Interim Condensed Consolidated Financial Statements

easyhome Ltd.

(Unaudited)
September 30, 2012

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As at September 30, 2012	As at December 31, 2011
ASSETS		
Current assets		
Cash	**1,041**	1,019
Amounts receivable	**3,726**	5,893
Income taxes recoverable	**-**	600
Consumer loans receivable (note 4)	**35,548**	32,619
Prepaid expenses	**1,159**	1,316
Total current assets	**41,474**	41,447
Amounts receivable	**805**	1,365
Consumer loans receivable (note 4)	**20,560**	12,319
Lease assets	**63,681**	66,996
Property and equipment (note 5)	**13,268**	12,612
Deferred tax assets (note 10)	**5,578**	2,933
Intangible assets	**5,475**	4,126
Goodwill	**17,325**	17,325
TOTAL ASSETS	**168,166**	159,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank revolving credit facility (note 6)	**32,212**	33,123
Accounts payable and accrued liabilities	**19,484**	19,504
Income taxes payable	**6,483**	-
Dividends payable (note 7)	**1,012**	1,007
Deferred lease inducement	**541**	598
Unearned revenue	**3,910**	4,562
Provisions (note 9)	**325**	24
Total current liabilities	**63,967**	58,818
Accounts payable and accrued liabilities	**552**	727
Deferred lease inducements	**1,682**	1,959
Provisions (note 9)	**246**	77
Total liabilities	**66,447**	61,581
Contingencies (note 13)		
Shareholders' equity		
Share capital (note 7)	**60,667**	60,207
Contributed surplus	**3,014**	3,171
Accumulated other comprehensive loss	**(441)**	(52)
Retained earnings	**38,479**	34,216
Total shareholders' equity	**101,719**	97,542
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**168,166**	159,123

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
REVENUE				
Lease revenue	**38,014**	39,040	**116,925**	119,198
Interest income	**6,503**	4,369	**17,533**	10,681
Other	**4,772**	3,157	**13,521**	9,154
	49,289	46,566	**147,979**	139,033
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits (note 8)	**16,378**	15,304	**48,403**	45,129
Advertising and promotion	**1,702**	1,748	**5,858**	5,214
Bad debts	**2,434**	1,729	**6,760**	4,243
Occupancy	**6,320**	6,145	**19,367**	18,819
Distribution and travel	**1,821**	1,993	**5,535**	5,932
Other	**3,376**	3,904	**10,055**	10,492
Restructuring and other items (note 9)	**-**	-	**436**	-
	32,031	30,823	**96,414**	89,829
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**11,847**	11,563	**36,045**	35,375
Depreciation of property and equipment	**1,007**	914	**2,978**	2,538
Amortization of intangible assets	**119**	120	**348**	397
Impairment (net) (note 5)	**(7)**	(202)	**275**	(173)
	12,966	12,395	**39,646**	38,137
Total operating expenses	**44,997**	43,218	**136,060**	127,966
Operating income	**4,292**	3,348	**11,919**	11,067
Interest expense	**481**	423	**1,428**	1,056
Income before income taxes	**3,811**	2,925	**10,491**	10,011
Income tax expense (recovery) (note 10)				
Current	**1,394**	611	**5,845**	162
Deferred	**(221)**	414	**(2,645)**	2,853
	1,173	1,025	**3,200**	3,015
Net income	**2,638**	1,900	**7,291**	6,996
Basic earnings per share (note 11)	**0.22**	0.16	**0.61**	0.59
Diluted earnings per share (note 11)	**0.22**	0.16	**0.61**	0.59

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Net income	**2,638**	1,900	**7,291**	6,996
Other comprehensive income (loss)				
Change in foreign currency translation reserve	**(384)**	920	**(389)**	573
Comprehensive income	**2,254**	2,820	**6,902**	7,569

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
OPERATING ACTIVITIES				
Net income	**2,638**	1,900	**7,291**	6,996
Add (deduct) items not affecting cash				
Depreciation of lease assets	**11,847**	11,563	**36,045**	35,375
Depreciation of property and equipment (note 5)	**1,007**	914	**2,978**	2,538
Amortization of intangible assets	**119**	120	**348**	397
Impairment (net) (note 5)	**(7)**	(202)	**275**	(173)
Stock-based compensation (note 8)	**72**	72	**166**	278
Bad debt expense	**2,434**	1,729	**6,760**	4,243
Deferred income tax expense	**(221)**	414	**(2,645)**	2,853
(Gain) loss on sale of property and equipment	**63**	4	**(37)**	(424)
	17,952	16,514	**51,181**	52,083
Net change in other operating assets				
and liabilities (note 12)	**4,154**	2,725	**9,256**	(2,831)
Net issuance of consumer loans receivable	**(5,794)**	(8,704)	**(17,930)**	(22,886)
Cash provided by operating activities	**16,312**	10,535	**42,507**	26,366
INVESTING ACTIVITIES				
Purchase of lease assets	**(12,311)**	(10,506)	**(33,140)**	(31,885)
Purchase of property and equipment	**(1,943)**	(1,411)	**(3,936)**	(2,836)
Purchase of intangible assets	**(711)**	(670)	**(1,789)**	(892)
Proceeds on sale of property and equipment	**-**	213	**180**	987
Cash used in investing activities	**(14,965)**	(12,374)	**(38,685)**	(34,626)
FINANCING ACTIVITIES				
Advances (repayments) of bank revolving credit facility	**(709)**	3,573	**(911)**	13,732
Payments of term loan	**-**	(867)	**-**	(2,602)
Payment of common share dividends (note 7)	**(1,009)**	(1,007)	**(3,026)**	(2,906)
Issuance of common shares	**215**	-	**215**	-
Redemption of deferred share units	**-**	-	**(78)**	(57)
Cash provided by (used in) financing activities	**(1,503)**	1,699	**(3,800)**	8,167
Net increase (decrease) in cash during the period	**(156)**	(140)	**22**	(93)
Cash, beginning of period	**1,197**	778	**1,019**	731
Cash, end of period	**1,041**	638	**1,041**	638

See accompanying notes to the interim condensed consolidated financial statements

easyhome Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2011	**60,207**	**3,171**	**63,378**	**34,216**	**(52)**	**97,542**
Common shares issued	**460**	**(323)**	**137**	**-**	**-**	**137**
Stock-based compensation (note 8)	**-**	**166**	**166**	**-**	**-**	**166**
Comprehensive income (loss)	**-**	**-**	**-**	**7,291**	**(389)**	**6,902**
Dividends (note 7)	**-**	**-**	**-**	**(3,028)**	**-**	**(3,028)**
Balance, September 30, 2012	**60,667**	**3,014**	**63,681**	**38,479**	**(441)**	**101,719**
Balance, December 31, 2010	60,074	3,061	63,135	28,633	(257)	91,511
Common shares issued	133	(190)	(57)	-	-	(57)
Stock-based compensation (note 8)	-	278	278	-	-	278
Comprehensive income	-	-	-	6,996	573	7,569
Dividends (note 7)	-	-	-	(3,023)	-	(3,023)
Balance, September 30, 2011	60,207	3,149	63,356	32,606	316	96,278

See accompanying notes to the interim condensed consolidated financial statements

1. CORPORATE INFORMATION

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

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

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

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

The Company operates in three reportable segments: leasing, easyfinancial and franchising. As at September 30, 2012, the Company operated 206 easyhome leasing stores (including 8 consolidated SPE franchises), 100 easyfinancial locations and had 46 franchise locations (September 30, 2011 – 222 easyhome leasing stores including 4 consolidated SPE franchises, 80 easyfinancial locations and 39 franchise locations).

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 12, 2012.

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

Statement of Compliance with International Financial Reporting Standards

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

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The accounting standards issued but not yet effective that may affect the Company's future financial statements remain as described in the Company's December 31, 2011 consolidated financial statements.

4. CONSUMER LOANS RECEIVABLE

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

(in $ 000's)	**September 30, 2012**	**December 31, 2011**
Consumer loans receivable	**59,578**	47,565
Allowance for loan losses	**(3,470)**	(2,627)
	56,108	44,938
Current portion of consumer loans receivable	**35,548**	32,619
Long-term portion of consumer loans receivable	**20,560**	12,319
	56,108	44,938

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

	September 30, 2012		**December 31, 2011**	
(in $ 000's except %)	**$**	**% of total loans**	**$**	**% of total loans**
1 - 30 days	2,741	4.6%	2,438	5.1%
31 - 44 days	433	0.7%	400	0.8%
45 - 60 days	410	0.7%	358	0.8%
61 - 90 days	649	1.1%	519	1.1%

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

(in $ 000's)	**Nine months ended September 30, 2012**	**Year ended December 31, 2011**
Balance, beginning of period	**2,627**	1,971
Amounts written off against allowance	**(5,931)**	(5,046)
Increase due to lending and collection activities	**6,774**	6,301
Amounts written off against allowance due to employee fraud	**-**	(599)
Balance, end of period	**3,470**	2,627

5. PROPERTY AND EQUIPMENT

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

For the three and nine months ended September 30, 2012, the Company recorded impairment charges of $252 and $769 respectively, offset by impairment recoveries of $259 and $494, respectively. The net impairment charges for the three and nine months ended September 30, 2012 were ($7) and $275, respectively. For the three and nine months ended September 30, 2011, the Company recorded impairment charges of $131 and $175, respectively, offset by impairment recoveries of $333 and $348, respectively. The net impairment charges for those periods were ($202) and ($173), respectively.

All impairment charges relate solely to the leasing segment.

6. BANK REVOLVING CREDIT FACILITY

Revolving credit facility

On July 21, 2011, the Company entered into new credit facilities with a syndicate of banks which provided for a $40 million revolving credit facility and also included related term and letter of credit facilities for $0.9 million and $0.5 million, respectively. The revolving facility reduces to $35 million on October 15, 2012 (amended from July 1, 2012) and matures on July 21, 2013. Borrowings under previous facilities were rolled into the new facilities.

(in $ 000's)	**September 30, 2012**	**December 31, 2011**
Revolving credit facility	**32,212**	33,123

The Canadian dollar revolving credit facility in place during the three and nine months ended September 30, 2012 bore interest at the lead lender's prime rate plus 125 bps. The Company's effective interest rate under the facility was 4.25%.

The credit facility was fully secured over substantially all assets of the Company and its subsidiaries and contained certain positive and negative covenants and other usual and customary terms and conditions. The financial covenants of the credit facility were as follows:

Financial Covenant	**Requirements**	**As at September 30, 2012**	**As at December 31, 2011**
Total debt to EBITDA ratio	< 2.0	**1.56**	1.75
Fixed coverage ratio	> 1.15	**1.30**	1.18
Total debt to effective tangible net worth ratio	< 0.55	**0.41**	0.44
Total debt to lease assets	< 0.75	**0.51**	0.49

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

Subsequent refinancing

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

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

The financial covenants of the new credit facilities are as follows:

Financial Covenant	Requirements
Total debt to EBITDA ratio (consolidated)	< 2.75
Total debt to EBITDA ratio (easyfinancial only)	< 2.25, reducing to 2.00 in the quarter ending Mar. 31, 2014, reducing to 1.75 in the quarter ending Sept. 30, 2014 and reducing to 1.50 in the quarter ending Sept. 30, 2015
Total debt to tangible net worth ratio (consolidated)	< 1.00
Total debt to tangible net worth ratio (easyfinancial only)	< 0.55
Active lease assets to total lease assets ratio	> 0.65
EBITDA for preceding 12 months	Minimum levels established by fiscal quarter

7. SHARE CAPITAL

Authorized capital

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

Common shares issued and outstanding

The changes in common shares are summarized as follows:

	Nine months ended September 30, 2012		**Year ended December 31, 2011**	
(in $ 000's except number of shares in 000's)	**# of shares**	**$**	**# of shares**	**$**
Balance, beginning of period	**11,849**	**60,207**	11,842	60,074
Issued for cash for redemption of Deferred Share Units	**25**	**245**	7	133
Issued under Dividend Reinvestment Plan	**34**	**215**	-	-
Balance, end of period	**11,908**	**60,667**	11,849	60,207

Dividends on common shares

The Company paid dividends of $1.0 million, or $0.085 per share and $3.0 million or $0.255 per share during the three and nine months ended September 30, 2012, respectively. The Company paid dividends of $1.0 million, or $0.085 per share and $3.0 million or $0.255 per share for the three and nine months ended September 30, 2011.

The Company declared a dividend of $0.085 per share on August 13, 2012 to shareholders of record on September 27, 2012, payable on October 5, 2012. The dividend paid on October 5, 2012 was $1.0 million. During the third quarter of 2011, the Company declared a dividend of $0.085 per share to shareholders of record on September 27, 2011 payable on October 5, 2011. The dividend paid on October 5, 2011 was $1.0 million.

8. STOCK-BASED COMPENSATION

Share option plan

The Company uses the fair value method of accounting for stock options granted to employees and directors. During the three and nine months ended September 30, 2012, the Company granted nil options (2011 – 95,530 options). For the three and nine months ended September 30, 2012, $33 and $95, respectively (2011 – $48 and $43, respectively) were recorded as stock-based compensation expense with respect to stock options in salaries and benefits expense in the interim consolidated statements of income, with a corresponding increase in contributed surplus.

Restricted share unit plan

During the three and nine months ended September 30, 2012, the Company granted no Restricted Share Units [“RSUs”] (2011 – nil) to senior executives of the Company under its Restricted Share Unit Plan. For the three and nine months ended September 30, 2012, $nil (2011 – ($60) and ($47), respectively) were recorded as stock-based compensation expense under the Restricted Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and nine months ended September 30, 2012, an additional 1,043 and 3,759 RSUs (2011 – 1,057 and 3,204 RSUs, respectively) were granted as a result of dividends payable.

Performance share unit plan

During the three and nine months ended September 30, 2012, the Company granted 5,000 and 406,552 Performance Share Units [“PSUs”] respectively (2011- 309,356) to senior executives of the Company under its Performance Share Unit Plan. For the three and nine months ended September 30, 2012, $433 and $831, respectively (2011 – $193 and $496, respectively) were recorded as stock-based compensation expense under the Performance Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and nine months ended September 30, 2012, an additional 12,387 and 32,627 PSUs, respectively (2011 – 6,183 and 10,554 PSUs, respectively) were granted as a result of dividends payable.

Deferred share unit plan

During the three and nine months ended September 30, 2012, the Company granted 4,431 and 9,355 Deferred Share Units [“DSUs”] (2011 – 10,834 and 33,808 DSUs, respectively) to Directors under its Deferred Share Unit Plan. For the three and nine months ended September 30, 2012, $39 and $71 (2011 - $85 and $283, respectively) were recorded as stock-based compensation expense under the Deferred Share Unit Plan in salaries and benefits expense in the interim consolidated statements of income. Additionally, for the three and nine months ended September 30, 2012, 1,328 DSUs (2011 – $1,060 and $2,677, respectively) were granted as a result of dividends payable.

For the three and nine months ended September 30, 2012, $504 and $998, respectively (2011 - $265 and $775, respectively) were recorded as stock-based compensation expense under all stock-based compensation plans. The liability relating to stock-based compensation as at September 30, 2012 was $1,478 (2011 - $946).

9. RESTRUCTURING AND OTHER ITEMS

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

Restructuring charges

During the second quarter of 2012, the Company restructured the management and operating procedures of its leasing segment and closed 13 underperforming locations. For the three and nine months ended September 30, 2012, nil and $1.4 million (2011 – nil) were recorded as restructuring and other charges within operating income. These charges consisted of the cost of remaining lease terms for closed locations, lease asset write offs, severance and other charges. No further related charges are expected in future periods.

As at September 30, 2012, $0.5 million (2011 –$ nil) of provisions were due to restructuring charges.

Insurance Recovery

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

10. INCOME TAXES

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

	Nine months ended September 30	
(in $ 000's)	**2012**	**2011**
Combined basic federal and provincial income tax rates	**26.0 %**	27.8%
Expected income tax expense	**2,733**	2,779
Impact of tax rate changes on deferred tax assets	**(25)**	(19)
Non-deductible expense	**120**	124
U.S losses not tax benefited	**376**	371
Other	**(4)**	(240)
	3,200	3,015

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

($ in 000's)	**September 30, 2012**	**December 31, 2011**
Loss carryforwards	**-**	256
Tax cost of lease assets and property and equipment in excess of net book value	**3,358**	929
Amounts receivable and provisions	**1,101**	882
Lease inducements	**537**	621
Unearned revenue	**211**	165
Financing fees	**94**	122
Other	**277**	(42)
	5,578	2,933

11. EARNINGS PER SHARE

Basic earnings per share

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

(in $ 000's except number of shares in 000's and earnings per share)	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Net income for the period	**2,638**	1,900	**7,291**	6,996
Weighted average number of common shares outstanding	**11,906**	11,849	**11,891**	11,849
Basic earnings per share	**0.22**	0.16	**0.61**	**0.59**

Diluted earnings per share

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

(in $000's except number of share in 000's and earnings per share)	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Net income for the period	**2,638**	1,900	**7,291**	6,996
Weighted average number of common shares outstanding	**11,906**	11,849	**11,891**	11,849
Dilutive effect of share based rewards	**105**	113	**104**	89
Weighted average number of diluted shares outstanding	**12,011**	11,962	**11,995**	11,938
Dilutive earnings per share	**0.22**	0.16	**0.61**	0.59

For the period ended September 30, 2012, stock options to acquire 518,832 common shares (September 30, 2011 – 716,362 options) were not included in the calculation of diluted earnings per share as their exercise prices exceeded the average market share price for the period.

12. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three months ended September 30		Nine months ended September 30	
(in $ 000's)	**2012**	**2011**	**2012**	**2011**
Amounts receivable	**727**	480	**2,727**	470
Prepaid expenses	**(32)**	(692)	**157**	(407)
Accounts payable and accrued liabilities	**1,590**	2,303	**(195)**	(1,063)
Income taxes recoverable	**2,549**	1,065	**7,083**	(240)
Deferred lease inducement	**(96)**	(36)	**(334)**	(171)
Unearned revenue	**(378)**	(144)	**(652)**	(864)
Provisions	**(206)**	(251)	**470**	(556)
	4,154	2,725	**9,256**	(2,831)

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

	Three months ended September 30		Nine months ended September 30	
($ in 000's)	**2012**	**2011**	**2012**	**2011**
Income taxes paid	**13**	450	**29**	1,327
Interest paid	**496**	558	**1,440**	1,065
Interest received	**6,336**	4,183	**17,294**	10,527

13. CONTINGENCIES

Class action lawsuit

The Company and certain of its current and former officers have been named as defendants in a lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010. The claim is brought under S. 138 of *The Securities Act*. The plaintiff alleges, among other things, that arising out of an employee fraud discovered in 2010, the Company and certain of its former and current officers made misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. The claim seeks $10 million in general damages. On March 26, 2012, the lawsuit was certified as a class proceeding on consent. It will now enter the discovery phase.

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

Other legal actions

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

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

14. RELATED PARTY TRANSACTIONS

The Company, through its wholly-owned subsidiary easyhome U.S. Ltd., signed a License/Master Franchise Agreement [the "License Agreement"] with an entity controlled by Walter "Bud" Gates ["easygates LLC"] on March 2, 2007. Mr. Gates was elected to the Company's Board of Directors in April 2010 and was a director until December 21, 2011. Mr. Gates did not participate or vote in any Board of Director discussions relating to the License Agreement. The License Agreement has an initial six-year term and allows easygates LLC to set up easyhome franchises in the U.S., excluding the 14 U.S. states that border Canada. The License Agreement provides that, for each franchise store that is opened, easygates LLC and easyhome will split both the initial franchise fee and the ongoing royalty fees. As at September 30, 2012, 34 franchise locations were opened and operated under the License Agreement (December 31, 2011 - 32 franchise locations).

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

15. SEGMENTED REPORTING

For management purposes, the Company has three reportable segments: Leasing, easyfinancial and Franchising.

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

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

Three months ended September 30, 2012 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	39,133	9,807	349	-	**49,289**
Total operating expenses before depreciation and amortization	20,919	6,340	141	4,631	**32,031**
Depreciation and amortization	12,621	156	50	139	**12,966**
Segment operating income (loss)	5,593	3,311	158	(4,770)	**4,292**
Interest expense	-	-	-	481	**481**
Income (loss) before income taxes	5,593	3,311	158	(5,251)	**3,811**
Assets	99,015	64,576	1,442	3,133	**168,166**
Liabilities	24,811	3,989	-	37,647	**66,447**

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

Three months ended September 30, 2011 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	39,784	6,438	344	-	**46,566**
Total operating expenses before depreciation and amortization	22,018	4,921	174	3,710	**30,823**
Depreciation and amortization	12,159	90	17	129	**12,395**
Segment operating income (loss)	5,607	1,427	153	(3,839)	**3,348**
Interest expense	-	-	-	423	**423**
Income (loss) before income taxes	5,607	1,427	153	(4,262)	**2,925**
Assets	100,954	44,709	1,656	5,062	**152,381**
Liabilities	20,470	1,905	-	33,728	**56,103**

Nine months ended September 30, 2012 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	120,029	26,817	1,133	-	**147,979**
Total operating expenses before depreciation and amortization and restructuring and other items	64,971	17,787	369	12,851	**95,978**
Restructuring and other items	1,296	-	-	(860)	**436**
Depreciation and amortization	38,685	420	135	406	**39,646**
Segment operating income (loss)	15,077	8,610	629	(12,397)	**11,919**
Interest expense	-	-	-	1,428	**1,428**
Income (loss) before income taxes	15,077	8,610	629	(13,825)	**10,491**
Assets	99,015	64,576	1,442	3,133	**168,166**
Liabilities	24,811	3,989	-	37,647	**66,447**

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

Nine months ended September 30, 2011 *($ in 000's)*	**Leasing**	**easyfinancial**	**Franchising**	**Corporate**	**Total**
Revenue	121,477	16,632	924	-	**139,033**
Total operating expenses before depreciation and amortization	65,163	12,604	390	11,672	**89,829**
Depreciation and amortization	37,475	244	60	358	**38,137**
Segment operating income (loss)	18,839	3,784	474	(12,030)	**11,067**
Interest expense	-	-	-	1,056	**1,056**
Income (loss) before income taxes	18,839	3,784	474	(13,086)	**10,011**
Assets	100,954	44,709	1,656	5,062	**152,381**
Liabilities	20,470	1,905	-	33,728	**56,103**

The Company operates across Canada and in certain U.S. states. During the nine months ended September 30, 2012, 92% or \$136.5 million of revenue was generated in Canada and 8% or \$11.5 million of revenue was generated in the U.S. (2011 – 96% or \$132.8 million of revenue was generated in Canada and 4% or \$6.2 million of revenue was generated in the U.S). Additionally, as at September 30, 2012, \$155.7 million of the Company's assets were located in Canada and \$12.5 million were located in the U.S. (December 31, 2011 - \$145.4 million in Canada and \$13.7 million in the U.S.).

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

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

	Nine months ended September 30	
(percentage)	**2012 (%)**	**2011 (%)**
Furniture	**38**	36
Electronics	**33**	34
Computers	**17**	18
Appliances	**12**	12
	100	100