure costs required to position the business for sustainable growth.

Interest Expense

Interest expense for the three months ended December 31, 2010 remained flat at $0.4 million.

Income Tax Expense

Included in the income tax recovery for the three months ended December 31, 2010 is a $0.4 million future tax adjustment as a result of proposed tax reassessments. No tax benefit has been recorded for the losses by the Company's U.S. operations.

Net Income and EPS

Net income for the three months ended December 31, 2010 was $0.5 million ($0.04 per share) compared to $0.9 million ($0.09 per share) million in the comparable period last year (restated).

Adjusted net income for the three months ended December 31, 2010 was $2.2 million ($0.20 per share) compared to $1.5 million ($0.14 per share) in the comparable period last year, an increase of 42.9%.

Segmented Revenue and Operating Income (Loss)

We have provided segmented reporting information for the three months ended December 31, 2010 and 2009 (restated) in the MD&A as we believe it provides meaningful analysis of our three main segments: the Canadian leasing division, the U.S. leasing division and *easyfinancial*, our consumer lending business, which operates in Canada. Management is continuing to assess the Company's reporting segments as a result of the previously announced restructuring and the Company's corresponding growth strategy.

Three Months Ended December 31, 2010 (*$ in 000's*)	Canadian Leasing	U.S. Leasing	*easyfinancial*	**2010 Total**
Revenue	39,966	2,627	4,327	**46,920**
Total operating expenses before amortization and restructuring and other charges	23,104	2,432	3,895	**29,431**
Amortization	13,743	916	104	**14,763**
Restructuring and other charges	2,428	–	–	**2,428**
Operating income (loss)	691	(721)	328	**298**

Three Months Ended December 31, 2009 (*$ in 000's*)	Canadian Leasing	U.S. Leasing	*easyfinancial*	2009 Total
Revenue	39,856	2,077	1,385	43,318
Total operating expenses before amortization and restructuring and other charges	22,949	1,749	1,439	26,137
Amortization	14,030	781	55	14,866
Restructuring and other charges	709	–	–	709
Operating income (loss)	2,168	(453)	(109)	1,606

Canadian Leasing

Revenue for the three month period ended December 31, 2010 was essentially flat compared to 2009 (restated). The economic downturn in 2008 and 2009 negatively impacted the Company's lease portfolio resulting in revenue declines throughout 2009 and into 2010. Deliveries were strong in the final three months of 2010 as the Company rebuilt its leasing portfolio and offset the prior declines.

Restructuring and other charges for the three months ended December 31, 2010 related to forensic investigation costs while the restructuring and other charges in the comparable period in 2009 related to the restructuring.

Operating income declined from $2.2 million in the three months ended December 31, 2010 to $0.7 million in the same period in 2009 (restated). Excluding restructuring and other charges, adjusted operating income was $3.1 million for the three months ended December 31, 2010 compared to $2.9 million for the same period in 2009 (restated), an increase of $0.2 million. Increased operating costs were largely offset by lower amortization.

U.S. Leasing

Revenue increased from $2.1 million for the three months ended December 31, 2009 (restated) to $2.6 million for the three months ended December 31, 2010. The increase was due to i) the addition of new stores, including certain franchise locations which were deemed to be Variable Interest Entities and hence consolidated for financial statement purposes, ii) increased revenue per store, iii) an increase in the number of franchise locations and iv) growing revenue of our U.S. franchise locations as they mature.

The operating loss for U.S. leasing increased from $0.5 million for the three months ended December 31, 2009 (restated) to $0.7 million for the three months ended December 31, 2010. During the quarter, certain franchise locations commenced operations and were deemed Variable Interest Entities and therefore consolidated for financial statement purposes. As these stores only recently commenced operations their operating losses for the quarter were $0.5 million. Excluding the impact of these Variable Interest Entities the operating loss for U.S. leasing was $0.3 million, an improvement of $0.2 million over the comparable period last year (restated).

easyfinancial Services

Revenue increased from $1.4 million for the three months ended December 31, 2009 (restated) to $4.3 million for the three months ended December 31, 2010. This increase in revenue was due to the larger gross consumer loans receivable which increased from $9.3 million as at December 31, 2009 (restated) to $23.8 million as at December 31, 2010.

easyfinancial improved from an operating loss of $0.1 million for the three months ended December 31, 2009 (restated) to positive operating income of $0.3 million for the three months ended December 31, 2010, an improvement of $0.4 million. The $2.9 million increase in revenue was largely offset by a $2.5 million increase in operating expenses. Bad debt expense increased by $0.6 million due to the continued growth in the loan portfolio and refinements to the methodology through which loan loss reserves are estimated. Other cost increases were primarily due to a greater number of employees resulting from the expansion of *easyfinancial* from 29 kiosks as at December 31, 2009 to 68 as at December 31, 2010 and the strengthening of the *easyfinancial* management team to enhance controls and position the business for future growth.

Selected Quarterly Information

($ in 000's except per share amounts)	**Dec. 2010**	**Sept. 2010**	**Jun. 2010**	**Mar. 2010**	Dec. 2009	Sept. 2009	Jun. 2009	Mar. 2009
		(restated)	(restated)	(restated)	*(restated)*	*(restated)*	*(restated)*	*(restated)*
Revenue	**46,920**	**44,997**	**44,523**	**44,349**	43,318	42,580	43,447	44,001
Net income (loss) for the period	**467**	**1,871**	**2,357**	**2,176**	913	(40)	1,784	2,398
Net income (loss) as a percentage of revenue	**1.0%**	**4.2%**	**5.3%**	**4.9%**	2.1%	(0.1%)	4.1%	5.4%
Earnings (loss) per share[1]								
Basic	**0.04**	**0.18**	**0.23**	**0.20**	0.09	(0.00)	0.17	0.23
Diluted	**0.04**	**0.18**	**0.23**	**0.20**	0.09	(0.00)	0.17	0.23

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 units outstanding together with the effects of rounding.

Liquidity and Capital Resources

The Company continued to generate strong cash flows for the year ended December 31, 2010. Cash flows provided by operating activities for the year ended December 31, 2010 were $10.2 million. Included in this $10.2 million is a net investment of $12.9 million to increase the *easyfinancial* loan portfolio. If this net investment in the *easyfinancial* loan portfolio was treated as cash flow from investing activities, the cash flows generated by operating activities were $23.1 million.

In addition to the significant cash flows generated by operating activities, the Company secured $10.7 million of net cash flow through an equity offering completed in December 2010. The cash flows from operating activities and the equity raised enabled the Company to i) meet the cash flow needs of *easyfinancial* as described above, ii) invest $6.2 million in additional property and equipment and intangible assets, iii) maintain its total dividend payments at $3.6 million for the year and iv) reduce external debt by $11.6 million.

In contrast, for the year ended December 31, 2009, cash flows provided by operating activities were $15.5 million or $20.3 million if the net investment of $4.9 million to increase the *easyfinancial* loan portfolio was treated as cash flow from investing activities. This enabled the Company to i) invest $5.5 million in additional property and equipment and intangible assets, ii) reduce external debt by $6.0 million, and iii) make total dividend payments of $3.6 million for the year.

As at December 31, 2010, the Company had a 12-month prime-rate-based revolving loan facility to a maximum of $30.0 million, of which $15.6 million was drawn upon as at year-end. The Company also has a term loan, the balance of which was $2.6 million at December 31, 2010. Both the revolving loan facility and the term loan mature on June 30, 2011.

At December 31, 2010, the Company was in compliance with all of its financial covenants under its lending agreement. At December 31, 2009, the Company was not in compliance with the fixed charge coverage covenant as defined and required under its lending agreement. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan, to waive the fixed charge coverage covenant for the three months ended December 31, 2009 and to amend the fixed charge coverage covenant.

As a result of the Employee Fraud and the understatement of unearned revenue, the Company was required to restate certain of the prior periods' financial statements. As a result, the Company was not in compliance with certain representation and warranties as set out in its lending agreement for the quarterly periods beginning January 1, 2009 and ending June 30, 2010. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan and to waive the compliance with such representations and warranties for such periods.

We believe that the cash flow provided by operations during 2011, coupled with the available loan facility and the $11.5 million equity offering completed in December 2010, will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. The Company is able to achieve significant growth of its consumer loans receivable portfolio and the resulting revenue based on the amount of financing that is available. In order for the Company to achieve the full growth opportunities available, as contemplated in its Outlook, it will require additional sources of financing over and above the available loan facility. The Company is currently considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

Normal Course Issuer Bid

The Toronto Stock Exchange ("TSX") had previously accepted a notice of intention filed by the Company to make a normal course issuer bid ("NCIB"). During the period that commenced on July 8, 2009 and ended on July 7, 2010, the Company was permitted to purchase on the TSX a maximum of 200,000 common shares being approximately 3.0% of the public float (as defined by the rules and guidelines of the TSX) as of June 30, 2010. The price for any such shares was the prevailing market price at the time of purchase. As of July 7, 2010, the Company had repurchased 86,700 shares at a cost of $766,000 under this notice. All of these share repurchases occurred during 2009. This notice expired without renewal on July 7, 2010.

Outstanding Shares

As at March 28, 2011 there were 11,849,450 shares, 630,432 options and no warrants outstanding.

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

Dividends

For the year ended December 31, 2010, the Company paid a $0.085 per share quarterly dividend on outstanding common shares. We review our dividend distribution policy on a regular basis, evaluating our financial position, profitability, cash flow and other factors our Board of Directors considers relevant. No dividends may be declared in the event there is a default of our loan facility, or where such payment would lead to a default.

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

	2010	2009	2008	2007	2006	2005
Dividend per share	**$ 0.085**	$ 0.085	$ 0.085	$ 0.070	$ 0.060	$ 0.040
Percentage increase	**0.0%**	0.0%	21.4%	16.7%	50.0%	0.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term security 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 five years and thereafter are approximately as follows:

($ in 000's)	Premises	Other	Total
2011	16,195	1,963	18,158
2012	13,121	759	13,880
2013	9,415	421	9,836
2014	6,447	148	6,595
2015	4,152	–	4,152
Thereafter	5,238	–	5,238
	54,568	3,291	57,859

Guarantees

Additionally, in February 2010, an irrevocable standby letter of credit in the amount of $0.5 million was issued under the Company's credit facilities for the purpose of securing the lease for the new corporate office.

Class Action Lawsuit

The Company and certain of its current and former officers have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010 and claims total damages of $15.0 million (including punitive damages of $5.0 million). The plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with GAAP.

The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees as well as potential damages awarded, if any, subject to certain policy limits and deductibles. No assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded could be substantial.

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.

Transactions with Related Parties

During the year ended December 31, 2010, the Company engaged a professional services firm wholly owned by one of its directors to assist in the investigation of the Employee Fraud. For the year ended December 31, 2010, $65,000 (2009 – nil) was recorded as professional fees in restructuring and other charges on the consolidated statements of income and comprehensive income.

The Company, through its wholly-owned subsidiary *easyhome* U.S., 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. Mr. Gates does not participate or vote in any Board of Director discussions relating to the License 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, 2010, 26 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. In addition to the risk factors described below, additional risk factors are described in the Company's Annual Information Form.

Economic Conditions

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

Competition

The Company's growth may be adversely affected by the entry into the Canadian marketplace of the much larger U.S. based merchandise rental operators, as well as the growth of independent merchandise leasing companies. 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.

Both the consumer lending business conducted by *easyfinancial* as well as the Company's U.S. consumer leasing business are relatively new businesses with limited proven history. Both businesses compete with organizations which are considerably larger and which have greater resources than does *easyhome*. As such, there can be no assurances that we will be successful in growing these two businesses.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behavior (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, 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. Other than the Employee Fraud, no material losses occurred as a result of operational risk in either 2009 or 2010. A description of the Company's response to the Employee Fraud can be found in the "Restatement Due to Employee Fraud" and "Internal Controls" sections of this MD&A.

Changes in Regulations

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.

Capital and Liquidity Risk

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 bank 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 bank 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.

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 creates provisions 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 transacts business in 203 corporate stores in Canada and 14 corporate stores in the U.S., along with franchises in both countries. In addition, 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 is not material in 2010 due to the relatively small size of our U.S. operations; however, as these operations continue to grow, this risk could become material. In addition, although we have significant U.S. denominated purchases, we have historically been able to price our lease transactions to compensate for the impact of foreign currency fluctuations on our purchases. The Company currently does not actively manage foreign currency risk and transacts in foreign currencies on a spot basis.

Future Growth

The Company's growth strategy is focused on *easyfinancial* and U.S. franchising. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to identify and sell franchises to high quality candidates, to install *easyfinancial* services kiosks within its existing Canadian stores and to identify additional means to distribute *easyfinancial* services such as stand-alone kiosks. 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.

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.

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.

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. As a result of the Employee Fraud and the understatement of unearned revenue, the Company was required to restate certain prior periods' financial statements. As a result, the Company was not in compliance with certain terms and conditions of its credit facility. The Company received a waiver for this non-compliance.

While the Company was in compliance with all financial covenants as at December 31, 2010, there is no guarantee that in the future the Company will continue to meet these covenants.

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 loss provisions
- cost of lease assets
- provision for useful lives of lease assets
- provision for useful lives of property and equipment
- allocation of the purchase price in business combinations
- impairment of goodwill and indefinite life intangibles
- fair value of stock-based compensation
- 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.

Consumer Loan Loss Provisions

Consumer loans receivable are carried at amounts advanced less principal repayments, net of an allowance for loan losses.

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns. When a loan is identified as impaired, it is written down to the net present value of the expected cash flows using the original effective interest rate. Loans are written off by the Company when they become greater than 90 days overdue or when certain specific criteria, such as bankruptcy, are met.

In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loans are credited to the provision for loan losses in the consolidated statements of income.

Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amount the Company believes is probable and reasonably estimable during the term of each rebate program.

Provision for Useful Lives of Lease Assets

Assets on lease, (excluding game stations, computers and related equipment) are amortized in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term (the units of activity method). Game stations were amortized on a straight-line basis over 18 months. Computers are amortized on a straight-line basis over 24 months. Amortization of computers commences at the earlier of the date of first lease or 90 days after arrival in the store. Assets not on lease are not amortized where such assets have not been leased for less than 90 consecutive days. After that they are amortized straight-line over 36 months. When the asset does go on lease, amortization will revert to the units of activity basis.

In the event management determines that the future net cash flows to be derived from leasing the assets are less than the carrying value of the assets, the assets are written down to estimated net realizable value. The determination of future net cash flows involves considerable judgment and measurement uncertainty and the impact on the consolidated financial statements for future periods could be material. The amortization period for game stations and computers and related equipment is based on their estimated useful service lives. Estimates of useful lives involve considerable judgment, and a shortening of the estimated life of these assets would result in higher amortization expense in future periods.

Provision for Useful Lives of Property and Equipment

Property and equipment are recorded at cost, including freight and are amortized over their estimated useful lives and are tested for recoverability whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount exceeds their fair value. The determination of fair value involves considerable management judgment and assumptions regarding the assets' useful lives. Any significant changes in assumptions could result in the impairment of property and equipment.

Factors that could trigger an impairment review include significant negative industry trends, significant under-performance relative to historical or projected future operating results and significant changes in the use of the assets.

Allocation of the Purchase Price in Business Combinations

The value of acquired assets and liabilities on the acquisition date requires the use of estimates to determine the purchase price allocation. Estimates are made as to the valuation of property, plant and equipment, intangible assets and goodwill, among other items.

Impairment of Goodwill and Indefinite Life Intangibles

The carrying value of goodwill and indefinite life intangibles is reviewed annually to ensure that the value reflected is not impaired. An impairment loss would be recognized if the carrying amount of the goodwill exceeded its estimated fair value. Fair value may be determined using alternative methods for market valuation including discounted cash flows and net realizable values. In estimating fair value, the Company chose a valuation method and made assumptions and estimates in a number of areas, including future cash flows and discounted rates. Due to the long-term nature of assumptions made, it is possible that estimates could prove to be materially different than actuals, and accordingly the impact on the consolidated financial statements for future periods could be material.

Fair Value of Stock-Based Compensation

The fair value of our options granted are measured at the grant date using the Black-Scholes option-pricing model. The Black-Scholes valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. Because our share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect our fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our unit options granted.

Taxation Amounts

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to our specific situation. Therefore, it is possible that the ultimate value of our tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on our consolidated financial statements.

Adoption of New Accounting Standards

There were no new accounting standards adopted by the Company in the year ended December 31, 2010.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") reconfirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS, as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company will issue its last consolidated financial statements prepared in accordance with Canadian GAAP in 2010. Starting from the first quarter of 2011, the Company's consolidated financial statements will be prepared in accordance with IFRS in effect in 2011, with 2010 comparative figures and the consolidated opening balance sheet as at January 1, 2010 (the "Transition Date") restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS and additional disclosures, as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

Led by senior management, the Company completed a rigorous assessment of its transaction flows, contractual relationships, accounting policies, business processes and disclosures and has identified the key differences between Canadian GAAP and IFRS that will impact the Company. The Company is nearing completion of the final phase of its IFRS implementation plan. The final phase of the implementation plan included the following:

- Policy selection – The assessment of IFRS accounting policy alternatives including available elections and exemptions has been completed. Management has recommended accounting policies and obtained approval from the Company's Audit Committee.
- Business and system processes – Certain business and system processes were identified as being impacted by IFRS. The Company has changed these processes to ensure IFRS compliance.
- Financial Statements – The Company is finalizing the quantification of required IFRS adjustments to the opening IFRS consolidated balance sheet as at January 1, 2010 and to the quarterly financial statements in 2010. Additional disclosure requirements have been identified and are being finalized. The impacts on the financial statements presented below are preliminary and subject to audit and further refinement.
- Training – Training regarding the changes required under IFRS has been provided and will continue through 2011 as needed.
- Contractual Arrangements – The conversion to IFRS is expected to have an impact on certain key performance indicators and metrics used in analyzing the business and in calculating the Company's financial covenants on its lending arrangements. The Company has discussed these issues with its lender and the conversion will not impact the Company's compliance with these covenants.

The Company has identified the areas noted below as those expected to have the most significant impact on its IFRS consolidated financial statements.

First Time Adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1, *First Time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity applies all IFRS effective in its first IFRS financial statements retrospectively, with a number of optional exemptions and mandatory exceptions.

One of the mandatory exceptions requires that estimates previously made remain unchanged on transition to IFRS. The estimates previously made by the Company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

The Company expects to apply certain optional exemptions permitted by IFRS 1, including the following:

- Business combinations – In accordance with the option provided by IFRS 1, the Company will not restate business combinations that occurred prior to January 1, 2010. Consequently, IFRS 3, Business Combinations, will only be applied to business combinations that occur on or after the Transition Date. As a result of this election, there will be no impact to the Company's opening IFRS balance sheet for business combinations.
- Cumulative translation differences – A first-time adopter does not need to apply the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates, for cumulative translation differences that existed at the date of transition to IFRS. If a first-time adopter uses this exemption, the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS. The Company will elect to apply this exemption.
- The Company will be applying the requirements of IFRS 2 Share-based Payments to all outstanding equity settled instruments as at January 1, 2010. The Company does not have any cash settled instruments as at January 1, 2010.

Expected Impact of IFRS Conversion

The significant accounting differences between Canadian GAAP and IFRS that are expected to impact the Company are outlined as follows. The information and quantifications presented are preliminary and subject to change and audit.

Amortization of Property & Equipment

Under IFRS, either a historical cost model or a revaluation model can be used to value each class of property, plant and equipment. The cost method is currently used under Canadian GAAP. The Company has elected to continue using the cost model as its accounting policy for the measurement of property, equipment and lease assets after initial recognition.

Under Canadian GAAP, the Company had employed the declining balance method of calculating amortization for furniture and fixtures, office equipment, signage, automotive and computers. The Company assessed that for the aforementioned asset classes, straight-line amortization better reflects the usage of those assets and will be adopting straight-line amortization for those asset classes. The change in amortization will be applied prospectively as at the January 1, 2010 Transition Date.

In addition, IFRS explicitly requires that the residual value and useful life of an asset be reviewed at least annually. Under Canadian GAAP, there is no such explicit annual requirement to perform this review. The Company has made the determination that the useful lives of its fixed assets are as follows:

- furniture and fixture — 7 years
- office equipment — 7 years
- signage — 7 years
- automotive — 5 years
- computers — 5 years
- leasehold improvements — lesser of lease term or 5 years

As a result of these changes, the Company has estimated that fixed assets will be reduced by a range of $0.3 million to $0.6 million, future tax asset will be increased by $0.1 million to $0.2 million, while retained earnings will be reduced by $0.2 million to $0.4 million on the opening IFRS balance sheet. In 2010, depreciation expense will be reduced, and net income will be increased by less than $0.1 million.

Impairment of Assets

Canadian GAAP uses a two-step approach to impairment testing for long-lived assets: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing and measurement of impairment of long-lived assets, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. This difference in methodologies may potentially result in more impairment losses where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

IFRS also requires that assets be tested for impairment at the level of cash generating units (CGUs), defined as the lowest level of assets that generate largely independent cash inflows, which the Company has assessed to be at an individual store level. Canadian GAAP requires assets to be grouped at the lowest level for which identifiable cash flows (including both inflows and outflows) are largely independent of the cash flows of other assets and liabilities for impairment testing purposes, resulting in impairment assessment being made at a higher level such as a business segment or division. As a result, IFRS is expected to result in a lower level grouping of assets for impairment testing, and therefore will result in additional asset impairment charges under IFRS.

The Company is anticipating an opening IFRS balance sheet impairment charge to fixed assets of $2.0 million to $3.5 million, an increase in future tax asset of $0.6 million to $0.8 million and a reduction in retained earnings of $1.4 million to $2.7 million. During 2010, the Company expects to incur an additional impairment charge of $0.5 million to $1.0 million which would be offset by a reduction in amortization of $0.7 million to $1.1 million. The anticipated impact on 2010 net income is an increase of $0.1 million to $0.2 million.

In addition, under IFRS, impairment losses previously recognized must be reversed if the circumstances leading to the impairment changed and caused the impairment to be reduced. Canadian GAAP prohibits reversal of impairment losses. This difference is expected to have no impact at the Transition Date and no impact for 2010.

Revenue Recognition – Processing Fees

IFRS requires that when the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognized as revenue over the period during which the service is performed. Under Canadian GAAP, processing fees related to lease agreements were recorded in income when received as the lease agreements are cancellable by the customer at any time. Under IFRS, processing fees will be recognized over the average estimated lease period including expected renewals.

The impact on the opening IFRS balance sheet is expected to be an increase in unearned revenue ranging between $0.5 million and $0.6 million, an increase in future tax asset of between $0.1 million and $0.2 million and a reduction in retained earnings between $0.4 million and $0.5 million. The impact on 2010 revenue and net income is expected to be a decrease of less than $0.1 million.

Revenue Recognition – Customer Protection Programs

The Company offers a protection program for each of its leasing businesses and its financial services business, whereby customers are relieved of some maximum amount from their obligation of their payments in certain circumstances such as death or involuntary unemployment or illness.

Under IFRS, the premiums related to the protection programs will be recognized as an agency relationship on a net basis while they are currently recognized on a gross basis under Canadian GAAP. This difference will not have an impact on the IFRS opening consolidated balance sheet of the Company at the Transition Date. However, it will have the effect of reducing revenue with a corresponding reduction of expenses for 2010 of approximately $3.0 million. There is no impact to net income.

Vendor Incentives, Allowances and Rebates

Where vendor advertising incentives are tied to related advertising supporting the vendors products, amounts are accounted for as revenue where the vendor support is sufficiently separable from the purchases of the product and fair values are reasonably estimable and the services have been provided. However, this criteria allowing vendor incentives as revenue is not specifically addressed under IFRS. Therefore, the general guidance in the IFRS standards must be applied when determining the accounting for incentives, allowances and rebates from vendors. As such, the Company has determined that most of the incentives, allowances and rebates from vendors will be recognized as a reduction of lease assets under IFRS where they were recorded as revenue under Canadian GAAP.

The impact on the opening IFRS balance sheet is expected to be a reduction in the cost of lease assets in the range of $3.9 million to $4.3 million with a corresponding decrease in retained earnings. The impact on 2010 is expected to be a decrease in revenue in the range of $3.4 million to $3.8 million offset by a decrease in amortization in the range of $3.3 million to $3.7 million and a reduction in net income of less than $0.1 million.

Share-Based Payments

Under IFRS, each installment of share-based awards that vest in installments shall be treated as a separate award with a different fair value, while Canadian GAAP provides for an election to treat such awards as a pool and recognize the expense on a straight-line basis.

IFRS also requires an entity to make an estimate of the forfeiture rate for the awards expected not to vest. Under Canadian GAAP, the Company recognizes the forfeitures as they occur.

The impact of the aforementioned differences on the opening IFRS balance sheet is an increase in contributed surplus between $0.1 million and $0.2 million, with an offsetting decrease to shareholders' equity. These changes are expected to have the effect of increasing 2010 net income in the range of $0.1 million to $0.2 million.

Advertising and Promotional Expenditures

Under IFRS, advertising and promotional expenditures are expensed as incurred and an expense is considered incurred when the entity has the right to access the goods or when it receives the service. Canadian GAAP does not explicitly address when an expense has been incurred. The impact of this difference on the opening IFRS balance sheet is a decrease of prepaid expenses of between $0.4 million and $0.5 million, an increase in future tax asset of approximately $0.1 million and a decrease in retained earnings of $0.3 million to $0.4 million. 2010 net income is expected to decrease in the range of $0.2 million to $0.3 million.

Functional Currency

The Company has determined that as at the Transition Date the Canadian dollar is the functional currency of all entities in the group except for the Company's U.S. operation, which has a U.S. dollar functional currency under IFRS. The presentation currency of the consolidated financial statements of the Company will continue to be the Canadian dollar.

Under Canadian GAAP, the Company's U.S. operations were defined as integrated operations which meant that the Canadian dollar was the functional currency. As such, when translating the U.S. operations into the presentation currency of the parent company's consolidated financial statements, monetary assets were translated at the foreign exchange rate prevailing at the balance sheet date and non-monetary assets were translated at historical foreign exchange rates. The resulting translation gain or loss is recognized on the income statement.

There is no concept of integrated and self-sustaining foreign operation under IFRS. The U.S. dollar mainly influences sales prices for goods and services, labour, material and other costs of providing goods or services of the Company's U.S. operations; therefore, the U.S. dollar is the functional currency.

Under IFRS all assets and liabilities of U.S. operations are translated to the presentation currency of the parent company's consolidated financial statements at the foreign exchange rate prevailing at the balance sheet date. This will result in a decrease in assets as at the opening IFRS balance sheet date of less than $0.1 million with an offsetting reduction to retained earnings. Further, the translation gain or loss is recognized in other comprehensive income, a subcomponent of retained earnings. This will increase net income in 2010 in the range of $0.2 million to $0.3 million.

Summary of Expected Adjustments – Consolidated Opening IFRS Balance Sheet at January 1, 2010 (Unaudited)

	Assets		**Liabilities**		**Shareholders' Equity**	
($ in 000's)	Low	High	Low	High	Low	High
Amortization of property & equipment	(200)	(400)	–	–	(200)	(400)
Impairment of assets	(1,400)	(2,700)	–	–	(1,400)	(2,700)
Revenue recognition – processing fees	100	200	500	600	(400)	(400)
Revenue recognition – customer protection programs	–	–	–	–	–	–
Vendor incentives, allowances & rebates	(3,900)	(4,300)	–	–	(3,900)	(4,300)
Share-based payments	–	–	–	–	–	–
Advertising & promotional expenditures	(300)	(400)	–	–	(300)	(400)
Functional currency	–	(100)	–	–	–	(100)
	(5,700)	(7,700)	500	600	(6,200)	(8,300)

Summary of Expected Adjustments – Consolidated IFRS Statement of Income for the Year Ended December 31, 2010 (Unaudited)

	Revenue		**Net Income**		**Diluted EPS**	
($ in 000's except per share amounts)	Low	High	Low	High	Low	High
Amortization of property & equipment	–	–	–	100	–	0.01
Impairment of assets	–	–	100	200	0.01	0.02
Revenue recognition – processing fees	–	(100)	–	(100)	–	(0.01)
Revenue recognition – customer protection programs	(3,000)	(3,000)	–	–	–	–
Vendor incentives, allowances & rebates	(3,400)	(3,800)	–	(100)	–	(0.01)
Share-based payments	–	–	100	200	0.01	0.02
Advertising & promotional expenditures	–	–	(200)	(300)	(0.02)	(0.03)
Functional currency	–	–	200	300	0.02	0.03
	(6,400)	(6,900)	200	300	0.02	0.03

As indicated, the information and quantifications regarding the anticipated impact of the Company converting to IFRS are preliminary and subject to audit and further refinement.

Based on management's preliminary estimates, the conversion of the opening consolidated balance sheet to IFRS will result in a decrease in assets between $5.7 million and $7.7 million, an increase in liabilities of $0.5 million to $0.6 million and a decrease in shareholders' equity of $6.2 million to $8.3 million. For 2010, the conversion of the consolidated statement of income to IFRS will result in a reduction to revenue of $6.4 million to $6.9 million, an increase in net income of $0.2 million to $0.3 million and an increase in basic and diluted earnings per share between $0.02 and $0.03.

IFRS Impact On Disclosure and Financial Statements Presentation

The conversion to IFRS will impact the way the Company presents its financial results. The first consolidated financial statements prepared using IFRS (i.e. interim consolidated financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies. Key areas of additional disclosure include:

- Reconciliation of financial statements presented under Canadian GAAP to those presented under IFRS as at the transition date and during 2010 and description of reconciling items.
- Provisions are to be presented separately from accounts payable and accrued liabilities.
- Assets and liabilities will need to be classified as current and non-current (currently the Company uses an unclassified consolidated balance sheet under Canadian GAAP).
- Potential change in the presentation of cash flow statement items between operating, investing and financing.

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by "National Instrument – 52-109, Certification of Disclosures in Issuers Annual and Interim Filings". Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2010, the Company's DC&P were ineffective, due to material weaknesses in internal controls over financial reporting described below.

Internal Controls Over Financial Reporting ("ICFR")

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with GAAP. Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company reviews and, where appropriate, enhances its systems of controls and procedures on an ongoing basis. However, because of the inherent limitations in all control systems, ICFR will not prevent or detect all misstatements as a result of, among other things, error or fraud.

Update on December 31, 2009 Evaluation of ICFR and Related Remediation

At December 31, 2009, the Company noted that its ICFR were ineffective due to several weaknesses. These weaknesses were addressed through changes made to internal controls in 2010. The weaknesses identified in 2009 and the related remediation are described in the following:

- Certain of the necessary review and oversight functions were not completed to an acceptable level resulting from ongoing changes within the Company's financial systems and accounting staff. This weakness was addressed through the consolidation of all accounting and administrative functions into one central office and the recruitment of more qualified accountants. As part of this consolidation, additional procedures were put in place to ensure that the financial results were formally reviewed by knowledgeable management personnel on a regular basis.
- The Company's financial systems lacked adequate procedures and subroutines for the processing of foreign currency denominated transactions. This weakness was addressed by implementing a foreign currency module within the Company's general ledger system that was capable of adequately dealing with multiple currencies.
- Complexities around the Insta-rent acquisition which was completed on September 25, 2008 were not addressed in a timely manner. This weakness was addressed by implementing formal policies that require all non-routine and material transactions to be reviewed by senior finance management. Additionally, new documentation standards were developed and established for evaluating and tracking complex transactions.
- A senior member of the Company's finance team responsible for internal controls testing and certain aspects of financial disclosure admitted to improper insider trading. This weakness was addressed by terminating the noted individual and assigning the responsibilities to other individuals who were new to the organization.

Evaluation of ICFR at December 31, 2010

As of December 31, 2010, the Company's management, under the direction and supervision of the CEO and CFO of 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 those evaluations, the CEO and CFO have concluded that as at December 31, 2010, the ICFR was ineffective as a result of the weaknesses described below.

Independent Oversight for Risk Management

The execution of reviews to ensure that operating procedures are performed in accordance with established standards is a key element in the structure of the Company's ICFR. The Employee Fraud highlighted that in instances where such reviews are performed by individuals closely associated with field operations, independent oversight of this risk management function is appropriate. Subsequent to year-end, the Company has taken steps to enhance risk management oversight including hiring a vice president of risk management, hiring additional field auditors and separating the risk management function from the business. The Vice President of Risk Management also has a direct reporting relationship to the Company's Audit Committee.

Monitoring Controls

The regular monitoring of appropriate performance and operational measures by qualified management personnel may help to highlight instances of activity outside of normal parameters. The Employee Fraud has highlighted that monitoring of additional measures to those contemplated by existing policies and procedures is desirable to identify operational activities and transactions that are outside of the limits established by the Company as part of its credit risk management program. The Company has developed more robust financial and operational reporting which is reviewed regularly by qualified management personnel.

Process Controls

In environments where there is a high volume of similar transactions, such as the *easyfinancial* business, embedding process controls that limit transactions to those pre-determined criteria will help to limit or highlight unusual transactions. While the Employee Fraud has highlighted that it is always possible for individuals to attempt to circumvent such controls, enhancements can be made to the Company's information system that processes and manages the *easyfinancial* consumer loans to further limit transactions from being processed that are outside of the Company's specified consumer offerings. The Company has made enhancements to the information system currently supporting the *easyfinancial* business to strengthen the controls that prevent such transactions from being processed. Subsequent to year-end, the Company identified the need to replace the information system currently supporting the *easyfinancial* business. This project has commenced and will be a key step in both tightening controls and facilitating operational improvements.

In addition to the remediation steps identified above, the Company is in the process of implementing further remedial measures to address these deficiencies and to comply with the recommendations generated from the recent forensic investigation. The Company is continuing to work with its legal advisors, auditors and the Company's Audit Committee to review ICFR and to develop a comprehensive and responsible remediation plan.

See "Restatement Due to Employee Fraud" above for a discussion of the impact of these weaknesses upon the Company's financial reporting.

Other Changes in ICFR During 2010

During 2010 and as a result of the investigation into the Employee Fraud, the Company has begun to address the material weaknesses discussed above.

- The Company has terminated the perpetrator of the Employee Fraud as well as the regional manager and *easyfinancial* Vice President of Operations who did not discharge their oversight responsibilities for the employee and the kiosk where the Employee Fraud occurred which, if discharged, may have detected the fraud earlier.
- The Company hired a Vice President of Risk Management and additional field auditors and moved the reporting structure of risk management outside of the business operations.
- Formal procedures have been established to monitor a revised set of key performance indicators for each *easyfinancial* location. The set of additional key performance indicators was determined, in part, based on recommendations from the forensic investigation.
- Several modifications have been made or are in the process of being made to the Company's information system that processes and manages the *easyfinancial* consumer loans that will automatically reject transactions that are outside of predetermined parameters or that lack information in data fields that are considered important for the detection of inappropriate transactions. Additionally, changes have been made to the Company's transaction reconciliation processes to ensure that reviews are performed at an individual transaction level rather than at an aggregated level. However, the Company has decided to replace this system and is currently in the process of selecting an alternative system.
- With the assistance of a recognized global leader in credit and information management, the Company is in the process of implementing a new electronic automated loan decisioning and ID verification tool.

Notwithstanding the above-mentioned weaknesses, the Company has concluded that the 2010 consolidated financial statements fairly present *easyhome's* consolidated financial position and consolidated results of operation as of and for the year ended December 31, 2010.

Management's Responsibility For Financial Reporting

The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

easyhome Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. This Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

DAVID INGRAM
President & Chief Executive Officer

STEVE GOERTZ
Senior Vice President & Chief Financial Officer

March 28, 2011

Independent Auditors' Report

To the Shareholders of *easyhome* Ltd.

We have audited the accompanying consolidated financial statements of *easyhome* Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income, comprehensive income and retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *easyhome* Ltd. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
March 28, 2011

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

(Continued under the laws of Ontario)

	As at December 31,	
	2010	2009
(in 000's)	**$**	$
		Restated [note 3]
ASSETS *[note 9]*		
Cash	**731**	291
Amounts receivable *[note 4]*	**5,871**	5,284
Income taxes recoverable	**–**	2,987
Consumer loans receivable *[note 5]*	**21,829**	8,941
Prepaid expenses	**1,861**	1,592
Lease assets *[note 6]*	**73,046**	75,398
Property and equipment *[note 7]*	**16,737**	15,637
Future tax assets *[note 13]*	**5,580**	5,603
Intangible assets *[note 8]*	**3,272**	3,183
Goodwill	**17,325**	17,325
	146,252	136,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Bank revolving credit facility *[note 9]*	**15,649**	23,764
Accounts payable and accrued liabilities *[note 14]*	**16,394**	10,645
Income taxes payable	**65**	–
Accrued employee costs *[note 14]*	**3,577**	2,882
Dividends payable *[note 11]*	**892**	884
Deferred lease inducements	**2,459**	2,303
Unearned revenue	**4,366**	3,936
Term loan *[notes 9 and 11]*	**2,602**	6,120
	46,004	50,534
Commitments and contingencies *[notes 10 and 17]*		
Shareholders' equity		
Common shares *[note 11]*	**60,074**	48,880
Contributed surplus *[note 12]*	**3,034**	2,996
Retained earnings	**37,140**	33,831
	100,248	85,707
	146,252	136,241

See accompanying notes to the consolidated financial statements

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

Consolidated Statements of Income and Comprehensive Income

	Years ended December 31,	
	2010	2009
(in 000's, except earnings per share)	**$**	$
		Restated [note 3]
REVENUE		
Lease	**132,651**	135,005
Interest revenue and other income	**48,138**	38,341
	180,789	173,346
EXPENSES		
Salaries and benefits *[note 12]*	**53,746**	50,092
Selling, general and administrative	**24,554**	22,243
Occupancy	**25,094**	24,492
Automotive and travel	**6,709**	6,898
Restructuring and other charges *[note 14]*	**3,069**	1,931
	113,172	105,656
AMORTIZATION		
Amortization of lease assets *[note 6]*	**52,049**	53,341
Amortization of property and equipment and intangible assets *[notes 7 and 8]*	**5,123**	4,960
	57,172	58,301
Total operating expenses	**170,344**	163,957
Operating income	**10,445**	9,389
Interest expense *[note 9]*	**1,238**	1,138
Income before income taxes	**9,207**	8,251
Income taxes *[note 13]*		
Current	**2,105**	1,435
Future	**231**	1,761
	2,336	3,196
Net income and comprehensive income for the year	**6,871**	5,055
Earnings per share *[note 15]*		
Basic	**0.65**	0.48
Diluted	**0.65**	0.48

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings

	Years ended December 31,	
	2010	2009
(in 000's)	**$**	$
		Restated [note 3]
Retained earnings, beginning of the year as previously stated	**33,831**	32,827
Transitional adjustment on the adoption of new accounting policies *[note 2]*	**–**	(130)
Retained earnings, beginning of the year as restated	**33,831**	32,697
Purchase and cancellation of shares in excess of average cost	**–**	(360)
Net income for the year	**6,871**	5,055
Common share dividends *[note 11]*	**(3,562)**	(3,561)
Retained earnings, end of the year	**37,140**	33,831

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

	Years ended December 31,	
	2010	2009
(in 000's)	**$**	$
		Restated [note 3]
OPERATING ACTIVITIES		
Net income for the year	**6,871**	5,055
Add (deduct) items not affecting cash:		
Stock-based compensation *[note 12]*	**621**	331
Amortization of lease assets	**52,049**	53,341
Amortization of property and equipment and intangible assets	**5,123**	4,720
Future income taxes	**231**	1,761
(Gain) loss on sale of property and equipment	**(896)**	240
Net change in non-cash operating items :	**–**	–
Lease assets	**(49,697)**	(45,563)
Consumer loans receivable	**(12,888)**	(4,877)
Other operating assets and liabilities *[note 16]*	**8,784**	473
Cash flow provided by operating activities	**10,198**	15,481
INVESTING ACTIVITIES		
Purchase of property and equipment	**(5,777)**	(4,949)
Purchase of intangible assets	**(449)**	(525)
Proceeds on sale of property and equipment	**946**	363
Cash flow used in investing activities	**(5,280)**	(5,111)
FINANCING ACTIVITIES		
Repayments of bank revolving credit facility	**(8,115)**	(2,375)
Repayments of term loan *[note 9]*	**(3,654)**	(3,630)
Issuance of common shares on exercise of options *[note 12]*	**153**	1
Issuance of common shares *[note 11]*	**10,700**	–
Shares purchased for cancellation *[note 11]*	**–**	(766)
Common share dividend payments *[note 11]*	**(3,562)**	(3,561)
Cash flow used in financing activities	**(4,478)**	**(10,331)**
Increase in cash	**440**	39
Cash, beginning of the year	**291**	252
Cash, end of the year	**731**	291

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Description of the Business and Nature of Operations

easyhome Ltd. ("*easyhome*" or the "Company") operates in three reportable segments. The largest segment is the Canadian leasing segment wherein the Company leases with or without an option to purchase, direct to consumer, brand name home entertainment products, appliances and household furniture across Canada. The Company also has a U.S. leasing segment while *easyfinancial* is the segment which provides consumer loans to individuals from kiosks in its Canadian leasing store locations. As at December 31, 2010, the Company operated 217 (2009 – 218) corporate stores in 11 provinces and 1 U.S. state, and 67 kiosks (2009 – 29) within existing Canadian store locations and 1 national loan kiosk. In addition, through various franchising and licensing agreements, the Company operates 10 Canadian franchise/license locations (2009 – 7) and 29 U.S. franchise/license locations (2009 – 15).

2. Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company, all wholly-owned subsidiaries, as listed below, and certain enterprises considered Variable Interest Entities ("VIEs") where control is achieved on a basis other than through ownership of a majority of voting rights. Material inter-company transactions and balances are eliminated on consolidation. The Company's principal subsidiaries are:

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

Subsequent to December 31, 2010, RTO Asset Management Inc. and RTO Distribution Inc. were amalgamated to simplify the Company's structure. The merged entity is RTO Asset Management Inc.

Use of 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 the estimates of the useful lives of depreciable assets, commitments and contingencies, loan loss provisions, assumptions used in determining stock-based compensation, allocation of the purchase price in business combinations, the rates and recoverability of amounts involved in estimating future income taxes, the recoverability of property and equipment and intangible assets using estimates of future cash flows and impairment testing of goodwill. Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

Business Cycle and Balance Sheet Classifications

Lease agreements for new product are written for an initial period of one week or one month, with successive renewal terms ranging up to 36 months, and lease agreements for previously leased products are similarly written, with successive renewal terms ranging from four to 35 months. Fewer than 5% of the Company's lease agreements carry terms of less than 12 months and all leases are cancellable at any time. Consumer loans receivable agreements are generally written for a period of between six months and 18 months. Accordingly, an unclassified balance sheet has been presented.

Revenue Recognition

(a) Lease Revenue

Merchandise is leased to customers pursuant to agreements that provide for weekly or monthly lease payments collected in advance. The lease agreements can be terminated by the customer at the end of the weekly or monthly lease period without any further obligation or cost to the customer. Revenue from lease agreements is recognized when earned and payment is received.

(b) Interest Revenue and Other Income

Interest revenue from consumer loans receivable is recognized when earned. Other revenue consists primarily of product damage liability waivers, processing and other fees, sale of creditor insurance products, vendor advertising incentives (excluding vendor volume rebates) and franchise royalties and fees, all of which are recognized as earned and collected except for supplier incentives and franchise fees, which are recognized as earned.

Vendor Rebates

The Company participates in various vendor rebate programs, many of which are based on annual periods that differ from the Company's financial reporting year, including vendor volume rebates and vendor advertising incentives. The Company records the benefit of vendor volume rebates on purchases made as a reduction of lease assets based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program. Where vendor advertising incentives are tied to related advertising supporting the vendors' products, amounts are accounted for as revenue where the vendor support is sufficiently separable from the purchases of the product and fair values are reasonably estimable and the services have been provided.

Cash

Cash consists of bank demand deposits which are not subject to significant changes in value.

Consumer Loans and Allowance for Loan Losses and Impaired Loans

Consumer loans receivable are carried at amounts advanced less principal repayments, net of an allowance for loan losses.

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns. When a loan is identified as impaired, it is written down to the net present value of the expected cash flows using the original effective interest rate. Loans are written off by the Company when they become greater than 90 days overdue or when certain specific criteria, such as customer bankruptcy, are met.

In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loans are credited to the provision for loan losses in the consolidated statements of income.

Lease Assets

Lease assets are recorded at cost, including freight and duties. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

Assets on lease, excluding game stations, computers and related equipment, are amortized in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term ("the units of activity method"). Game stations are amortized on a straight-line basis over 18 months. Computers and related equipment are amortized on a straight-line basis over 24 months and the amortization of computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store. Assets that are subject to the units of activity method of amortization that are not on lease for less than 90 consecutive days are not amortized during such period. After that they are amortized on a straight-line basis over 36 months. When an asset goes on lease, amortization will revert to the units of activity basis. Amortization includes the remaining book value at the time of disposition of lease assets that have been sold and amounts which have been charged off as stolen, lost or no longer suitable for lease.

In the event management determines that the Company can no longer lease or sell certain leased assets, they are written off. The determination of future net cash flows involves considerable judgment and measurement uncertainty and the impact on the consolidated financial statements for future periods could be material. Estimates of useful lives involve considerable judgment, and a shortening of the estimated life of these assets would result in higher amortization expense in future periods.

Property and Equipment

Property and equipment are recorded at cost, including freight and installation.

Property and equipment are stated at cost net of accumulated amortization, and are amortized over their estimated useful lives using the following rates and methods:

	Rate	Method
Furniture and fixtures	20%	Declining balance
Office equipment	20-30%	Declining balance
Signage	20%	Declining balance
Automotive	30%	Declining balance
Leasehold improvements		Straight-line over the lesser of the related lease term or five years

Amortization is recorded at one-half of the above rates in the year of acquisition on all property and equipment, except leasehold improvements and display units.

Lease Inducements

Lease inducements are recognized as future obligations when the Company becomes entitled to them and are amortized on a straight-line basis over the term of the related leases as a reduction of rent expense.

Intangible Assets

Customer lists and software are amortized over their estimated useful life of five years.

The Company's trademark has been assessed to have an indefinite life and is not amortized but is subject to an annual impairment test. An impairment loss would be recognized if the carrying amount of the trademark exceeded its estimated fair value.

Goodwill

The purchase price of acquisitions accounted for under the purchase method are allocated based on the fair value of the net identifiable assets acquired. The excess of purchase price over the value of such net assets is recorded as goodwill. Goodwill is not amortized. Instead, goodwill is reviewed by management on an annual basis to determine whether there is impairment in value. Goodwill is tested between annual tests when an event or circumstance indicates the asset might be impaired. An impairment loss would be recognized if the carrying amount of the goodwill exceeds its estimated fair value. Due to the long-term nature of assumptions made, it is possible that estimates could prove to be materially incorrect, and accordingly the impact on the consolidated financial statements for future periods could be material. The Company performed an impairment test as at December 31, 2010 and determined that the carrying value of the goodwill was not impaired.

Impairment of Long-Lived Assets

Long-lived assets of the Company include property and equipment, lease assets and intangible assets with finite lives. These assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is then recognized when the carrying amount exceeds their fair value.

There were no events or changes in circumstances which indicated that the carrying amounts of long-lived assets may not be recoverable, thereby requiring any impairment losses to be recognized.

Foreign Currency Translation

Transactions and balances denominated in U.S. dollars and the financial statements of the integrated foreign subsidiary included in the consolidated financial statements are translated into Canadian dollars as follows: monetary consolidated balance sheet items at the rate of exchange at the balance sheet date, non-monetary consolidated balance sheet items at historical exchange rates and consolidated income statement items are translated at average monthly foreign exchange rates. Any resulting gains or losses are included in income.

Income Taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates and laws which are expected to be in effect when the future income tax assets or liabilities are expected to be realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Stock-Based Compensation

The Company has stock-based compensation plans as described in note 12. The Company utilizes the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option-pricing model, is recorded over the vesting period as a charge to net income with a corresponding credit to contributed surplus.

The Company has a Restricted Share Unit ("RSU") plan for senior employees under which certain employees are granted RSUs of common shares. These RSUs vest five years from the grant date provided certain performance criteria are met. The Company exchanges all of the participants' RSUs on the basis of one common share for each RSU vested.

Compensation expense and the related credit to contributed surplus are recorded equally over the five-year vesting period, taking into account dividends paid and actual forfeitures.

The Company has a Deferred Share Unit ("DSU") plan for non-employee Directors. The plan enables Directors of the Company to elect to receive their remuneration in DSUs. These DSUs vest immediately and compensation expense is charged to net income in the period the DSUs are granted with a related credit to contributed surplus. On termination, the Company will redeem all of the participants' DSUs in cash or shares at the Company's option, equal to the value of one common share at the termination date for each DSU.

The Company has a Performance Share Unit ("PSU") plan for senior employees under which certain employees are granted a portion of their long-term incentive plan in the form of PSUs. Each PSU entitles the participant to the cash equivalent of one common share for each PSU granted, at the end of each vesting period if certain performance and vesting criteria have been met. Accordingly, this plan is accounted for as a liability plan. These PSUs are non-dilutive. When cash dividends are paid on the common shares of the Company, additional PSUs of equivalent value are credited to the participant's account.

Earnings Per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options and warrants is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive options are not considered in computing diluted earnings per share.

Financial Instruments

Initially, all financial assets and financial liabilities are recorded on the consolidated balance sheets at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to financial instruments classified as available-for-sale, held-to-maturity and loans and receivables are generally expensed as incurred.

The Company does not have financial assets or liabilities held-for-trading, nor does it have any available-for-sale financial assets or derivatives. As a result, the Company does not have other comprehensive income or accumulated other comprehensive income. The Company's consumer loans receivable are non-derivative financial assets resulting from the delivery of cash or other assets to a borrower in return for a promise to repay on a specified date or dates, or on demand, with interest. The Company's financial assets are all considered loans and receivables and include vendor rebates receivable, amounts due from licensee, amounts due from related party, consumer loans receivable and other receivables. The Company's lease portfolio is not considered to be a financial asset and accordingly, is carried at its remaining unamortized cost.

The Company's financial liabilities include the bank revolving credit facility and related term loan as well as all accounts payable, accrued liabilities and dividends payable. The Company accounts for its long-term debt, including related debt issue costs, at amortized cost using the effective interest rate method.

Adoption of New Accounting Standards

There were no accounting standard changes adopted by the Company during the current year.

The following is an overview of accounting standard changes that the Company adopted during the year ended December 31, 2009:

(a) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted a new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which supersedes CICA Section 3062, "Goodwill and Other Intangible Assets", and CICA Section 3450, "Research and Development Costs". CICA Section 3064 provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs can be deferred only when relating to an item meeting the definition of an asset.

Prior to the adoption of CICA Section 3064, the Company deferred and amortized incorporation costs on a straight-line basis over five years. The impact of adopting this section on a retrospective basis was a decrease of $130,000 in shareholders' equity at January 1, 2009.

Additionally, as required by the adoption of CICA Section 3064, the Company has retroactively reclassified computer software assets from property and equipment to intangible assets with no impact on previously reported net earnings. This change was made prior to 2009 so there is no impact on 2009 and 2010.

(b) Financial Instruments and Disclosures

In June 2009, the CICA issued amendments to CICA Section 3862, "Financial Instruments – Disclosures", which requires enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Assets and liabilities in Level 3 include valuations using inputs that are not based on observable market data. The Company adopted the amendments to the accounting standard and the amendments to CICA Section 3862 did not have a material impact on its results of operations, financial position or cash flows.

In August 2009, the CICA issued amendments to CICA Section 3855, "Financial Instruments – Recognition and Measurement". These amendments permit (or require in certain circumstances) entities to reclassify certain investments in debt instruments, amend the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment losses for available-for-sale debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to equity investments or to debt instruments that have been designated at origination as held-for-trading. The Company adopted the amendments to the accounting standard and the amendments to CICA Section 3855 did not have a material impact on its results of operations, financial position or cash flows.

In August 2009, the CICA amended CICA Section 3025, "Impaired Loans", to conform with the definition of a loan to that in amended Section 3855 and to include held-to-maturity investments within the scope of this section. The Company adopted the amendments to the accounting standard and the amendments to CICA Section 3025 did not have a material impact on its results of operations, financial position or cash flows.

Recently Issued Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public reporting enterprises will be required to adopt International Financial Reporting Standards effective for years beginning on or after January 1, 2011. As a result, the Company will be required to change over to IFRS for its fiscal 2011 interim and annual financial statements with comparative information of fiscal 2010. The Company is in the process of finalizing the impact of conversion of the January 1, 2010 transition date balance sheet and related impacts on 2010.

3. Restatements

Restatement Due to Employee Fraud

During the year ended December 31, 2010, *easyhome* Ltd. discovered a material fraud (the "Employee Fraud") perpetrated by an employee of its *easyfinancial* Services ("*easyfinancial*") business. The Employee Fraud, which occurred at one *easyfinancial* kiosk, was detected during a detailed review of *easyfinancial's* consumer loans receivable portfolio.

Following the discovery of the Employee Fraud – as contemplated by the Mandate of the Audit Committee and with the unanimous approval of the Board of Directors – the Audit Committee of the Board assumed responsibility for the investigation of the Employee Fraud and related matters and engaged independent legal counsel who, among other things, engaged a large national accounting and audit firm to provide expert assistance in a forensic review.

Under the oversight of the Audit Committee's counsel, a forensic review was undertaken related to the Employee Fraud and *easyfinancial's* policies, procedures and processes to, among other things: quantify the financial impact of the Employee Fraud, determine whether other individuals were involved in (or aware of) the Employee Fraud and assess whether practices that were associated with the Employee Fraud were evident at other *easyfinancial* kiosks.

The Audit Committee held regular, formal meetings to receive updates from, and to provide direction to, its legal advisors, management, and the Company's independent auditor. The Chair of the Audit Committee also held additional, separate, informal meetings with the other members of the Audit Committee, the Audit Committee's legal advisors, members of management and the Board of Directors, and the Company's independent auditor. Additionally the Audit Committee provided periodic updates to the Board of Directors.

The Audit Committee's investigation indicated that the manager of the *easyfinancial* kiosk processed fictitious loan applications, processed improper payments against legitimate customer accounts, subverted certain policies, procedures and controls and appropriated Company funds. The results of these activities were to, among other things, overstate the consumer loans receivable balance and reduce the amount of consumer loans that were not current or were otherwise in default. The Audit Committee's investigation also indicated that certain individuals responsible for oversight of this employee and kiosk did not adhere to the Company's standard operating policies and procedures, which, if followed, may have detected the fraud earlier. The individual responsible for the Employee Fraud and the individuals who did not discharge their oversight responsibilities for the employee and the kiosk have been terminated.

The Audit Committee's investigation revealed that:

- $0.7 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the prior year ended December 31, 2009;
- $1.5 million had been erroneously recognized by the Company as revenue received from the proceeds of fictitious loans in the nine months ended September 30, 2010, which has not been reflected in these consolidated financial statements;
- $0.7 million had been either fraudulently removed from the Company or inappropriately applied as principal payments against legitimate consumer loans receivable;
- the consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures; and
- while other instances of fraud have occurred at other *easyfinancial* kiosks, there are no other significant instances.

To eliminate the fraudulent loans associated with the Employee Fraud from the Company's consumer loans receivable portfolio and provide for the other financial impacts of the Employee Fraud, the gross consumer loans receivable (consumer loans receivable before provision) was reduced by $2.8 million and the related provision was increased by $0.9 million as noted above. The net impact of the Employee Fraud was a reduction in the consumer loans receivable balance of $3.7 million. These amounts were determined to have occurred as follows:

($ in 000's)	**Total**	2010	2009[2]
Erroneous recognition of revenue	**680**	–	680
Erroneous revenue initially recognized and subsequently eliminated in 2010	**1,499**	1,499	–
Fraudulent removal of funds	**652**	303	349
Additional provision[1]	**851**	599	252
Total	**3,682**	2,401	1,281

1 Additional provision required to provide for the increased risk of non-collection of the remaining customer accounts at the specific *easyfinancial* kiosk due to fraudulent loans and the non-compliance with the Company's standard underwriting procedures.

2 The net impacts of the Employee Fraud for 2009 include approximately $240,000 that may be attributable to the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 have not been restated as this was not considered a material adjustment for that reporting period.

The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud, the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010.

Restatement Due to Understatement of Unearned Revenue

As a result of a review carried out in preparation for the conversion to IFRS, it was determined that an error existed in the historic calculation of the Company's unearned revenue balance, resulting in an understatement of the unearned revenue balance and an overstatement of the earnings reported in prior periods. Accordingly, the Company's opening balance sheet as at January 1, 2009 has been restated, including a reduction to opening retained earnings of approximately $2.0 million.

The restatement (reduction) in 2009 opening retained earnings is required as a result of the cumulative effect since 2000 of this historical calculation error, which resulted in the amount of revenue received but not yet earned being understated by $2.0 million, net of corresponding impacts related to accumulated amortization and adjustments for income taxes. Accordingly, the 2009 opening retained earnings have been restated to $32.8 million (from $34.8 million).

As a result of the restatement due to the understatement of unearned revenue, the previously filed consolidated financial statements for the year ended December 31, 2009 and associated MD&A should no longer be relied upon.

Summary of Restatements

The following tables summarize the impact of the restatements as a result of the Employee Fraud and the Understatement of Unearned Revenue on the consolidated balance sheets, consolidated statements of income and comprehensive income and consolidated statements of retained earnings for the year ended December 31, 2009.

Consolidated Balance Sheets as at December 31, 2009

($ in 000's)	Originally Reported[1]	Restatement Due to Employee Fraud	Restatement Due to Understatement of Unearned Revenue	Restated
ASSETS				
Income taxes recoverable	2,886	101	–	2,987
Consumer loans receivable	10,222	(1,281)	–	8,941
Lease assets	74,686	–	712	75,398
Future tax assets	4,655	274	674	5,603
All other assets	43,312	–	–	43,312
	135,761	(906)	1,386	136,241
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Unearned revenue	748	–	3,188	3,936
All other liabilities	46,598	–	–	46,598
	47,346	–	3,188	50,534
Shareholders' equity				
Common shares and contributed surplus	51,876	–	–	51,876
Retained earnings	36,539	(906)	(1,802)	33,831
	88,415	(906)	(1,802)	85,707
	135,761	(906)	1,386	136,241

1 The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud, the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010. Therefore, the above table reflects the impact of the restatements as they relate to the originally filed consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income for the Year Ended December 31, 2009

($ in 000's, except earnings per share)	Originally Reported[1]	Restatement Due to Employee Fraud	Restatement Due to Understatement of Unearned Revenue	Restated
REVENUE				
Lease	135,005	–	–	135,005
Interest revenue and other income	38,723	(680)	298	38,341
	173,728	(680)	298	173,346
OPERATING EXPENSES				
Selling, general and administrative	21,642	601	–	22,243
Amortization of lease assets	53,320	–	21	53,341
All other operating expenses	88,373	–	–	88,373
Total operating expenses	163,335	601	21	163,957
Operating income	10,393	(1,281)	277	9,389
Interest expense	1,138	–	–	1,138
Income before income taxes	9,255	(1,281)	277	8,251
Income taxes				
Current	1,536	(101)	–	1,435
Future	1,954	(274)	81	1,761
	3,490	(375)	81	3,196
Net income and comprehensive income for the year	5,765	(906)	196	5,055
Earnings per share				
Basic	0.55	(0.09)	0.02	0.48
Diluted	0.55	(0.09)	0.02	0.48

1 The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010. Therefore, the above table reflects the impact of the restatements as they relate to the originally filed consolidated financial statements.

Consolidated Statements of Retained Earnings for the Year Ended December 31, 2009

($ in 000's)	Originally Reported[1]	Restatement Due to Employee Fraud	Restatement Due to Understatement of Unearned Revenue	Restated
Retained earnings, beginning of year as previously stated	34,825	–	(1,998)	32,827
Transitional adjustment on the adoption of new accounting policies [note 2]	(130)	–	–	(130)
Retained earnings, beginning of year as previously stated	34,695	–	(1,998)	32,697
Net income for the year	5,765	(906)	196	5,055
Purchase and cancellation of shares in excess of average cost	(360)	–	–	(360)
Common share dividends	(3,561)	–	–	(3,561)
Retained earnings, end of year	36,539	(906)	(1,802)	33,831

1 The Company originally filed its 2009 consolidated financial statements on March 24, 2010. As a result of the Employee Fraud the Company restated its 2009 consolidated financial statements which were filed on December 22, 2010. Therefore, the above table reflects the impact of the restatements as they relate to the originally filed consolidated financial statements.

4. Amounts Receivable

($ in 000's)	**December 31, 2010**	December 31, 2009
Vendor rebates receivable	**1, 366**	1,377
Due from licensee	**–**	95
Due from franchisee	**2,668**	1,686
Other	**1,837**	2,126
	5,871	5,284

In February 2008, the Company sold two stores to a former officer. Consideration included a $1.1 million receivable which now bears interest at prime plus 2% per annum and expires on November 30, 2013. The receivable is collateralized by a first charge on all assets of the stores sold to the individual. The transaction occurred at the carrying value of the stores' related assets and liabilities. The former officer also purchases inventory of leased assets from the Company from time to time and has opened additional franchise stores. In addition, the individual has entered into a franchise agreement for each store which has an initial term of 10 years with a renewal option for a further five years. The Company has first rights of refusal on any sale of these stores, after January 2013.

The amounts due from the licensee is repayable on demand and bears interest at prime plus 2.5%. The loan is principally collateralized by the underlying assets of the licensed location.

5. Consumer Loans Receivable

Consumer loans receivable represent amounts advanced to customers of *easyfinancial*, a wholly-owned subsidiary of *easyhome*. Loan terms generally range from six to 18 months.

($ in 000's)	**December 31, 2010**	December 31, 2009
		Restated [note 3]
Consumer loans receivable	**23,800**	9,251
Allowance for loan losses	**(1,971)**	(310)
	21,829	8,941

An aging analysis of consumer loans past due at December 31 is as follows:

($ in 000's except %)	**December 31, 2010**	**% of Total Loans**	December 31, 2009	% of Total Loans
			Restated [note 3]	*Restated [note 3]*
1 – 30 days	**1,238**	**5.2**	443	4.8
31 – 44 days	**238**	**1.0**	62	0.7
45 – 60 days	**405**	**1.7**	40	0.4
61 – 90 days	**690**	**2.9**	78	0.8
Total	**2,571**	**10.8**	623	6.7

During the year ended December 31, 2010, the Company refined its methodology for estimating its allowance for loan losses, resulting in an increase of $0.9 million.

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns. When a loan is identified as impaired, it is written down to the net present value of the expected cash flows using the original effective interest rate. Loans are written off by the Company when they become greater than 90 days overdue or when certain specific criteria, such as customer bankruptcy, are met.

In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan are credited to the provision for loan losses on the consolidated statements of income.

The changes in the consumer loans receivable provision are summarized as follows:

($ in 000's)	**December 31, 2010**	December 31, 2009
		Restated [note 3]
Balance, beginning of year	**310**	32
Amounts written off against provision	**(1,897)**	(745)
Increase in provision due to normal lending and collection activities	**2,093**	771
Increase due to refinement of estimating the provision	**866**	–
Amounts written off against provision due to fraud *[note 3]*	**(303)**	(349)
Increase in provision due to fraudulent removal of funds *[note 3]*	**303**	349
Increase in provision due to non-compliance with standard underwriting procedures *[note 3]*	**599**	252
Balance, end of year	**1,971**	310

6. Lease Assets

($ in 000's)	**December 31, 2010**	December 31, 2009
Lease assets, cost	**128,197**	133,385
Accumulated amortization	**(55,151)**	(57,987)
Net book value	**73,046**	75,398

For the year ended December 31, 2010, the Company recorded amortization of leased assets of $52.0 million (2009 – $53.3 million).

7. Property and Equipment

	December 31, 2010		
($ in 000's)	**Cost**	**Accumulated Amortization**	**Net Book Value**
Furniture and fixtures	**9,441**	**4,385**	**5,056**
Office equipment	**9,567**	**5,677**	**3,890**
Signage	**5,087**	**2,658**	**2,429**
Automotive	**469**	**207**	**262**
Leasehold improvements	**13,322**	**8,222**	**5,100**
	37,886	**21,149**	**16,737**

($ in 000's)	Cost	December 31, 2009 Accumulated Amortization	Net Book Value
Furniture and fixtures	8,336	3,687	4,649
Office equipment	7,950	4,811	3,139
Signage	4,547	2,231	2,316
Automotive	528	161	367
Leasehold improvements	11,818	6,652	5,166
	33,179	17,542	15,637

The amount of property and equipment classified as under construction or development and not being amortized was $0.7 million (2009 – $0.6 million). For the year ended December 31, 2010, the Company recorded amortization of property and equipment of $5.0 million (2009 – $4.7 million).

8. Intangible Assets

($ in 000's)	**Cost**	**December 31, 2010** **Accumulated Amortization**	**Net Book Value**
Trademark	**1,823**	**–**	**1,823**
Customer lists	**246**	**62**	**184**
Software	**2,102**	**837**	**1,265**
	4,171	**899**	**3,272**

($ in 000's)	Cost	December 31, 2009 Accumulated Amortization	Net Book Value
Trademark	1,823	–	1,823
Customer lists	246	15	231
Software	1,886	757	1,129
	3,955	772	3,183

For the year ended December 31, 2010, the Company recorded amortization of intangible assets of $0.1 million (2009 – $0.3 million).

9. Bank Revolving Credit Facility and Term Loan

(a) Revolving Credit Facility

The Company's bank revolving credit facility relates to a revolving, renewable credit facility. During the year ended December 31, 2010, the Company amended this credit facility arrangement to temporarily extend the revolving, renewable credit facility to $35.0 million to December 31, 2010, returning to $30.0 million thereafter.

($ in 000's)	**December 31, 2010**	December 31, 2009
Revolving credit facility	**15,649**	23,764

(b) Term Loan

The Company's term loan relates to a $10.0 million three-year term loan which the Company arranged during the third quarter of 2008 to fund the acquisition of Insta-Rent Inc. As at December 31, 2010, $2.6 million (2009 – $6.1 million) was outstanding on the term loan. Repayment of the term loan commenced on March 31, 2009 and requires the Company to make quarterly principal repayments of $0.9 million.

($ in 000's)	**December 31, 2010**	December 31, 2009
Term loan, repayable in equal quarterly instalments of $0.9 million, maturing on December 31, 2011	**2,738**	6,364
Financing costs	**(136)**	(244)
	2,602	6,120

Amounts borrowed under the revolving credit facility and term loan bear interest at the bank's prime rate plus 0.75% per annum or banker's acceptance rate plus 2.00% per annum. The credit facility and term loan are collateralized by substantially all of *easyhome's* amounts receivable, lease assets, and property and equipment. The credit facility and term loan's maturity date has been extended to June 30, 2011.

The interest expense recorded on the bank credit facilities and term loans during the year was as follows:

($ in 000's)	**December 31, 2010**	December 31, 2009
Revolving credit facility	**906**	748
Term loan	**172**	255
Other	**160**	135
	1,238	1,138

The weighted average interest rate on the bank loan for the year ended December 31, 2010 was 3.5% per annum (2009 – 2.9% per annum).

Covenants and conditions for the credit facility and term loan include a fixed charge coverage covenant, a funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") covenant and a capital expenditure covenant, all as defined under the lending agreement.

As at December 31, 2010, the Company was in compliance with all of its financial covenants under its lending agreement.

As at December 31, 2009, the Company was not in compliance with the fixed charge coverage covenant as defined and required under its lending agreement. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan, to waive the fixed charge coverage covenant for the three months ended December 31, 2009 and to amend the fixed charge coverage covenant.

As a result of the Employee Fraud and the understatement of unearned revenue, the Company was required to restate certain of the prior periods' financial statements. As a result, the Company was not in compliance with certain representations and warranties as set out in its lending agreement for the quarterly periods beginning January 1, 2009 and ending June 30, 2010. The Company's lender agreed to not demand repayment of the bank revolving credit facility and the term loan and to waive the compliance with such representations and warranties for such periods.

See note 18 for a discussion of the Company's capital risk management and note 19 for the fair value of these financial liabilities.

10. Commitments and Guarantees

The Company is committed to operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs required for the next five years and thereafter are as follows:

($ in 000's)	Premises	Other	**Total**
2011	16,195	1,963	**18,158**
2012	13,121	759	**13,880**
2013	9,415	421	**9,836**
2014	6,447	148	**6,595**
2015	4,152	–	**4,152**
Thereafter	5,238	–	**5,238**
	54,568	3,291	**57,859**

In February 2010, an irrevocable standby letter of credit in the amount of $0.5 million was issued under the Company's credit facilities for the purpose of securing the lease for the new corporate office.

11. 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 Toronto Stock Exchange.

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
(in 000's)	**#**	**$**	#	$
Balance, beginning of year	**10,419**	**48,880**	10,506	49,285
Issued for cash for exercised stock options	**70**	**286**	–	2
Issued for cash on private placement of common shares, net of share issuance costs	**1,353**	**10,908**	–	–
Repurchase of shares	**–**	**–**	(87)	(407)
Balance, end of year	**11,842**	**60,074**	10,419	48,880

During the year the Company repurchased and cancelled none (2009 – 86,700) of its common shares on the open market pursuant to a normal course issuer bid. The normal course issuer bid expired on July 7, 2010.

On December 23, 2010, the Company completed a private placement of 1,352,940 common shares at a price of $8.50 per share for aggregate gross proceeds of $11.5 million. This included 176,470 shares issued pursuant to an over-allotment option granted to the underwriters. The shares were offered pursuant to prospectus and registration exemptions in each of the provinces and territories of Canada. The $10.9 million increase to share capital was offset by net proceeds of $10.7 million and a future tax asset of $0.2 million. The Company will use the net proceeds from the financing to fund growth initiatives at its existing *easyfinancial* Services kiosks and for general corporate purposes, including debt repayment.

Dividends on Common Shares

Dividends of $3.6 million were paid and/or declared to common shareholders during 2010 (2009 – $3.6 million). In the fourth quarter of 2010, the Company declared a dividend of $0.085 per share to shareholders on record on December 1, 2010, payable on January 5, 2011. The dividend paid on January 5, 2011 was $892,000.

12. 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. Options are granted at exercise prices equal to or greater than fair market value at the grant date, generally vest evenly over a five-year period, and have exercise lives ranging from five to 10 years. The aggregate number of common shares reserved for issuance and which may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 2.3 million common shares.

	December 31, 2010		December 31, 2009	
Year ended	Options #	**Weighted Average Exercise Price**	Options #	Weighted Average Exercise Price
	(in 000's)	$	*(in 000's)*	$
Outstanding balance, beginning of year	**664**	**14.24**	691	15.18
Options granted	**169**	**8.59**	90	9.15
Options exercised	**(70)**	**2.20**	–	5.24
Options cancelled, forfeited or expired	**(132)**	**11.71**	(117)	15.91
Outstanding balance, end of year	**631**	**14.58**	664	14.24
Exercisable balance, end of year	**192**	**16.20**	291	11.65

The Company has issued options to directors, officers and employees at December 31, 2010 as follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Options #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Options #	Weighted Average Exercise Price
($)	*(in 000's)*		$	*(in 000's)*	$
8.00 – 10.99	229	4.48	8.71	12	9.06
11.00 – 14.99	2	3.86	11.00	1	11.00
15.00 – 19.99	379	2.30	17.82	164	16.40
20.00 – 20.33	21	2.33	20.26	15	20.27
8.00 – 20.33	631	3.09	14.58	192	16.20

The Company uses the fair value method of accounting for stock options granted to employees and directors.

During the year ended December 31, 2010, the Company granted 168,982 options (2009 – 90,100). For the year ended December 31, 2010, $262,000 (2009 – $411,000) was recorded as stock-based compensation expenses with respect to stock options in salaries and benefits expense on the consolidated statements of income and comprehensive income, with corresponding increases in contributed surplus.

The estimated fair value of options granted during the year was determined using the Black-Scholes option-pricing model with the following assumptions, resulting in a weighted average fair value of $1.78 per option (2009 – $1.64).

	2010	2009
Risk-free interest rate (% per annum)	**2.82**	2.08
Expected hold period to exercise (years)	**4.28**	3.60
Volatility in the price of the Company's shares (%)	**31.77**	37.27
Dividend yield (%)	**3.94**	3.68

Restricted Share Unit Plan

On May 10, 2004, the shareholders approved the implementation of a Restricted Share Unit Plan ("RSU Plan") which permits the awarding of restricted share units ("RSUs") to senior management of the Company and its subsidiaries. Each RSU entitles the employee to receive one common share of the Company. The RSUs vest on the third anniversary of the date of the grant provided certain performance criteria are met. The Company has reserved 225,000 common shares for issuance under the RSU Plan. The purpose of the RSU Plan is to (i) provide long-term incentives to executives of the Company so as to encourage their long-term retention for the success of the Company; (ii) support the objectives of employee share ownership; (iii) foster a responsible balance between short-term and long-term results; and (iv) build and maintain a strong spirit of performance and entrepreneurship.

When cash dividends are paid on the common shares of the Company, additional RSUs of equivalent value are credited to the participant's account. Stock-based compensation expense and dividends with respect to RSUs are recognized over the vesting period with corresponding increases in contributed surplus.

During the year ended December 31, 2010, the Company granted no RSUs (2009 – 29,000) to senior executives of the Company under its RSU Plan. For the year ended December 31, 2010, a credit of $352,000 (2009 – $306,000 credit) was recorded as an offset to stock-based compensation expense under the RSU Plan in salaries and benefits expense on the consolidated statements of income and comprehensive income. Additionally, for the year ended December 31, 2010, an additional 5,259 RSUs (2009 – 4,839) were granted for dividends as a result of dividends payable.

Performance Share Unit Plan

In the second quarter of 2010, the Compensation Committee of the Board authorized a Performance Share Unit Plan ("PSU Plan") for senior management of the Company. Pursuant to the PSU Plan, senior management may be granted a portion of their long-term incentive plan in the form of performance share units ("PSUs"). Each PSU entitles the participant to the cash equivalent of one common share for each PSU granted, at the end of each vesting period, if certain performance and vesting criteria have been met. The PSUs vest over a three-year period from the date of grant provided certain performance criteria are met. These units are non-dilutive.

When cash dividends are paid on the common shares of the Company, additional PSUs of equivalent value are credited to the participant's account. Stock-based compensation costs for PSUs granted under the PSU Plan are recorded as a compensation expense measured at the intrinsic value. Changes in the intrinsic value between the grant date and the measurement date result in a change in the measurement of compensation cost for the reporting period.

During the year ended December 31, 2010, the Company granted 260,116 PSUs (2009 – nil) to senior executives of the Company under its PSU Plan. For the year ended December 31, 2010, $450,000 (2009 – nil) was recorded as stock-based compensation expense under the PSU Plan in salaries and benefits expense on the consolidated statements of income and comprehensive income. Additionally, for the year ended December 31, 2010, an additional 4,169 PSUs (2009 – nil) were granted as a result of dividends payable.

Deferred Share Unit Plan

On May 10, 2005, the Board of Directors approved a Deferred Share Unit Plan ("DSU Plan") as an alternative to compensate Canadian Board members. Upon retirement each deferred share unit ("DSU") entitles the Board member to receive either one common share of the Company or the then cash equivalent of one common share of the Company.

When cash dividends are paid on the common shares of the Company, additional DSUs of equivalent value are credited to the participant's account. Compensation costs for DSUs are recognized as earned with a corresponding increase in contributed surplus.

During the year ended December 31, 2010, the Company granted 31,007 DSUs (2009 – 23,168) to directors under its DSU Plan. For the year ended December 31, 2010, $261,000 (2009 – $227,000) was recorded as stock-based compensation expense under the DSU Plan in salaries and benefits expense on the consolidated statements of income and comprehensive income. Additionally, for the year ended December 31, 2010, an additional 2,529 DSUs (2009 – 1,757) were granted as a result of dividends payable.

Contributed Surplus

The following is a continuity of the activity in the contributed surplus account during the years ended December 31:

($ in 000's)	**Year Ended December 31, 2010**	Year Ended December 31, 2009
Contributed surplus, beginning of year	**2,996**	2,665
Stock-based compensation expense		
Stock options	**262**	411
Restricted share units	**(352)**	(306)
Deferred share units	**261**	227
Reduction due to exercise of options	**(133)**	(1)
Contributed surplus, end of year	**3,034**	2,996

13. Income Taxes

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

($ in 000's except percentages)	**Year Ended December 31, 2010**	Year Ended December 31, 2009
		Restated [note 3]
Combined basic federal and provincial income tax rates	**30.2%**	30.3%
Expected income tax expense	**2,777**	2,500
Impact of tax rate changes on future tax assets	**(215)**	448
Non-deductible expense	**95**	137
U.S. losses not tax benefitted	**568**	518
Adjustment as a result of proposed tax reassessments	**(422)**	–
Other	**(467)**	(407)
	2,336	3,196

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

($ in 000's)	**December 31, 2010**	December 31, 2009
		Restated [note 3]
Loss carryforwards	**4,134**	2,370
Tax cost of lease assets and property and equipment in excess of net book value	**2,035**	4,575
Amounts receivable and provisions	**772**	385
Lease inducements	**656**	556
Financing fees	**166**	–
Other	**119**	13
	7,882	7,899
Less valuation allowance	**(2,302)**	(2,296)
	5,580	5,603

The Company, its subsidiaries and certain enterprises considered Variable Interest Entities have the following tax loss carryforwards that may be used to reduce taxable income in the future:

($ in 000's, except years)	Tax Loss Carryforward	Benefit of Tax Loss Carryforward	Year of Expiry
Canadian Operations			
Year ended December 31, 2009	8,289	2,347	2029
U.S. Operations			
Year ended December 31, 2007	1,007	401	2026
Year ended December 31, 2008	1,869	746	2027
Year ended December 31, 2009	518	207	2028
Year ended December 31, 2010	439	175	2029
	3,833	1,529	
Variable Interest Entities			
Year ended December 31, 2010	645	258	2029
	12,767	4,134	

As at December 31, 2010, the benefit of the U.S. tax loss carryforwards in the amount of $1.8 million and the U.S. future tax asset resulting from differences between the financial reporting and tax bases of assets and liabilities have been offset by a valuation allowance of $2.3 million (2009 – $2.3 million) due to the uncertainty of the realization of the benefit of the U.S. operational losses and the reversal of the differences between the financial reporting and tax bases of the assets and liabilities in the foreseeable future.

14. Restructuring and Other Charges

During the third quarter of 2009, the Company initiated a reorganization of its administrative facilities and certain functions. This restructuring was completed in the second quarter of 2010 and consolidated all administrative functions into one central location and promoted more efficient and effective activities. The total cost of this restructuring was $2.6 million. During the year ended December 31, 2010, $0.6 million (2009 – $2.0 million) was recorded as other charges within operating expenses.

Additionally, during the fourth quarter of 2010, the Company incurred $2.4 million in costs relating to the forensic investigation of the Employee Fraud (note 3).

Liabilities related to the restructuring and the forensic investigation are recorded in accounts payable and accrued liabilities and accrued employee costs as follows:

($ in 000's)	Restructuring Costs	Forensic Investigation Costs	**Total**
Accrual at January 1, 2010	623	–	**623**
Expenses – year ended December 31, 2010	641	2,428	**3,069**
Payments – year ended December 31, 2010	(1,234)	–	**(1,234)**
Accrual at December 31, 2010	30	2,428	**2,458**

15. Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share:

($ in 000's, except earnings per share, # of shares in 000's)	**Year Ended December 31, 2010**	Year Ended December 31, 2009
		Restated [note 3]
Numerator		
Net income for the year	**6,871**	5,055
Denominator		
Basic weighted average number of shares outstanding	**10,490**	10,489
Dilutive effect of share options	**28**	78
Dilutive weighted average number of shares outstanding	**10,518**	10,567
Earnings per share		
Basic	**$ 0.65**	$ 0.48
Diluted	**$ 0.65**	$ 0.48

The dilutive effect of share options reflects 85,236 options for the year ended December 31, 2010 (2009 – 162,691). For the year ended December 31, 2010, stock options to acquire 406,750 common shares (2009 – 533,350 options) were not included in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the year.

16. Net Change in Other Operating Assets and Liabilities

The net change in non-cash operating items, excluding lease assets and consumer loans receivable, is as follows:

($ in 000's)	**2010**	2009
		Restated [note 3]
Amounts receivable	**(587)**	(115)
Income taxes recoverable	**2,987**	(1,870)
Prepaid expenses	**(269)**	946
Accounts payable and accrued liabilities and dividends payable	**5,307**	1,629
Income taxes payable	**65**	–
Accrued employee costs	**695**	404
Deferred lease inducements	**156**	(237)
Unearned revenue	**430**	(284)
	8,784	473

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

($ in 000's)	**2010**	2009
Income taxes paid	**2,692**	4,010
Income taxes refunded	**3,545**	569
Interest paid	**1,231**	1,026
Interest received	**7,894**	2,665

17. Contingencies

Class Action Lawsuit

The Company and certain of its current and former officers have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit, commenced by Andrew Sorensen on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010, claims total damages of $15.0 million (including punitive damages of $5.0 million). The plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles.

The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees as well as potential damages awarded, if any, subject to certain policy limits and deductibles. No assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded could be substantial.

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.

18. Capital Risk Management

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 bank debt and shareholders' equity, which comprises issued share 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 issues, share repurchases, the payment of dividends, increasing or decreasing bank debt or by undertaking other activities as deemed appropriate under 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 financing 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.

The Company monitors capital on the basis of its bank covenants which are tabulated as follows:

Financial Covenants (Ratios)	Requirements	**2010 Actual**	2009 Actual
			Restated [note 3]
Funded debt to EBITDA ratio	< 2.50	**0.89**	1.77
Fixed coverage ratio	> 1.00	**1.21**	1.11
Total capital expenditures excluding lease assets	< $9 million	**$5.3 million**	$5.1 million

For the year ended December 31, 2010, the Company was in compliance with all of its externally imposed financial covenants.

For the year ended December 31, 2009, the Company met its funded debt to EBITDA ratio and its total capital expenditures as per the Company's lender. The Company, however, breached its fixed coverage ratio and as a result a waiver was obtained from the lender. The circumstances of the Company's arrangement with its lender are disclosed in note 9.

19. Financial Risk Management

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. 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.

(a) 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 pursuant to policies and procedures that are intended to ensure that there is 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 and in circumstances where its policies and procedures are not complied with.

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 standard collection process in place in the event of payment default, which includes 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. Lease asset losses for the year ended December 31, 2010 represented 3.7% (2009 – 4.1%) of total revenue.

The credit risk related to amounts receivable and consumer loans receivable made in accordance with policies and procedures results 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 made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's senior management. As at December 31, 2010, the Company's net loan portfolio was $21.8 million (2009 – $8.9 million).

(b) Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its committed bank revolving credit facility and term loan, the terms of which expire on June 30, 2011. The Company is required to make quarterly principal repayments of $0.9 million under the term loan until the debt is retired. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

Annual debt repayments on the Company's term loan are as follows:

($ in 000's)	Term Loan
2011	2,728
Thereafter	–
Total	**2,728**

(c) 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 bank facilities bear interest at prime plus 0.75% per annum or banker's acceptance rate plus 2.00% per annum. As at December 31, 2010, this rate was 3.75% per annum (2009 – 3.25% per annum). The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

As at December 31, 2010, all of the Company's $18.3 million drawn bank facilities are subject to movements in floating interest rates. A 1% movement in the prime interest rate would have increased or decreased net income for the year by approximately $241,000.

(d) Currency Risk

Currency risk measures the Company's risk of financial loss due to adverse movements in currency exchange rates. The Company sources a portion of the furniture it leases in Canada from U.S. suppliers. As a result, the Company has foreign exchange transaction exposure. These purchases are funded using regular spot rate purchases. Pricing to customers can be adjusted to reflect changes in the Canadian dollar landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure.

The Company also has foreign currency transaction exposure through its company-owned, VIE and franchised locations in the U.S. The Company's U.S. subsidiary and VIEs are considered to be fully integrated. Accordingly, monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the consolidated balance sheet dates. Translation gains and losses are recognized in income in the current period. In translating the Company's U.S. monetary assets and liabilities, a 10% change in the U.S./Canadian dollar exchange rate would have increased or decreased net income in the year by approximately $387,000.

The earnings of the Company's U.S. subsidiary and VIEs are translated into Canadian dollars each period. A 10% movement in the Canadian/U.S. dollar exchange rate would have increased or decreased net income in the year by approximately $155,000.

20. Financial Instruments

The carrying values of the Company's financial instruments are classified into the following categories:

($ in 000's)	**December 31, 2010**	December 31, 2009
		Restated [note 3]
Loans and receivables	**27,700**	14,225
Other financial liabilities	**35,602**	41,413

Loans and receivables include vendor rebates receivable, amounts due from licensee, amounts due from a former related party, other receivables and consumer loans receivable. Other financial liabilities include bank revolving credit facility, term loan, accounts payable and accrued liabilities, income taxes payable and dividends payable.

The estimated fair values of the Company's financial instruments approximate their respective carrying values. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. All of the Company's financial instruments are categorized as Level 3 in the three- level fair value hierarchy.

21. Related Party Transactions

The Company has entered into a number of related party transactions with one of its former officers. These transactions are described in note 4.

During the year ended December 31, 2010, the Company paid professional fees to a firm related to one of its directors to assist in the investigation of the Employee Fraud (note 3). For the year ended December 31, 2010, $65,000 (2009 – nil) was recorded as professional fees in restructuring and other charges on the consolidated statements of income and comprehensive income.

The Company, through its wholly-owned subsidiary *easyhome* U.S., 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. Mr. Gates does 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, Gates LLC and *easyhome* will split both the initial franchise fee and the ongoing royalty fees. As at December 31, 2010, 26 franchise locations were opened and operated under the License Agreement.

22. Variable Interest Entities

Variable Interest Entities ("VIEs") are defined under AcG 15, "Consolidation of Variable Interest Entities" ("AcG 15"), as entities that do not have sufficient equity at risk to finance their activities without additional subordinated financial support, or where the equity holders lack the overall characteristics of a controlling financial interest. Under AcG 15, VIEs are required to be consolidated with the financial results of the entity deemed to be the primary beneficiary of the VIEs expected losses and its expected residual returns.

For the year ended December 31, 2010, the Company has four (2009 – nil) franchise stores whose franchise agreements result in the Company being deemed the primary beneficiary of the entity according to AcG 15. The results for these entities have been consolidated with the results of the Company.

23. Segmented Reporting

The Company operates in three reportable segments. These segments include the Canadian leasing business, the U.S. leasing business and the consumer lending business (*easyfinancial*), which operates out of kiosks in certain Canadian stores. Management is continuing to assess the Company's reporting segments as a result of the previously announced restructuring and the Company's corresponding growth strategy.

Accounting policies for each of these business segments are the same as those disclosed in note 2. 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 and interest expense are included in the Canadian leasing segment. There are no significant inter-segment revenues and no significant changes in assets and total assets in each segment from the prior period. Segment contribution represents income before income taxes for each of the Company's business segments. The Company uses segmented income before income taxes as a key measure to analyze the financial performance of its business segments.

Year ended December 31, 2010 ($ in 000's)	Canadian Leasing	U.S. Leasing	*easyfinancial*	**Total**
Revenue	158,642	9,250	12,897	**180,789**
Operating expenses before amortization and restructuring and other charges	89,890	7,715	12,498	**110,103**
Amortization	53,490	3,419	263	**57,172**
Restructuring and other charges	3,069	–	–	**3,069**
Operating income (loss)	12,193	(1,884)	136	**10,445**
Interest expense	1,238	–	–	**1,238**
Income (loss) before income taxes	10,955	(1,884)	136	**9,207**
Total assets	109,050	11,665	25, 537	**146,252**

Year ended December 31, 2009 *($ in 000's) Restated [note 3]*	Canadian Leasing	U.S. Leasing	*easyfinancial*	Total
Revenue	161,549	7,746	4,051	173,346
Operating expenses before amortization and restructuring and other charges	92,888	6,448	4,389	103,725
Amortization	55,172	3,023	106	58,301
Restructuring and other charges	1,931	–	–	1,931
Operating income (loss)	11,558	(1,725)	(444)	9,389
Interest expense	1,138	–	–	1,138
Income (loss) before income taxes	10,420	(1,725)	(444)	8,251
Total assets	116,563	9,392	10,286	136,241

The Company's goodwill of $17.3 million (2009 – $17.3 million) and restructuring and other charges of $3.1 million (2009 – $1.9 million) are related entirely to its Canadian leasing segment.

The Company's leasing business consists of four major product categories: furniture, electronics, computers and appliances. Lease revenues as a percentage of total lease revenue for the years ended December 31, 2010 and 2009 are as follows:

	2010 **%**	2009 %
Furniture	**36**	37
Electronics	**35**	36
Computers	**17**	15
Appliances	**12**	12
	100	100

24. Comparative Figures

Certain of the comparative figures have been reclassified, where necessary, to conform to the current period's presentation.

Corporate Governance

easyhome Ltd. is dedicated to practicing the highest standards of corporate governance. Believing that responsible and effective governance is essential to its success, the Company has developed systems and procedures that are appropriate for its business. These systems and procedures are reviewed on a regular basis and updated to reflect changing regulations and best practices.

The Company's directors are experienced business leaders representing a breadth of background and experience, including finance and merchandise leasing. On behalf of *easyhome's* shareholders, the Board of Directors is responsible for the stewardship of the Company, establishing overall policies, reviewing strategic plans, and holding accountable the management to whom it delegates the operation of the Company.

The Board has established three permanent Committees with written mandates for the continuous review and monitoring of key areas critical to good corporate governance. The Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee each consist of either three or four directors, all of whom are independent of management.

Committee Structure

Audit Committee

The mandate of the Audit Committee is to assist the Board of Directors in its oversight role with respect to the quality and integrity of financial information, the effectiveness of the Company's risk management and compliance practices, the independent auditors' performance, qualifications and independence, oversight of the Company's anti-fraud program and the Company's compliance with legal and regulatory requirements. The Committee reviews the annual and interim financial statements of the Company, as well as other public disclosure documents required by regulatory authorities. The Audit Committee also makes recommendations to the Board regarding the appointment of independent auditors, reviews the nature and scope of the annual audit, and reviews the adequacy of the internal accounting controls.

Compensation Committee

The Compensation Committee's mandate is to review the Company's compensation strategy with a view to aligning compensation with business objectives and performance, and aligning incentives with the interests of shareholders to maximize shareholder value. This includes developing compensation recommendations for the approval of the full Board for the Company's executive officers, directors of the Company and all other employees. Compensation includes salary, bonuses, benefits, stock option grants, stock purchases and other compensation as appropriate. It also includes reviewing the written objectives of the President and Chief Executive Officer and his direct reports, annually assessing the performance of the President and Chief Executive Officer, and reviewing and assessing a plan for succession. The Committee also ensures there are appropriate training, development and benefit programs in place for management and staff.

Corporate Governance and Nominating Committee

The Company's Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Company's corporate governance disclosure obligations are determined by the Canadian Securities Administrators of National Instrument 58-101 – Disclosure of Corporate Governance Practices (the "National Instrument") and National Policy 58-201 – Corporate Governance Guidelines (the "National Policy"), both of which came into force on June 30, 2005 and Multilateral Instrument 52-110 – Audit Committees. The National Policy sets out a series of guidelines for effective corporate governance (the "Guidelines"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The National Instrument requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

The mandate of the Corporate Governance and Nominating Committee is to assist the Board of Directors in establishing and maintaining a sound system of corporate governance through a process of continuing assessment and enhancement. The Committee is responsible for examining the effectiveness of the Company's corporate governance practices and proposing such procedures and policies as the Committee believes are appropriate to ensure that the Board clearly functions independently of management, management is clearly accountable to the Board of Directors of the Company, and procedures are in place to monitor the effectiveness of the performance of the Board and individual directors. In addition, the Committee is responsible for identifying and recommending to the Board suitable candidates for nomination as new directors, and reviewing the credentials of directors standing for re-election.

A detailed description of the Company's approach is outlined in the Management Information Circular issued in connection with the Annual Meeting to Shareholders, a copy of which is available through Equity Transfer Services Inc.

Corporate information

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President & Chief Executive Officer
easyhome Ltd.
Tel: (905) 272-2788

Steve Goertz
Senior Vice President
& Chief Financial Officer
easyhome Ltd.
Tel: (905) 272-2788

Bankers
Canadian Imperial Bank of Commerce
Toronto, Ontario

Transfer Agents
Equity Transfer Services Inc.
Toronto, Ontario

Listed
Toronto Stock Exchange
Trading Symbol: EH

Auditors
Ernst & Young LLP
Toronto, Ontario

Solicitors
Blake Cassels & Graydon LLP
Toronto, Ontario

Website
www.*easyhome*.ca

Board of Directors

Donald K. Johnson
Chairman
easyhome Ltd.

David Ingram
President & Chief Executive Officer
easyhome Ltd.

James P. Bowland
Chair – Audit Committee
Corporate Director

Wesley Voorheis
Chair – Corporate Governance and
Nominating Committee
Corporate Director

David A. Lewis
Chair – Compensation Committee
Corporate Director

David Appel
Corporate Director

Walter E. "Bud" Gates
Corporate Director
Chairman and CEO, *easygates*, LLC

Donald G. Reid
Corporate Director

Officers

David Ingram
President & Chief Executive Officer

Steve Goertz
Senior Vice President
& Chief Financial Officer

Rick Atkinson
Senior Vice President, Development

Dave Maries
Senior Vice President,
Marketing & Merchandise

The Annual General Meeting of the Shareholders will be held at 2:00 p.m. Wednesday, June 1, 2011 in the Gallery Room of the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2.

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