easyhome Ltd.

INTERIM STATEMENT OF FINANCIAL POSITIONS

(Unaudited)
(expressed in thousands of Canadian dollars)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS			
Current			
Cash (note 5)	**1,063**	731	291
Amounts receivable (note 6)	**4,364**	4,809	5,284
Income taxes recoverable	**41**	-	2,987
Consumer loans receivable (note 7)	**23,456**	18,162	7,421
Prepaid expenses	**978**	1,296	1,146
Total current assets	**29,902**	24,998	17,129
Amounts receivable (note 6)	**1,420**	1,062	-
Consumer loans receivable (note 7)	**4,873**	3,667	1,520
Lease assets (note 8)	**66,731**	68,622	71,273
Property and equipment (note 9)	**12,458**	12,953	12,335
Deferred tax assets (note 15)	**7,214**	8,047	8,134
Intangible assets (note 10)	**2,938**	3,093	3,155
Goodwill (note 10)	**17,325**	17,325	17,325
TOTAL ASSETS	**142,861**	139,767	130,871
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank revolving credit facility (note 11)	**25,336**	15,649	23,764
Accounts payable and accrued liabilities	**13,574**	19,322	13,331
Income taxes payable	**-**	65	-
Dividends payable	**1,007**	892	884
Deferred lease inducements	**575**	578	579
Unearned revenue	**4,195**	5,310	4,818
Term loan (note 11)	**1,729**	2,602	3,636
Provisions (note 12)	**245**	421	597
Total current liabilities	**46,661**	44,839	47,609
Accounts payable and accrued liabilities	**579**	450	-
Deferred lease inducements	**1,870**	1,881	1,724
Term loan (note 11)	**-**	-	2,484
Provisions (note 12)	**397**	407	231
Total liabilities	**49,507**	47,577	52,048
Shareholders' Equity			
Share capital (note 13)	**60,207**	60,074	48,880
Contributed surplus	**3,033**	3,061	3,142
Other comprehensive income	**(573)**	(257)	-
Retained earnings	**30,687**	29,312	26,801
Total shareholders' equity	**93,354**	92,190	78,823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**142,861**	139,767	130,871

See accompanying notes to the interim consolidated financial statements

easyhome Ltd.

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended	
	March 31, 2011	**March 31, 2010**
REVENUE		
Lease revenue	**40,782**	40,707
Interest income	**2,843**	879
Other	**2,578**	1,452
	46,203	43,038
EXPENSES		
Salaries and benefits (note 14)	**14,690**	12,937
Advertising and promotion	**1,594**	1,147
Bad debts	**1,124**	414
Occupancy	**6,457**	6,061
Distribution and travel	**1,881**	1,655
Other	**3,212**	2,677
Restructuring charges	**-**	313
	28,958	25,204
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets (note 8)	**12,451**	12,675
Depreciation of property and equipment (note 9)	**846**	972
Amortization of intangible assets (note 10)	**106**	94
Impairment (net) (notes 8 and 9)	**-**	552
	13,403	**14,293**
Operating income	**3,842**	3,541
Interest expense (note 11)	**297**	283
Income before income taxes	**3,545**	3,258
Income tax expense (note 15)		
Current	**332**	792
Deferred	**831**	471
	1,163	1,263
Net income	**2,382**	1,995
Basic earnings per share (note 16)	**0.20**	0.19
Diluted earnings per share (note 16)	**0.20**	0.19

See accompanying notes to the interim consolidated financial statements

easyhome Ltd.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(expressed in thousands of Canadian dollars)

	Issued Capital	Contributed Surplus	Total Capital	Retained Earnings	Total Other Comprehensive Income	Total Equity
Balance, January 1, 2011	60,074	3,061	63,135	29,312	(257)	92,190
Shares issued	133	(191)	(58)	-	-	(58)
Stock-based compensation (note 14)	-	163	163	-	-	163
Comprehensive income , net of tax	-	-	-	2,382	(316)	2,066
Dividends paid (note 13)	-	-	-	(1,007)	-	(1,007)
Balance, March 31, 2011	**60,207**	**3,033**	**63,240**	**30,687**	**(573)**	**93,354**
Balance, January 1, 2010	48,880	3,142	52,022	26,801	-	78,823
Shares issued	-	-	-	-	-	-
Stock-based compensation (note 14)	-	152	152	-	-	152
Comprehensive income , net of tax	-	-	-	1,995	(259)	1,736
Dividends paid (note 13)	-	-	-	(886)	-	(886)
Balance, March 31, 2010	**48,880**	**3,294**	**52,174**	**27,910**	**(259)**	**79,825**

See accompanying notes to the interim consolidated financial statements

easyhome Ltd.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended	
	March 31, 2011	**March 31, 2010**
Net income	**2,382**	1,995
Other comprehensive income for the period		
Foreign currency translation reserve	**(316)**	(259)
Comprehensive income	**2,066**	1,736

See accompanying notes to the interim consolidated financial statements

easyhome Ltd.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010
OPERATING ACTIVITIES		
Net income	**2,382**	1,995
Add (deduct) items not affecting cash		
Depreciation of lease assets	**12,451**	12,675
Depreciation of property and equipment	**846**	972
Impairment (net)	**-**	552
Amortization of intangible assets	**106**	94
Stock-based compensation (note 14)	**163**	153
Bad debt expense	**1,124**	414
Deferred tax expense	**831**	471
Gain on sale of property and equipment	**(42)**	-
	17,861	17,326
Net change in non-cash working capital balances related to operations (note 17)	**(6,635)**	(696)
Net issuance of consumer loans receivable	**(7,624)**	(2,695)
Cash provided by operating activities	**3,602**	13,935
INVESTING ACTIVITIES		
Net purchase of lease assets	**(10,784)**	(9,982)
Purchase of property and equipment	**(599)**	(1,264)
Purchase of intangible assets	**(20)**	(101)
Proceeds on sale of property and equipment	**269**	-
Cash used in investing activities	**(11,134)**	(11,347)
FINANCING ACTIVITIES		
Advances (payments) of bank revolving credit facility	**9,687**	(957)
Payments of term loan (note 11)	**(873)**	(877)
Payment of common share dividends	**(892)**	(884)
Redemption of deferred share units	**(58)**	-
Cash provided by (used in) financing activities	**7,864**	(2,718)
Net increase (decrease) in cash during the period	**332**	(130)
Cash, beginning of period	**731**	291
Cash, end of period	**1,063**	161

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Financial Statements

easyhome Ltd.

(Unaudited)

March 31, 2011

easyhome Ltd.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(Expressed in thousands of Canadian dollars except where otherwise indicated)
For the periods ended March 31, 2011 and March 31, 2010

1. CORPORATE INFORMATION

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

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

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

In December 2010, RTO Asset Management Inc. and RTO Distribution Inc. were amalgamated to simplify the Parent company's structure. The merged entity is RTO Asset Management Inc.

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

The Company operates in three reportable segments; leasing, easyfinancial and franchising. As at March 31, 2011 the Company operated 216 easyhome stores, 69 easyfinancial kiosks and had 39 franchise locations (2010 – 219 easyhome stores, 35 easyfinancial kiosks and 24 franchise locations).

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements were authorized for issue in accordance with a directors' resolution on May 31, 2011.

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

Statement of Compliance with IFRS

The unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard ["IAS"] 34, "Interim Financial Reporting" as issued by the IASB and employ the accounting policies herein described. These are the Company’s first unaudited interim consolidated financial statements reported under IFRS, as such, IFRS 1, “First time adoption of IFRS” has been applied.

The Company's interim consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ["CGAAP"]. CGAAP differs in some areas from IFRS. In preparing these interim consolidated financial statements, the Company has amended certain accounting methods previously applied in the CGAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company's transition to IFRS along with reconciliations and descriptions of the effect of the transition from CGAAP to IFRS on equity, earnings and comprehensive income are included in note 24. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s 2010 annual financial statements.

Early Adoption of IFRS 9, Financial Instruments

The Company has early adopted IFRS 9, Financial Instruments, as amended in October 2010 ["IFRS 9 (2010)”] with a date of initial application of January 1, 2010. IFRS 9 (2010) requires that an entity classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that an entity classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method, except in some circumstances including for financial liabilities at fair value through comprehensive income and financial guarantee contracts. These changes in accounting policy are applied on a retrospective basis from January 1, 2010. IFRS 9 (2010) was not applied to financial assets or financial liabilities that have been derecognized at the date of initial application.

In accordance with the transitional provisions of IFRS 9 (2010), the Company classified financial assets held at the date of initial application based on the facts and circumstances of the business model in which the financial assets were held at that date. This classification resulted in the Company continuing to account for financial assets at amortized cost. The Company's financial liabilities under IFRS 9 (2010) are classified as financial liabilities as subsequently measured at amortized cost using the effective interest rate method. The classifications of the financial assets and financial liabilities of the Company under IFRS 9 (2010) did not require reclassification on the date of initial application.

The adoption of IFRS 9 (2010) had no impact on shareholders’ equity as at January 1, 2010, comprehensive income for the year ended December 31, 2010, and comprehensive income for the three months ended March 31, 2011 since the measurement basis for financial assets remained the same.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The financial statements of the subsidiaries and SPEs are prepared for the same reporting period as the financial statements of the Parent company using consistent accounting policies. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and the SPEs are fully consolidated from the date control is achieved, and both continue to be consolidated until the date that such control ceases.

All intra-group transactions and balances are eliminated on consolidation.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars [“CAD”], which is the Parent company's functional currency. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. The Parent company's functional currency is the Canadian dollar. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date. All differences are recorded in comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in comprehensive income.

The Parent company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Parent company’s net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the foreign operation. In the consolidated financial statements such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in foreign operations.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements except for the sale of certain customer protection products where it acts as agent and therefore recognises such revenue on a net basis.

i) 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.

Lease revenue consists of lease payments, product damage liability waivers and processing and other fees. Revenue from lease agreements is recognized when earned. Lease revenue also consists of revenue from the ultimate sale of goods which represents the culmination of the lease asset life cycle and occurs when title passes to the customer Such revenue is measured at the fair value of the consideration received or receivable.

ii) Interest Revenue

Interest revenue from consumer loans receivable is recognized when earned using the effective interest rate method.

iii) Other Revenue

Other revenue consists primarily of the sale of customer protection products, revenue generated from franchising including royalties and franchise fees, and other fees, all of which are recognized as earned.

Vendor Rebates

The Company participates in various vendor rebate programs, 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. Vendor advertising incentives that are related to specific advertising programs are accounted for as a reduction of the related expenses.

Cash

Cash is comprised of bank balances, cash on hand, and demand deposits, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

Financial assets consist of amounts receivable and consumer loans receivable, which are stated net of an allowance for future loan losses. Financial assets are initially measured at fair value.

Amounts receivable are subsequently measured at amortized cost and are carried at the amount of cash expected to be received.

The Company's consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the consumer loans receivable to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future loan losses. There are no significant incremental costs incurred in writing consumer loans.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debt expense. 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 effective interest rate.

Financial assets, together with the associated allowances, are written off when there is no realistic prospect of further recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to bad debt expense.

The Company does not have any financial assets that are subsequently measured at fair value.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Leased Assets

Lease assets are stated at cost net of accumulated depreciation and accumulated impairment losses if any.

The cost of lease assets comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

At the end of the lease term of a leased asset, a customer may gain ownership of the asset at no cost if the customer is not otherwise in default of his or her lease agreement. Lease agreements also entitle customers to buy-out a lease asset earlier in accordance with conditions stipulated in the lease agreement.

The residual value, useful life and depreciation method of the leased assets are reviewed at each financial year end and, if expectations differ from previous estimates, they are adjusted and the changes are accounted for prospectively as a change in accounting estimates. In the event management determines that the Company can no longer lease or sell certain lease assets, they are written off.

Depreciation on lease assets is charged to net income as follows:

Assets on lease, excluding game stations, computers and related equipment, are depreciated in proportion to the lease payments received to the total expected lease amounts provided over the lease agreement term [the "units of activity method"]. Leased assets that are subject to units of activity method of depreciation that are not on lease for less than 90 consecutive days are not depreciated during such period. After that they are depreciated on a straight line basis over 36 months. When an asset goes on lease, depreciation will revert to the units of activity basis.

Game stations are depreciated on a straight line basis over 18 months. Computers and related equipment are depreciated on a straight line basis over 24 months. The depreciation for game stations, computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store and continues uninterrupted thereafter on a straight line basis over the periods indicated.

Depreciation for all lease assets 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.

Property and Equipment

The cost of property and equipment comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to net income as repairs and maintenance when incurred.

Depreciation on property and equipment is charged to net income.

Property and equipment are depreciated on a straight line basis over the estimated useful life of the assets as follows:

Asset category	Estimated useful lives
Furniture and fixtures	7 years
Office equipment and other computers	7 years
Signage	7 years
Computers	5 years
Automotive	5 years
Leasehold improvements	The lesser of five years or lease term

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in net income in the year the assets are derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period for potential impairment indicators. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at the segment level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's trademarks have been assessed to have an indefinite life.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in net income when the asset is derecognized.

Development Costs

Development expenditures, including those related to the development of the Company's new loan system, are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development,

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Capitalization of Borrowing Costs

Borrowing costs attributable to assets that require a substantial period of time to get ready for their intended use are capitalized in the year incurred and cease to be capitalized when the asset is ready for its intended use. To date the Company has not capitalized any borrowing costs.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations incurred subsequent to January 1, 2010, are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

On first-time adoption of IFRS, the Company elected not to apply IFRS 3, *Business Combinations*, retrospectively to acquisitions carried out before January 1, 2010. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS transition date of January 1, 2010, is carried at the amount reported in the consolidated financial statements prepared under CGAAP as at December 31, 2009.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset or a cash-generating unit ["CGU"] may be impaired. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined that this is at the individual store level.

If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount. Impairment losses are recognized in net earnings.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long term growth rate applied after the third year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized in net income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and when circumstances indicate that the carrying value may be impaired.

Financial Liabilities

Financial liabilities are initially recognized at fair value and in the case of loans and borrowings, they are recognized at the fair value of proceeds received, net of directly attributable transaction costs. The Company's financial liabilities include bank revolving credit facility, interest-bearing loans and borrowings, accounts payable and accrued liabilities.

After initial recognition, the Company's interest bearing debt is subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any fees or costs related to the interest bearing debt. Interest expense is included in net income.

Non-interest bearing financial liabilities such as accounts payable and accrued liabilities are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Company as a Lessee

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Subsequent lease payments are apportioned between finance charges and a reduction of the lease liability. Finance charges are recognized in comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life or the asset and the lease term. The Company has not entered into any finance leases.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized and depreciated over the life of the lease.

ii) Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The leasing income is recognized on a straight line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The Company is in the business of leasing assets. As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are recognized in the consolidated financial statements where the likelihood of the obligation arising is deemed probable and measurable by management. Contingent assets are not recognized on the financial statements even if probable; rather note disclosure is provided. Probable is defined as being more than 50% likely to occur.

Taxes

i) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- Goodwill; and
- Investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the statements of financial position.

Stock-based Payment Transactions

The Company has stock-based compensation plans as described in note 14.

i) Equity-settled Transactions

The Company has stock options, Restricted Share Units ["RSU"] and Deferred Share Units ["DSU"] which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using a Black-Scholes valuation model. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net earnings, with a corresponding increase in contributed surplus, over the period in which the performance and or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in salaries and benefits expense.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled awards are treated equally.

ii) Cash-settled Transactions

The Company has Performance Share Units ["PSU"] which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ["cash-settled transactions"]. The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in salaries and benefits expense.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and or service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in salaries and benefits expense.

No expense is recognized for awards that do not ultimately vest.

Earnings Per Share

Basic earnings per share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated 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.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

These judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates materially impacting these financial statements. Changes in estimates will be reflected in the financial statements in future periods.

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

i) Consumer Loan Loss Provisions

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.

ii) 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 are probable and reasonably estimable during the term of each rebate program.

iii) Depreciation of Lease Assets

Assets on lease, (excluding game stations, computers and related equipment) are depreciated in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term, which are estimated by management for each product category.

iv) Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight and are depreciated on a straight line basis over their estimated useful lives, which are estimated by management for each class of asset.

v) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimated the asset or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts are generally covering a period of three years with a long term growth rate applied after the third year. Key areas of management judgment involved the three year cash flow forecast, the growth rate applied to cash flows subsequent to the three years specifically forecast and the discount.

vi) Impairment of Goodwill and Indefinite Life Intangibles

In assessing the recoverable amount, management estimated the group of CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long term growth rate applied after the third year. Key areas of management judgment involve the three year cash flow forecast, the growth rate applied to cash flows subsequent to the three years, specifically forecast and the discount.

vii) Fair Value of Stock-based Compensation

The fair value of the 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. The Company's share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of the unit options granted.

viii) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable, as determined by management.

ix) Taxation amounts

Income tax provisions, including current and deferred 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 the 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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's disclosures.

IFRS 10 Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* ["IFRS 10"] is effective for annual periods beginning on or after 1 January 2013 and will replace portions of IAS 27 *Consolidated and Separate Financial Statements* ["IAS 27"] and interpretation SIC-12 *Consolidation — Special Purpose Entities*. Under IFRS 10, Consolidated Financial statements include all controlled entities under a single control model that applies to all entities, including special purpose entities and structured entities. A group will still continue to consist of a parent and its subsidiaries; however IFRS 10 uses different terminology from IAS 27 in describing its control model. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Early adoption of this standard is permitted. The Company has not fully assessed the impact of adopting IFRS 10; however, it anticipates that its impact will be limited.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* ["IFRS 12"] includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities. Many of the disclosure requirements were previously included in IAS 27, IAS 1 and IAS 28 while others are new. This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Company has not fully assessed the impact of adopting IFRS 12; however, it anticipates that its impact will be limited.

IFRS 13 Fair Value Measurement

IFRS 13, *Fair Value Measurement* ["IFRS 13"] provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value is required or permitted per IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles could have a significant effect on some entities adopting the standard. IFRS 13 is effective 1 January 2013 and will be adopted prospectively. The Company does not expect any impact on its financial position or performance.

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

5. CASH

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Cash on hand and at banks	**1,063**	731	291
	1,063	731	291

Cash on hand and at banks earns interest at floating rates based on daily bank deposit rates.

6. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Vendor rebate receivable	**1,507**	1,366	1,377
Due from licensee	**-**	-	95
Due from franchisees	**2,197**	2,668	1,686
Other	**2,080**	1,837	2,126
	5,784	5,871	5,284
Current	**4,364**	4,809	5,284
Non-current	**1,420**	1,062	-
	5,784	5,871	5,284

7. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represent amounts advanced to customers of easyfinancial. Loan terms generally range from six to 18 months.

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Consumer loans receivable	**29,894**	23,800	9,251
Allowance for loan losses	**(1,565)**	(1,971)	(310)
	28,329	21,829	8,941
Current	**23,456**	18,162	7,421
Non-current	**4,873**	3,667	1,520
	28,329	21,829	8,941

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

An aging analysis of consumer loans past due as at March 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

	March 31, 2011		**December 31, 2010**		**January 1, 2010**	
($ in 000's except %)	**$**	**% of total loans**	**$**	**% of total loans**	**$**	**% of total loans**
1 - 30 days	**1,371**	**4.6%**	1,238	5.2%	443	4.8%
31 - 44 days	**269**	**0.9%**	238	1.0%	62	0.7%
45 - 60 days	**180**	**0.6%**	405	1.7%	40	0.4%
61 - 90 days	**300**	**1.0%**	690	2.9%	78	0.8%

The changes in the consumer loans receivable provision are summarized below:

($ in 000's)	**March 31, 2011**	**December 31, 2010**
Balance, beginning of period	**1,971**	310
Amounts written off against provision	**(1,530)**	(1,897)
Increase due to normal lending and collection activities	**1,124**	2,093
Increase due to refinement of estimating the provision	**-**	866
Amounts written off against provision due to employee fraud	**-**	(303)
Increase due to employee fraud	**-**	902
Balance, end of year	**1,565**	1,971

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

8. LEASE ASSETS

($ in 000's)	**Total**
Cost	
As at January 1, 2010	**129,303**
Additions	**47,130**
Disposals	**(56,121)**
As at December 31, 2010	**120,312**
Additions	**10,784**
Disposals	**(13,943)**
As at March 31, 2011	**117,153**
Accumulated Depreciation	
As at January 1, 2010	**(58,030)**
Depreciation for the year	**(48,583)**
Disposals	**55,127**
Exchange differences	**(204)**
As at December 31, 2010	**(51,690)**
Depreciation for the period	**(12,451)**
Disposals	**13,943**
Exchange differences	**(224)**
As at March 31, 2011	**(50,422)**
Net Book Value	
As at January 1, 2010	**71,273**
As at December 31, 2010	**68,622**
As at March 31, 2011	**66,731**

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

9. PROPERTY AND EQUIPMENT

($ in 000's)	**Furniture & Fixtures**	**Office Equipment**	**Auto**	**Signs**	**Leasehold Improve.**	**Total**
Cost						
As at January 1, 2010	8,336	7,949	528	4,547	11,819	33,179
Additions	1,990	1,839	277	695	2,642	7,443
Disposals	(851)	(221)	(336)	(155)	(1,172)	(2,735)
As at December 31, 2010	9,475	9,567	469	5,087	13,289	37,887
Additions	241	71	-	44	243	599
Disposals	(64)	(28)	(4)	(167)	(70)	(333)
As at March 31, 2011	**9,652**	**9,610**	**465**	**4,964**	**13,462**	**38,153**
Accumulated Depreciation and Provision for Impairment						
As at January 1, 2010	(4,501)	(5,410)	(161)	(2,842)	(7,930)	(20,844)
Depreciation for the year	(953)	(768)	(107)	(601)	(1,513)	(3,942)
Provision for impairment	(361)	(205)	-	(203)	(727)	(1,496)
Reversal of impairment	74	31	-	58	100	263
Disposals	348	241	73	57	446	1,165
Exchange differences	(20)	(20)	(1)	(11)	(28)	(80)
As at December 31, 2010	(5,413)	(6,131)	(196)	(3,542)	(9,652)	(24,934)
Depreciation for the period	(191)	(209)	(20)	(41)	(385)	(846)
Disposals	53	13	1	(4)	43	106
Exchange differences	(5)	(4)	(2)	(4)	(6)	(21)
As at March 31, 2011	**(5,556)**	**(6,331)**	**(217)**	**(3,591)**	**(10,000)**	**(25,695)**
Net Book Value						
As at January 1, 2010	3,835	2,539	367	1,705	3,889	12,335
As at December 31, 2010	4,062	3,436	273	1,545	3,637	12,953
As at March 31, 2011	**4,096**	**3,279**	**248**	**1,373**	**3,462**	**12,458**

The amount of property and equipment classified as under construction or development and not being amortized was $0.8 million as at March 31, 2011 (December 31, 2010 - $0.7 million, January 1, 2010 - $0.6 million).

Various impairment indicators were used to determine the need to test a CGU for an impairment loss. Examples of these indicators include significant declines in revenue, performance significantly below budget and expectation and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGUs value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three year operating budgets consistent with strategic plans presented to the Company's Board and a 3% long term growth rates consistent with industry practice. The forecasted cash flow was discounted using a 22% before tax discount rate. Where the carrying value of the CGUs assets exceeded the recoverable amounts, as represented by the CGU's value in use, the stores property and equipment assets were written down. It was concluded that due to the portability of leased assets held within the CGU and the cash flows generated by individual lease assets that no impairment write down of the lease assets was required. As such the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

As at January 1, 2010, the Company recognized an impairment charge against property and equipment of $2.6 million. This charge was applied against opening retained earnings.

For the three months ended March 31, 2010, the Company recorded an impairment charge of $552.

For the year ended December 31, 2010, the Company recorded an impairment charge of $1,496 offset by an impairment recovery of $264. The net impairment charge for 2010 was $1,232.

For the three months ended March 31, 2011, the Company did not record any impairment charges.

All impairment charges relate solely to the leasing segment.

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

10. INTANGIBLE ASSETS AND GOODWILL

($ in 000's)	**Trademark**	**Customer Lists**	**Software**	**Total**
Cost				
As at January 1, 2010	1,823	246	1,886	3,955
Additions	-	-	245	245
Disposals	-	-	(29)	(29)
As at December 31, 2010	1,823	246	2,102	4,171
Additions	-	-	20	20
As at March 31, 2011	**1,823**	**246**	**2,122**	**4,191**
Accumulated Amortization and Provision for Impairment				
As at January 1, 2010	(13)	(17)	(770)	(800)
Amortization for the period	-	(46)	(131)	(177)
Disposals	-	-	4	4
Exchange differences	(46)	(6)	(53)	(105)
As at December 31, 2010	(59)	(69)	(950)	(1,078)
Amortization for the period	-	(12)	(94)	(106)
Exchange differences	(30)	(5)	(34)	(69)
As at March 31, 2011	**(89)**	**(86)**	**(1,078)**	**(1,253)**
Net Book Value				
As at January 1, 2010	1,810	229	1,116	3,155
As at December 31, 2010	1,764	177	1,152	3,093
As at March 31, 2011	**1,734**	**160**	**1,044**	**2,938**

Goodwill was $17.3 million as at March 31, 2011, December 31, 2010 and January 1, 2010. There were no additions, disposal or impairment applied to goodwill during the three months ended March 31, 2011 or the year ended December 31, 2010. Goodwill is not amortized. Goodwill arose through acquisitions and was not internally generated.

Trademarks are considered indefinite life intangibles as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows. Trademarks were purchased and were not internally generated.

Software and customer lists are amortized over 5 years which is considered the estimated useful life of the asset. All software and customer lists were purchased.

For purposes of testing the indefinite life intangibles, the goodwill and trademarks are allocated to the appropriate group of CGUs to which they relate. In the case of goodwill, the carrying value was allocated to the Canadian leasing CGUs. In the case of trademarks, the carrying value was allocated to the U.S. leasing CGUs. Impairment testing is done annually and was performed as at January 1, 2010 and December 31, 2010. The impairment test consisted of comparing the carrying value of assets within the aforementioned grouping of CGUs to the recoverable amount of that grouping as measured by discounting the future cash expected to be so generated. The discounted cash flow model was based on actual operating results, detailed sales and cost forecasts and long term growth rates consistent with industry averages; all of which were consistent with the strategic plans presented to the Company's Board.

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

Based on the analysis performed by management, no impairment was required on goodwill or any intangible assets.

11. BANK REVOLVING CREDIT FACILITY AND TERM LOAN

Revolving credit facility

The Company's bank revolving credit facility relates to a revolving, renewable credit facility. During the three month period ended March 31, 2011, the Company's credit facility agreement limit was $30.0 million.

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Revolving credit facility	**25,336**	15,649	23,764

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 March 31, 2011, $1.7 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)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current portion of term loan	**1,729**	2,602	3,636
Long term portion of term loan	**-**	-	2,484
	1,729	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 revolving credit facility and term loan's maturity date has been extended to June 30, 2011.

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

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

	Three months ended	
($ in 000's)	**March 31, 2011**	**March 31, 2010**
Revolving credit facility	**228**	194
Term loan	**25**	51
Other	**44**	38
	297	283

The weighted average interest rate on the term loan for the period ended March 31, 2011 was 3.75% per annum (March 31, 2010 – 3.25% per annum).

Covenants and conditions for the revolving 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 March 31, 2011, the Company was in compliance with all of its financial covenants under its lending agreement.

As a result of the previously disclosed 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 20 for a discussion of the Company's capital risk management.

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

12. PROVISIONS

($ in 000's)	**Onerous leases due to impairment**	**Other onerous leases**	**Total**
As at January 1, 2010	632	196	828
Incurred during the period	274	48	322
Utilized during the period	(28)	(45)	(73)
Unused amounts reversed	(249)	-	(249)
As at December 31, 2010	629	199	828
Utilized during the period	(94)	(92)	(186)
As at March 31, 2011	**535**	**107**	**642**

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current	**245**	421	597
Non-current	**397**	407	231
	642	828	828

13. 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:

	Three months ended March 31, 2011		**Twelve months ended December 31, 2010**	
($ in 000's except number of shares in 000's)	**# of shares**	**$**	**# of shares**	**$**
Balance, beginning of period	**11,842**	**60,074**	**10,419**	**48,880**
Issued for cash for exercised options	**7**	**133**	**70**	**286**
Issued for cash on private placement of common shares, net of share issuance costs	**-**	**-**	**1,353**	**10,908**
Balance, end of period	**11,849**	**60,207**	**11,842**	**60,074**

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.

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 deferred tax asset of $0.2 million. The Company used the net proceeds from the financing to fund growth initiatives at its existing easyfinancial kiosks and for general corporate purposes, including debt repayment.

Dividends on common shares

The Company declared a dividend of $0.085 per share to shareholders of record on April 6, 2011, payable on April 13, 2011 (2010 - $0.085 per share to shareholders of record on March 31, 2010, payable on April 9, 2010). The dividend paid on April 13, 2011 was $1.0 million (2010 - $886).

14. 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.

The Company uses the fair value method of accounting for stock options granted to employees and directors. During the three months ended March 31, 2011, the Company granted nil options (2010 – nil). For the three months ended March 31, 2011, $65 (2009 - $83) was recorded as stock-based compensation expenses with respect to stock options in salaries and benefits expense in the consolidated statements of income and comprehensive income, with corresponding increases in contributed surplus.

Restricted share unit plan

During the three months ended March 31, 2011, the Company granted no RSUs (2010 – nil) to senior executives of the Company under its Restricted Share Unit Plan. For the three months ended March 31, 2011, $1 (2010 - $59) was recorded as a stock-based compensation expense under the Restricted Share Unit Plan in salaries and benefits expense in the consolidated statements of income and comprehensive income. Additionally, for the three months ended March 31, 2011, an additional 1,210 RSUs (2010 – 1,320) were granted for dividends as a result of dividends payable.

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

Performance share unit plan

During the three months ended March 31, 2011, the Company granted no PSUs (2010 – nil) to senior executives of the Company under its Performance Share Unit Plan. For the three months ended March 31, 2011, $128 (2010 – $nil) was recorded as stock-based compensation expense under the Performance Share Unit Plan in salaries and benefits expense in the consolidated statements of income and comprehensive income. Additionally, for the three months ended March 31, 2011, an additional 2,054 PSUs (2010 – nil) were granted as a result of dividends payable.

Deferred share unit plan

During the three months ended March 31, 2011, the Company granted 10,440 DSUs (2010 – 6,208) to Directors under its Deferred Share Unit Plan. For the three months ended March 31, 2011, $96 (2010 - $10) was recorded as stock-based compensation expense under the Deferred Share Unit Plan in salaries and benefits expense in the consolidated statements of income and comprehensive income. Additionally, for the three months ended March 31, 2011, an additional 720 DSUs (2010 – 575) were granted as a result of dividends payable.

15. INCOME TAXES

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

	Three months ended March 31	
($ in 000's)	**2011**	**2010**
Combined basic federal and provincial income tax rates	**28.0%**	29.8%
Expected income tax expense	**991**	977
Impact of tax rate changes on deferred tax assets	**65**	184
Non-deductible expense	**52**	59
U.S. losses not tax benefitted	**44**	82
Other	**11**	(39)
	1,163	1,263

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

The significant components of the Company's income tax expense are:

	Three months ended March 31	
($ in 000's)	**2011**	**2010**
Current income tax:		
Current income tax charge	**332**	792
Adjustment in respect of current income tax of previous years	**-**	-
Deferred tax:		
Relating to origination and reversal of temporary differences	**831**	471
	1,163	1,263

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

($ in 000's)	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
Loss carryforwards	**1,119**	2,473	1,065
Tax cost of lease assets and property and equipment in excess of net book value	**4,111**	3,438	5,535
Amounts receivable and provisions	**658**	772	341
Lease inducements	**643**	650	575
Unearned revenue	**237**	250	246
Financing fees	**155**	166	-
Other	**291**	298	372
	7,214	8,047	8,134

The deferred tax asset credited directly to equity relating to financing fees for the three months ended March 31, 2011 was $11 (2010 - $nil).

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

The Company, its subsidiaries and its SPEs 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	3,950	1,119	2029
U.S. Operations			
Year ended December 31, 2007	511	203	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
	3,337	1,331	
Special Purpose Entities			
Year ended December 31, 2010	639	255	2029
	7,926	2,705	

As at March 31, 2011, the benefit of the U.S. tax loss carryforwards in the amount of $1.6 million and the U.S. deferred tax asset resulting from differences between the financial reporting and tax bases of assets and liabilities have not been recognized 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. If the Company were to recognize all unrecognized deferred tax assets at March 31, 2011, profits would increase by $2.9 million (December 31, 2010 - $2.9 million, January 1, 2010 - $2.5 million).

As March 31, 2011, there was no recognized deferred tax liability (December 31, 2010 - $nil, January 1, 2010 - $nil) for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed income of its subsidiaries would not be distributed in the foreseeable future.

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

16. EARNINGS PER SHARE

Basic earnings per share

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

($ in 000's except number of shares and earnings per share)	**Three months ended March 31**	
	2011	**2010**
Net income for the period	**2,382**	1,995
Weighted average number of ordinary shares outstanding	**11,849**	10,419
Basic earnings per ordinary share	**0.20**	0.19

Diluted earnings per share

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

($ in 000's except number of shares and earnings per share)	**Three months ended March 31**	
	2011	**2010**
Net income for the period	**2,382**	1,995
Weighted average number of ordinary shares outstanding	**11,849**	10,419
Dilutive effect of stock options	**13**	50
Weighted average number of diluted shares outstanding	**11,862**	10,469
Dilutive earnings per ordinary share	**0.20**	0.19

The dilutive effect of share options reflects 69,906 options for the period ended March 31, 2011 (2010 – 73,247). For the period ended March 31, 2011, stock options to acquire 629,432 common shares (2010 – 590,096 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.

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

17. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

The net change in non-cash operating items is as follows:

($ in 000's)	**Three months ended March 31 2011**	**Three months ended March 31 2010**
Amounts receivable	**87**	752
Prepaid expenses	**318**	51
Accounts payable and accrued liabilities	**(5,619)**	(1,361)
Income taxes payable	**(106)**	314
Deferred lease inducement	**(14)**	(46)
Unearned revenue	**(1,115)**	(380)
Provisions	**(186)**	(26)
	(6,635)	(696)

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

($ in 000's)	**Three months ended March 31 2011**	**Three months ended March 31 2010**
Income taxes paid	**439**	516
Interest paid	**297**	283
Interest received	**2,843**	879

18. 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)	**Within 1 year**	**After 1 year but not more than 5 years**	**More than 5 years**
Premises	**17,089**	44,755	6,365
Other operating lease obligations	**90**	1,035	-
Total contractual obligations	**17,179**	45,790	6,365

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.

19. 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 was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010 and claimed total damages of $15.0 million (including punitive damages of $5.0 million). On April 8, 2011, the same plaintiff commenced a second action against certain current and former directors of the Company. The allegations made in this second action are the same as those in the first action. In particular, the plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. The first action and the second action are expected to be consolidated by the court into a single action.

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.

20. 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.

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

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

	Requirement	March 31, 2011	December 31, 2010	March 31, 2010	January 1, 2010
Funded debt to EBITDA ratio	<2.5	**1.20**	0.89	1.76	1.77
Fixed coverage ratio	>1.0	**1.40**	1.21	1.07	1.11
Total capital expenditures excluding lease assets	<$9 million	**$0.6 million**	$5.3 million	$1.4 million	$5.1 million

For the three months ended March 31, 2011, the Company was in compliance with all of its externally imposed financial covenants.

21. 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.

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 period ended March 31, 2011 represented 2.9% (March 31, 2010 – 4.2%) of total revenue for the leasing segment.

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 franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts where determined to be appropriate.

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

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. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivables as low, as its customers are located in several jurisdictions and operate independently. As at March 31, 2011, the Company's net loan portfolio was $28.3 million (December 31, 2010 – $19.8 million, January 1, 2010 – $8.1 million).

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)	
2011	**1,729**
Thereafter	**-**
	1,729

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 March 31, 2011, this rate was 3.75% per annum (March 31, 2010 – 3.0% 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 March 31, 2011, all of the Company's $27.1 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 $56.

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, SPE and franchised locations in the U.S.

The earnings of the Company's U.S. subsidiary and SPEs are translated into Canadian dollars each period. A 5% movement in the Canadian U.S. dollar exchange rate would have increased or decreased other comprehensive income by approximately $588.

22. RELATED PARTY TRANSACTIONS

The Company, through its wholly-owned subsidiary easyhome U.S. Ltd., signed a License/Master Franchise Agreement [the “License Agreement”] with an entity controlled by Walter “Bud” Gates [“easygates LLC”] on March 2, 2007. Mr. Gates was elected to the Company’s Board of Directors in April 2010. 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, easygates LLC and easyhome will split both the initial franchise fee and the ongoing royalty fees. As at March 31, 2011, 26 franchise locations were opened and operated under the License Agreement.

23. SEGMENTED REPORTING

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

- Leasing
- easyfinancial
- Franchising

Prior to March 31, 2011, the Company’s reportable business segments were Canadian leasing, U.S. leasing and easyfinancial. Following a review of the reporting segments that resulted from the previously announced restructuring and the Company’s corresponding growth strategy, the reportable segments were adjusted to reflect the Company’s organizational structure and the degree of segregation of business units upon which operating decisions are made. 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 are reported separately. Management assesses the performance based on pre tax operating income.

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

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

Three months ended March 31, 2011 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue					
Lease revenue	41,275	4,552	376	-	46,203
Total operating expenses before depreciation and amortization and unusual items	21,131	3,550	81	4,196	28,958
Restructuring charges	-	-	-	-	-
Depreciation and amortization	13,192	77	23	111	13,403
Segment operating income (loss)	6,952	925	272	(4,307)	3,842
Interest expense					297
Income before taxes					3,545

Three months ended March 31, 2010 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue					
Lease revenue	41,298	1,512	228	-	43,038
Total operating expenses before depreciation and amortization and unusual items	20,445	1,363	114	2,969	24,891
Restructuring charges	-	-	-	313	313
Depreciation and amortization	14,181	30	1	81	14,293
Segment operating income (loss)	6,672	119	113	(3,363)	3,541
Interest expense					283
Income before taxes					3,258

The Company's goodwill of $17.3 million (March 31, 2010 - $17.3 million) is related entirely to its Canadian leasing segment.

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

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 periods ended March 31, 2011 and March 31, 2010 are as follows:

	Three months ended March 31	
(percentage)	**2011**	**2010**
Furniture	**35.5%**	36.4%
Electronics	**34.8%**	34.9%
Computer	**18.2%**	17.0%
Appliances	**11.5%**	11.7%
	100.0%	100.0%

The Company operates across Canada and in certain U.S. states. During the three months ended March 31, 2011 93% or $42.9 million of revenue was generated in Canada and 7% or $3.3 million of revenue was generated in the U.S. (March 31, 2010 - 95% or $40.4 million of revenue was generated in Canada and 5% or $2.3 million of revenue was generated in the U.S). Additionally, as at March 31, 2011, $130.4 million of the Company's assets were located in Canada and $12.4 million were located in the U.S. (2010 - $119.7 million in Canada and $8.5 million in the U.S.)

24. IFRS FIRST TIME ADOPTION

IFRS standards exemptions applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to the retrospective application of its opening statement of financial position dated January 1, 2010:

i) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* ["IFRS 3"] retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

ii) Cumulative translation differences

IFRS 1 allows a first-time adopter to not comply with 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. The Company has chosen to apply this election. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

iii) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment* [“IFRS 2”] to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with CGAAP.

IFRS Financial statements reconciled to CGAAP

For all periods up to and including the year ended December 31, 2010, the Company prepared its consolidated financial statements in accordance with CGAAP. These consolidated financial statements, for the quarter ended March 31, 2011, are the first the Company has prepared in accordance with IFRS.

Accordingly, the Company has prepared interim consolidated financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2010 as described in the accounting policies. In preparing these consolidated financial statements, the Company’s opening statement of financial position was prepared as at January 1, 2010, the Company’s date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous CGAAP statement of financial position as at January 1, 2010, CGAAP financial statements for the year ended December 31, 2010 and CGAAP financial statements for the interim period ended March 31, 2010 for comparative purposes.

The transition from CGAAP to IFRS has not had a material impact on the statement of cash flows with the exception of the classification of the purchase of lease assets. The Company previously classified its purchase of lease assets as operating activities in the statements of cash flows. Under IFRS, as the intent is to lease these assets and dispose of them at the end of its economic life, the Company have classified these amounts as investing activities, in the amount of $10,560 (March 31, 2010 - $9,982)

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

The CGAAP balance sheet at January 1, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
ASSETS				
Current assets				
Cash		291	-	291
Amounts receivable		5,284	-	5,284
Income taxes recoverable		2,987	-	2,987
Consumer loans receivable		7,421	-	7,421
Prepaid expenses	Note 1	1,592	(446)	1,146
Total current assets		17,575	(446)	17,129
Consumer loans receivable		1,520	-	1,520
Lease assets	Note 2	75,398	(4,125)	71,273
Property and equipment	Note 3	15,637	(3,302)	12,335
Deferred tax assets	Note 4	5,603	2,531	8,134
Intangible assets	Note 5	3,183	(28)	3,155
Goodwill		17,325	-	17,325
TOTAL ASSETS		136,241	(5,370)	130,871
LIABILITIES AND EQUITY				
Current liabilities				
Bank revolving credit facility		23,764	-	23,764
Accounts payable and accrued liabilities	Note 6	13,527	(196)	13,331
Dividends payable		884	-	884
Deferred lease inducements		579	-	579
Unearned revenue	Note 7	3,936	882	4,818
Term loan		3,636	-	3,636
Provisions	Note 8	-	597	597
Total current liabilities		46,326	1,283	47,609
Deferred lease inducements		1,724	-	1,724
Term loan		2,484	-	2,484
Provisions	Note 8	-	231	231
Total liabilities		50,534	1,514	52,048
Equity				
Share capital		48,880	-	48,880
Contributed surplus	Note 9	2,996	146	3,142
Retained earnings	Note 10	33,831	(7,030)	26,801
Total equity		85,707	(6,884)	78,823
TOTAL LIABILITIES AND EQUITY		136,241	(5,370)	130,871

Notes:

1. Adjustment of ($446) relates to IFRS Adjustment G (Advertising and Promotional Expenditures)
2. Adjustment of ($4,125) consists of two components: i) an adjustment of ($4,082) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($43) relates to IFRS Adjustment I (Functional Currency)
3. Adjustment of ($3,302) consists of three components: i) an adjustment of ($448) relates to IFRS Adjustment A (Depreciation of Property and Equipment); ii) an adjustment of ($2,840) relates to IFRS Adjustment B (Impairment of Assets); and iii) an adjustment of ($14) relates to IFRS Adjustment I (Functional Currency)
4. Adjustment of $2,531 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments)
5. Adjustment of ($28) relates to IFRS Adjustment I (Functional Currency)
6. Adjustment of ($196) relates to IFRS Adjustment H (Onerous Leases)
7. Adjustment of $882 relates to IFRS Adjustment C (Processing Fees)
8. Adjustment of $828 relates to IFRS Adjustment H (Onerous Leases). The current portion of this adjustment was $597 while the non-current portion was $231.
9. Adjustment of $146 relates to IFRS Adjustment F (Share-based Payments)
10. Adjustment of ($7,030) is the collective impact on retained earnings of all opening IFRS balance sheet adjustments.

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

The CGAAP statement of income for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
REVENUE				
Lease revenue	Note 1	40,684	23	40,707
Interest income		879	-	879
Other	Note 2	2,786	(1,334)	1,452
		44,349	(1,311)	43,038
EXPENSES				
Salaries and benefits	Note 3	12,957	(20)	12,937
Advertising and promotion	Note 4	1,349	(202)	1,147
Bad debts		414	-	414
Occupancy	Note 5	6,087	(26)	6,061
Distribution and travel		1,655	-	1,655
Other	Note 6	3,209	(532)	2,677
Restructuring charges		313	-	313
		25,984	(780)	25,204
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	Note 7	13,499	(824)	12,675
Depreciation of property and equipment	Note 8	1,049	(77)	972
Amortization of intangible assets	Note 9	82	12	94
Impairment (net)	Note 10	-	552	552
		14,630	(337)	14,293
Operating income		3,735	(194)	3,541
Interest expense		283	-	283
Income before income taxes		3,452	(194)	3,258
Income tax expense				
Current		792	-	792
Deferred	Note 11	483	(12)	471
		1,275	(12)	1,263
Net income		2,177	(182)	1,995
Basic earnings per share		0.20	(0.01)	0.19
Diluted earnings per share		0.20	(0.01)	0.19

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

Notes:

1. Adjustment of $23 relates to IFRS Adjustment C (Processing Fees)
2. Adjustment of ($1,334) consists of two components: i) an adjustment of ($806) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($528) relates to IFRS Adjustment D (Customer Protection Programs)
3. Adjustment of ($20) relates to IFRS Adjustment F (Share-based Payments)
4. Adjustment of ($202) relates to IFRS Adjustment G (Advertising and Promotional Expenditures)
5. Adjustment of ($26) relates to IFRS Adjustment H (Onerous Leases)
6. Adjustment of ($532) consists of two components: i) an adjustment of ($528) relates to IFRS Adjustment D (Customer Protection Programs); and ii) an adjustment of ($4) relates to IFRS Adjustment I (Functional Currency)
7. Adjustment of ($829) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates)
8. Adjustment of ($77) consists of two components: i) an adjustment of $151 relates to IFRS Adjustment A (Depreciation of Property & Equipment); and ii) an adjustment of ($228) relates to IFRS Adjustment B (Impairment of Assets)
9. Adjustment of $12 relates to IFRS Adjustment A (Depreciation of Property and Equipment)
10. Adjustment of $552 relates to IFRS Adjustment B (Impairment of Assets)
11. Adjustment of ($12) relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments)

The CGAAP statement of comprehensive income for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
Net income		2,177	(182)	1,995
Other comprehensive income				
Foreign currency translation reserve	Note 1	-	(259)	(259)
Comprehensive income, net of tax		2,177	(441)	1,736

Notes:

1. Adjustment of ($259) relates to IFRS Adjustment I (Functional Currency)

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

The CGAAP balance sheet at March 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
ASSETS				
Current assets				
Cash		161	-	161
Amounts receivable		4,109	-	4,109
Income taxes recoverable		2,672	-	2,672
Consumer loans receivable		9,325	-	9,325
Prepaid expenses	Note 1	1,339	(244)	1,095
Total current assets		17,606	(244)	17,362
Amounts receivable		423	-	423
Consumer loans receivable		1,897	-	1,897
Lease assets	Note 2	72,682	(4,240)	68,442
Property and equipment	Note 3	15,851	(3,830)	12,021
Deferred tax assets	Note 4	5,119	2,543	7,662
Intangible assets	Note 5	3,202	(107)	3,095
Goodwill		17,325	-	17,325
TOTAL ASSETS		134,105	(5,878)	128,227
LIABILITIES AND EQUITY				
Current liabilities				
Bank revolving credit facility		22,807	-	22,807
Accounts payable and accrued liabilities	Note 6	12,162	(163)	11,999
Dividends payable		886	-	886
Deferred lease inducements		578	-	578
Unearned revenue	Note 7	3,581	859	4,440
Term loan		3,600	-	3,600
Provisions	Note 8	-	539	539
Total current liabilities		43,614	1,235	44,849
Deferred lease inducements		1,679	-	1,679
Term loan		1,643	-	1,643
Provisions	Note 8	-	231	231
Total liabilities		46,936	1,466	48,402
Equity				
Share capital		48,880	-	48,880
Contributed surplus	Note 9	3,168	126	3,294
Other comprehensive income	Note 10	-	(259)	(259)
Retained earnings	Note 11	35,121	(7,211)	27,910
Total equity		87,169	(7,344)	79,825
TOTAL LIABILITIES AND EQUITY		134,105	(5,878)	128,227

Notes:

1. Adjustment of ($244) relates to IFRS Adjustment G (Advertising and Promotional Expenditures)
2. Adjustment of ($4,240) consists of two components: i) an adjustment of ($4,063) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($177) relates to IFRS Adjustment I (Functional Currency)
3. Adjustment of ($3,830) consists of three components: i) an adjustment of ($599) relates to IFRS Adjustment A (Depreciation of Property and Equipment); ii) an adjustment of ($3,163) relates to IFRS Adjustment B (Impairment of Assets); and iii) an adjustment of ($68) relates to IFRS Adjustment I (Functional Currency)
4. Adjustment of $2,543 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments)
5. Adjustment of ($107) consists of two components: i) an adjustment of ($12) relates to IFRS Adjustment A (Depreciation of Property and Equipment); and ii) an adjustment of ($95) relates to IFRS Adjustment I (Functional Currency)
6. Adjustment of ($163) relates to IFRS Adjustment H (Onerous Leases)
7. Adjustment of $859 relates to IFRS Adjustment C (Processing Fees)
8. Adjustment of $770 relates to IFRS Adjustment H (Onerous Leases). The current portion is $539 while the non-current portion is $231.
9. Adjustment of $126 relates to IFRS Adjustment F (Share-based Payments)
10. Adjustment of ($259) relates to IFRS Adjustment I (Functional Currency)
11. Adjustment of ($7,210) consists of multiple components including: i) ($7,028) impact of transition date balance sheet IFRS adjustment; ii) ($182) impact of IFRS adjustments on period net income

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

The CGAAP statement of income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
REVENUE				
Lease revenue	Note 1	159,707	(61)	159,646
Interest income		6,603	-	6,603
Other	Note 2	14,479	(6,544)	7,935
		180,789	(6,605)	174,184
EXPENSES				
Salaries and benefits	Note 3	53,746	(117)	53,629
Advertising and promotion	Note 4	5,444	118	5,562
Bad debts		3,984	-	3,984
Occupancy	Note 5	25,094	1	25,095
Distribution and travel		7,132	-	7,132
Other	Note 6	14,702	(2,868)	11,834
Restructuring charges		3,069	-	3,069
		113,171	(2,866)	110,305
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	Note 7	52,049	(3,453)	48,596
Depreciation of property and equipment	Note 8	4,789	(828)	3,961
Amortization of intangible assets	Note 9	334	46	380
Impairment (net)	Note 10	-	1,232	1,232
		57,172	(3,003)	54,169
Operating income		10,446	(736)	9,710
Interest expense		1,238	-	1,238
Income before income taxes		9,208	(736)	8,472
Income tax expense				
Current		2,105	-	2,105
Deferred	Note 11	231	64	295
		2,336	64	2,400
Net income		6,871	(800)	6,072
Basic earnings per share		0.65	(0.07)	0.58
Diluted earnings per share		0.65	(0.07)	0.58

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

Notes:

1. Adjustment of ($61) relates to IFRS Adjustment C (Processing Fees)
2. Adjustment of ($6,544) consists of two components: i) an adjustment of ($3,560) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($2,984) relates to IFRS Adjustment D (Customer Protection Programs)
3. Adjustment of ($117) relates to IFRS Adjustment F (Share-based Payments)
4. Adjustment of $118 relates to IFRS Adjustment G (Advertising and Promotional Expenditures)
5. Adjustment of $1 relates to IFRS Adjustment H (Onerous Leases)
6. Adjustment of ($2,868) consists of two components: i) an adjustment of ($2,983) relates to IFRS Adjustment D (Customer Protection Programs); and ii) an adjustment of $115 relates to IFRS Adjustment I (Functional Currency)
7. Adjustment of ($3,453) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates)
8. Adjustment of ($828) consists of two components: i) an adjustment of ($7) relates to IFRS Adjustment A (Depreciation of Property and Equipment); and ii) and adjustment of ($821) relates to IFRS Adjustment B (Impairment of Assets)
9. Adjustment of $46 relates to IFRS Adjustment A (Depreciation of Property and Equipment)
10. Adjustment of $1,232 relates to IFRS Adjustment B (Impairment of Assets)
11. Adjustment of $64 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments)

The CGAAP statement of comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
Net income		6,871	(799)	6,072
Other comprehensive income				
Foreign currency translation reserve	Note 1	-	(257)	(257)
Comprehensive income, net of tax		6,871	(1,056)	5,815

Notes:

1. Adjustment of ($257) relates to IFRS Adjustment I (Functional Currency)

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

The CGAAP balance sheet at December 31, 2010 has been reconciled to IFRS as follows:

($ in 000's)		**CGAAP**	**IFRS adjustments**	**IFRS**
ASSETS				
Current assets				
Cash		731	-	731
Amounts receivable		4,809	-	4,809
Consumer loans receivable		18,162	-	18,162
Prepaid expenses	Note 1	1,861	(565)	1,296
Total current assets		25,563	(565)	24,998
Amounts receivable		1,062	-	1,062
Consumer loans receivable		3,667	-	3,667
Lease assets	Note 2	73,046	(4,424)	68,622
Property and equipment	Note 3	16,737	(3,784)	12,953
Deferred tax assets	Note 4	5,580	2,467	8,047
Intangible assets	Note 5	3,272	(179)	3,093
Goodwill		17,325	-	17,325
TOTAL ASSETS		146,252	(6,485)	139,767
LIABILITIES AND EQUITY				
Current liabilities				
Bank revolving credit facility		15,649	-	15,649
Accounts payable and accrued liabilities	Note 6	19,521	(198)	19,322
Income taxes payable		65	-	65
Dividends payable		892	-	892
Deferred lease inducements		578	-	578
Unearned revenue	Note 7	4,366	943	5,310
Term loan		2,602	-	2,602
Provisions	Note 8	-	421	421
Total current liabilities		43,673	1,166	44,839
Accounts payable and accrued liabilities		450	-	450
Deferred lease inducements		1,881	-	1,881
Provisions	Note 8	-	407	407
Total liabilities		46,004	1,573	47,577
Equity				
Share capital		60,074	-	60,074
Contributed surplus	Note 9	3,034	27	3,061
Other comprehensive income	Note 10	-	(257)	(257)
Retained earnings	Note 11	37,140	(7,828)	29,312
Total equity		100,248	(8,057)	92,190
TOTAL LIABILITIES AND EQUITY		146,252	(6,485)	139,767

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

Notes

1. Adjustment of ($565) relates solely to IFRS Adjustment G (Advertising and Promotional Expenditures)
2. Adjustment of ($4,424) consists of two components: i) an adjustment of ($4,177) relates to IFRS Adjustment E (Vendor Incentives, Allowances and Rebates); and ii) an adjustment of ($247) relates to IFRS Adjustment I (Functional Currency)
3. Adjustment of ($3,784) consists of three components: i) an adjustment of ($439) relates to IFRS Adjustment A (Depreciation of Property and Equipment); ii) an adjustment of ($3,251) relates to IFRS Adjustment B (Impairment of Assets); and iii) and adjustment of ($94) relates to IFRS Adjustment I (Functional Currency)
4. Adjustment of $2,467 relates to IFRS Adjustment J (Tax Effect of IFRS Adjustments)
5. Adjustment of ($179) consists of two components: i) an adjustment of ($46) relates to IFRS Adjustment A (Depreciation of Property and Equipment); and ii) an adjustment of ($133) relates to IFRS Adjustment I (Functional Currency)
6. Adjustment of ($198) relates to IFRS Adjustment H (Onerous Leases)
7. Adjustment of $943 relates to IFRS Adjustment C (Processing Fees)
8. Adjustment of $828 relates to IFRS Adjustment H (Onerous Leases). The current portion of this adjustment is $421 while the non-current portion is $407.
9. Adjustment of $27 relates to IFRS Adjustment F (Share-based Payments)
10. Adjustment of ($257) relates to IFRS Adjustment I (Functional Currency)
11. Adjustment of ($7,828) consists of multiple components including: i) ($7,029) impact of transition date balance sheet IFRS adjustment; ii) ($799) impact of IFRS adjustments on period net income

Notes to the reconciliations:

The description of the CGAAP to IFRS reconciling items are presented on a pre-tax basis. The deferred income tax effect of the combined adjustments is amalgamated and presented separately.

A. Depreciation of Property and Equipment and Amortization of Intangible Assets

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

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

In addition, IFRS explicitly requires that the residual value and useful life on an asset be reviewed at least annually. Under CGAAP, 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

The Company also adjusted the useful life of all of its software to 5 years.

As a result of these changes, the net book value of property and equipment was written down by $448 as at January 1, 2010.

For the three months ending March 31, 2010, depreciation was reduced by $163 while operating income was increased by the same amount.

For the year ended December 31, 2010, depreciation of property and equipment was reduced by $7 while operating income increased by the same amount and amortization of intangible assets increased by $46 with operating income decreasing by the same amount.

B. Impairment of Assets

CGAAP 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. IFRS also requires that assets be tested for impairment at the level of 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. CGAAP 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 of these differences, IFRS resulted in a higher level of impairment charge than would be otherwise required under CGAAP.

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. CGAAP prohibits reversal of impairment losses.

Various impairment indicators were used to determine the need to test a CGU for an impairment loss. Examples of these indicators include significant declines in revenue, performance significantly below budget and expectation and negative CGU operating income. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGUs value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three year operating budgets consistent with strategic plans presented to the Company's Board and a 3% long term growth rates consistent with industry practice. The forecasted cash flow was discounted using a 22% before tax discount rate. Where the carrying value of the CGUs assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that due to the portability of leased assets held within the CGU and the cash flows generated by individual lease assets that no impairment write down of the lease assets was required. As such the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

As at January 1, 2010, an impairment charge of $2,840 was recognized. This charge reduced property and equipment as well as retained earnings as at the IFRS transition date.
During the three month period ended March 31, 2010, an additional impairment expense of $552 was recognized. Depreciation expense was reduced by $229 because of the write down of assets at January 1, 2010. The net impact was a reduction to operating income of $323.

During the year ended December 31, 2010 an additional net impairment expense of $1,232 was recognized. Depreciation expense was reduced by $821 because of the write down of assets at January 1, 2010. The net impact was a reduction to operating income of $411.

C. Processing Fees

Both CGAAP and IFRS require that Lease income from operating leases shall be recognised in income on a straight line basis over the lease term. Because leases are cancellable (the lease term ranges from one week to one month in length), under CGAAP processing fees were recognized over the lease term. Under IFRS, the Company has changed its policy to amortize processing fees over the estimated life of the customer arrangement.

The impact as at January 1, 2010, increased unearned revenue and decreased retained earnings by $882.

During the three month period ended March 31, 2010, revenue and operating income were increased by $24.

During the year ended December 31, 2010, revenue and operating income were reduced by $61.

D. Customer Protection Programs

The Company offers various customer protection programs for customers of its leasing and financial services businesses, 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 are recognized on a net basis, while they were recognized under CGAAP on a gross basis.

There was no impact on the opening IFRS balance sheet for this change.

The impact of this change was to reduce both revenue and expenses by $528 and $2,983 during the three months ended March 31, 2010 and the year ended December 31 2010, respectively. The net impact on operating income for those periods was nil.

E. Vendor Incentives, Allowances and Rebates

Under CGAAP, there are two criteria that allow advertising revenue to be recognized when cash consideration is received, from a vendor, to support advertising for a vendor products. This criterion was met when the identified benefit was sufficiently separable from the customer's purchase of the vendor's products such that the customer would have entered into an exchange transaction with a party other than the vendor in order to provide that benefit, and the customer could reasonably estimate the fair value of the benefit provided. IFRS does not contain similar provisions and, therefore, advertising support for vendors is recognized as a reduction of lease assets.

The impact as at January 1, 2010, reduced leased assets and retained earnings by $4,082.

For the three months ended March 31, 2010, revenue reduced by $806 while amortization reduced by $824 due to decreases in the carrying value of the assets as at January 1, 2010 and assets purchased during the period . The net impact increased operating income by $18.

For the year ended December 31, 2010, revenue reduced by $3,560 while depreciation reduced by $3,465 due to decrease the carrying value of the assets as at January 1, 2010 and assets purchased during the period. The net impact reduced operating income by $95.

F. Share-based Payments

Under IFRS, each instalment of share-based awards that vest in instalments shall be treated as a separate award with a different fair value while CGAAP 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 CGAAP, the Company recognizes forfeitures as they occur.

The impact of the aforementioned differences on the opening IFRS balance sheet was an increase of contributed surplus of $146 with an offsetting decrease to retained earnings.

For the three months ended March 31, 2010, expenses were reduced by $20 with a corresponding increase in operating income.

For the year ended December 31, 2010, expenses were reduced by $118 with a corresponding increase in operating income.

G. 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. Under CGAAP certain of these expenses were deferred over the period of intended use. For certain expenditures including advertising creative and related production costs, IFRS requires that they be expensed as incurred.

As at January 1, 2010, both prepaid expenses and retained earnings decreased by $446.

For the three months ended March 31, 2010, expenses decreased by $202 and operating income increased by the same amount.

For the year ended December 31, 2010, expenses increased by $118 and operating income decreased by the same amount.

H. Onerous Leases

Both CGAAP and IFRS require that a provision for an onerous contract be made when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The Company has some leases normally related to closed or vacated stores which meet the definition of onerous leases under both CGAAP and IFRS. However, under IFRS, an onerous lease provision shall also be calculated for stores that are deemed impaired. In addition, under IFRS, provisions must be presented separately on the face of the statement of financial position.
The impact as at January 1, 2010 was an increase in provisions and a decrease in retained earnings of $632 and a reclassification from accounts payable and accrued liabilities to provisions of $196.

During the three month period ended March 31, 2010, occupancy costs decreased and operating income increased by $26 and a reclassification from accounts payable and accrued liabilities to provisions of $164 was made.

During the year ended December 31, 2010, occupancy costs decreased and operating income increased by $3 and a reclassification from accounts payable and accrued liabilities to provisions of $198 was made.

I. Functional Currency

Under CGAAP, the Company's U.S. operations were defined as integrated operations which meant that the Canadian dollar was the functional currency. Under IFRS, the functional currency of U.S. is determined as US dollar. There was no change in the functional currency of other entities in the Company.

The following factors were considered in determining the functional currency of the US operations 1) The currency that mainly influences sales prices for goods and services; 2) The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; 3) The currency that mainly influences labour, material and other costs of providing goods or services. Based on these factors, it is obvious that the functional currency under IFRS is US dollar for US operations

CGAAP does not have a hierarchy of indicators under which certain indicators are given priority. The following factors which supported the US operations employing the US dollar as the functional currency were considered with equal prominence under CGAAP but are secondary under IFRS: i) the currency in which funds from financing activities are generated; and ii) the currency in which receipts from operating activities are usually retained. Since the US operations were fully funded by the Parent Company in Canadian dollars, the functional currency of the US operations was determined as the Canadian dollar under CGAAP

Under CGAAP, 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 was recognized in the net income. Under IFRS all assets and liabilities of U.S. operations are translated to the presentation currency of the parent company's consolidated financial statement at the foreign exchange rate prevailing at the balance sheet date, the resulting translation gain or loss are recognized in other comprehensive income.

As at January 1, 2010, the impact was a reduction of assets of $84 and a corresponding reduction of retained earnings.

For the three months ended March 31, 2010, expenses decreased and operating income increased by $4. The exchange loss on translation of US operations resulted in recognition of foreign exchange translation reserve of $(259) in other comprehensive income.

For the year ended December 31, 2010, expenses increased by $118, amortization increased by $14 and operating income decreased by $132. Foreign exchange translation reserve of $(257) was recognised in other comprehensive income.

J. Tax Effect of IFRS Adjustments

The change from CGAAP to IFRS did not significantly impact the way in which the Company accounts for taxes. However, the various CGAAP to IFRS adjustments outlined above do impact deferred taxes. These impacts are presented in amalgam.

As at January 1, 2010, the impact was an increase in deferred tax assets and retained earnings of $2,531.

For the three months ended March 31, 2010, deferred tax expense decreased by $12.

For the year ended December 31, 2010, deferred tax expense increased by $64.