

LEON'S FURNITURE LIMITED

Press Release - May 14, 2015

2015 FIRST QUARTER

For the three months ended March 31, 2015, total system wide sales were \$503,653,000 including \$80,616,000 of franchise sales (\$508,400,000 including \$82,391,000 of franchise sales in 2014). Same store corporate sales increased slightly by 0.1% from the prior year's first quarter. Net income was \$4,106,000, \$0.06 per fully diluted common share (\$1,336,000, \$0.02 per fully diluted common share in 2014). Overall we are pleased with the profit increase in the first quarter 2015 when compared to the prior year's first quarter. We are pleased that our efforts to control and reduce expenses have resulted in increased profits.

The integration of our online systems between The Brick and Leon's divisions is progressing as expected. Currently both divisions are using the same web platform for our individual websites and Internet sales. As well, we are making excellent progress in the implementation of an enhanced computer system that we anticipate will be fully operational throughout the company by the end of this year. The net result will be greater efficiencies in the operations of our two divisions. This should also allow us to establish integrated distribution networks using all our distribution facilities to better serve our brick and mortar stores as well as our web sales from sea to sea to sea.

With respect to new stores, construction is planned to begin later this year on a new 90,000 square foot Leon's Furniture warehouse and showroom in the Calgary area. We continue to pursue new franchise locations in all areas of the country.

As previously announced, we paid a quarterly 10¢ dividend on April 9, 2015. Today we are happy to announce that the Directors have declared a quarterly dividend of 10¢ per common share payable on the 8th day of July 2015 to shareholders of record at the close of business on the 8th day of June 2015. As of 2007, dividends paid by Leon's Furniture Limited are "eligible dividends" pursuant to the changes to the Income Tax Act under Bill C-28, Canada.

EARNINGS PER SHARE FOR EACH QUARTER

		<u>MARCH</u>	<u>JUNE</u>	<u>SEPT.</u>	<u>DEC. 31</u>	<u>YEAR</u>
		<u>31</u>	<u>30</u>	<u>30</u>		<u>TOTAL</u>
2015	- Basic	6¢				\$0.06
	- Fully Diluted	6¢				\$0.06
2014	- Basic	2¢	24¢	38¢	42¢	\$1.07
	- Fully Diluted	2¢	21¢	34¢	38¢	\$0.96
2013	- Basic	8¢	21¢	31¢	37¢	\$0.97
	- Fully Diluted	7¢	18¢	28¢	34¢	\$0.89

LEON'S FURNITURE LIMITED / MEUBLES LEON LTÉE

"Mark J. Leon"

Mark J. Leon
Chairman of the Board

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2015 and 2014

Dated: May 14, 2015

The Management's Discussion and Analysis ("MD&A") for Leon's Furniture Limited/Meubles Leon Ltée ("Leon's" or the "Company") should be read in conjunction with i) the Company's 2014 audited consolidated financial statements and the related notes and MD&A and ii) the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2015, and 2014, and the related notes.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Leon's Furniture Limited's current results and to assess the Company's future prospects. This MD&A, and in particular the section under heading "Outlook", includes forward-looking statements, which are based on certain assumptions and reflect Leon's Furniture Limited's current plans and expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and future prospects to differ materially from current expectations. Some of the factors that can cause actual results to differ materially from current expectations are: a further drop in consumer confidence; dependency on product from third party suppliers, further changes to the Canadian bank lending rates; and a further weakening of the Canadian dollar vs. the US dollar. Given these risks, uncertainties and the integration risk associated with the acquisition of The Brick Ltd. ("The Brick"), investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers of this report are cautioned that actual events and results may vary.

Financial Statements Governance Practice

Leon's Furniture Limited's unaudited interim condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). The amounts expressed are in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

The Audit Committee of the Board of Directors of Leon's Furniture Limited reviewed the MD&A and the unaudited interim condensed consolidated financial statements, and recommended that the Board of Directors approve them. Following review by the full Board, the unaudited interim condensed consolidated financial statements and MD&A were approved on May 14, 2015.

Introduction

Leon's Furniture Limited is the largest retailer of furniture, appliances and electronics in Canada. Our retail banners now include: Leon's; The Brick; The Brick Mattress Store; The Brick Clearance Centre and United Furniture Warehouse ("UFW"). Finally, the addition of the Brick's Midnorthern Appliance banner alongside with Leon's Appliance Canada banner, makes the Company the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies.

Leon's has in excess of 300 retail stores from coast to coast in Canada under the various banners indicated below which also includes over 100 franchise locations.

Banner	Number of Stores
Leon's banner corporate stores	44
Leon's banner franchise stores	36
Appliance Canada banner stores	3
The Brick banner corporate stores ¹	112
The Brick banner franchise stores ²	67
The Brick Mattress Store banner locations	25
UFW banner stores	6
UFW and The Brick Clearance Centre banner stores	10
Total number of stores	303

¹Includes the Midnorthern Appliance banner

²Includes one UFW Franchise

Revenues and Expenses

For the three months ended March 31, 2015, total system wide sales were \$503,653,000 including \$80,616,000 of franchise sales (\$508,400,000 including \$82,391,000 franchise sales in 2014).

Overall, same store corporate sales increased slightly by 0.1%.

Our gross margin for the first quarter 2015 increased from 42.1% to 42.2% compared to the prior year's first quarter. Despite the weakening of the Canadian dollar, we were able to maintain our gross margin.

Net operating expenses of \$168,540,000 were down \$4,479,000 for the first quarter 2015 compared to the first quarter of 2014. Cost savings occurred with respect to delivery expenses; primarily the reduction of third party cartage companies and the lower price of fuel. Making better use of omnichannel and targeted marketing has resulted in more efficient advertising expenditures.

As a result of the above, net income for the first quarter of 2015 was \$4,106,000, \$0.06 per common share (\$1,336,000, \$0.02 per common share in 2014), an increase of \$0.04 per common share.

Annual Financial Information

(\$ in thousands, except earnings per share and dividends)	2014	Restated 2013	2012
Corporate sales	1,974,417	1,694,643	682,163
Franchise sales	373,959	344,785	198,077
Total system wide sales	2,348,376	2,039,428	880,240
Net income	75,524	68,392	46,782
Earnings per share			
Basic	\$1.07	\$0.97	\$0.67
Diluted	\$0.96	\$0.89	\$0.65
Total assets	1,563,476	1,565,356	588,178
Common share dividends declared	\$0.40	\$0.40	\$0.40
Convertible, non-voting shares dividends declared	\$0.20	\$0.20	\$0.20

Liquidity and Financial Resources

(\$ in thousands, except dividends per share)	Mar 31/15	Dec. 31, 2014	Restated Mar 31/14
Cash, cash equivalents, available-for-sale financial assets, and bank overdraft	17,788	58,609	28,220
Trade and other accounts receivable	86,181	112,171	81,300
Inventory	266,934	266,628	261,887
Total assets	1,525,178	1,563,476	1,638,026
Working capital	9,810	18,972	(18,847)
	Current Quarter Mar 31, 2015	Dec. 31, 2014	Restated Mar 31, 2014
For the 3 months ended			
Cash flow (used in) provided by operations	(21,227)	50,618	(137)
Purchase of property, plant and equipment	3,125	10,669	2,291
Dividends paid	7,105	7,101	7,063
Dividends paid per share	\$0.10	\$0.10	\$0.10

Common Shares

At March 31, 2015, there were 71,130,337 common shares issued and outstanding. During the quarter ended March 31, 2015, 42,303 convertible, non-voting series 2005 shares and 31,149 convertible, non-voting series 2009 shares were converted into common shares. For details on the Company's commitments related to its redeemable shares, please refer to note 10 of the unaudited interim condensed consolidated financial statements.

Commitments

(\$ in thousands)	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Contractual Obligations					
Long term debt	458,830	62,541	280,582	6,000	109,707
Operating leases ¹	498,287	83,038	149,366	112,005	153,878
Trade and other payables	186,324	186,324	-	-	-
Finance leases	19,458	2,893	4,814	3,738	8,013
Total Contractual Obligations	1,162,899	334,796	434,762	121,743	271,598

¹The Company is obligated under operating leases to future minimum rental payments for various land and building sites across Canada.

Critical Accounting Estimates and Assumptions

Please refer to Note 2 of the 2014 annual consolidated financial statements for the Company's critical accounting estimates and assumptions.

Recent Accounting Pronouncements

Please refer to Note 3 to the accompanying unaudited interim condensed consolidated financial statements for the accounting standards and amendments issued but not yet adopted.

Related Party Transactions

At March 31, 2015, we had no transactions with related parties as defined in IAS24 – *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

Risks and Uncertainties

For a complete discussion of the risks and uncertainties which apply to the Company's business and operating results please refer to the Company's Annual Information Form dated March 28, 2015 available on www.sedar.com.

Quarterly Results (2015, 2014, 2013)

Quarterly Income Statement (\$000) – except per share data

	Quarter Ended March 31		Quarter Ended December 31		Quarter Ended September 30		Quarter Ended June 30	
	2015	2014*	2014	2013*	2014	2013*	2014*	2013*
Corporate sales	423,037	426,009	542,206	523,025	531,685	528,602	474,517	480,559
Franchise sales	80,616	82,391	107,180	110,846	97,467	100,017	86,921	92,825
Total system wide sales	503,653	508,400	649,386	633,871	629,152	628,619	561,438	573,384
Net income per share	\$0.06	\$0.02	\$0.42	\$0.37	\$0.38	\$0.31	\$0.24	\$0.21
Fully diluted per share	\$0.06	\$0.02	\$0.38	\$0.34	\$0.34	\$0.28	\$0.21	\$0.18

* Restated earnings per share

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer and Chief Financial Officer so that appropriate decisions can be made by them regarding public disclosure. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at March 31, 2015.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is based on the framework established in the publications, Internal Control – Integrated Framework and specifically in Internal Control over Financial Reporting - Guidance for Smaller Public Companies published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management, including the CEO and CFO, does not expect that the Company’s disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

During the three months ended March 31, 2015, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Outlook

We are pleased that we were able to improve our first quarter profit results when compared to the prior year’s first quarter. Even though the economy remains soft, we expect to see a continuation of improved profits in 2015.

Non-IFRS Financial Measures

In order to provide additional insight into the business, the Company has provided the measure of same store sales in the revenue and expenses section of the MD&A. This measure does not have a standardized meaning prescribed by IFRS but it is a key indicator used by the Company to measure performance against prior period results. Comparable store sales are defined as sales generated by stores that have been open or closed for more than 12 months on a yearly basis. The reconciliation between revenue (an IFRS measure) and comparable store sales is provided below:

(\$ in thousands)	Mar 31, 2015	Mar 31, 2014
Revenue	423,037	426,009
Adjustments for stores not in both fiscal periods ¹	-	(3,395)
Comparable store sales	423,037	422,614

¹ For the three month period ended March 31, 2014, there are ten locations excluded from the adjustments for stores not in both periods.

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited		
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)		
(\$ in thousands)	As at March 31 2015	As at December 31 2014
ASSETS		
Current assets		
Cash and cash equivalents	-	17,941
Restricted marketable securities	19,046	18,310
Available-for-sale financial assets	24,760	22,358
Trade receivables	86,181	112,171
Inventories <i>[note 6]</i>	266,934	266,628
Deferred acquisition costs	5,066	4,957
Deferred financing costs	810	923
Total current assets	402,797	443,288
Other assets	9,657	6,192
Deferred acquisition costs	11,839	11,093
Property, plant and equipment <i>[note 7]</i>	329,050	334,052
Investment properties <i>[note 8]</i>	21,974	21,992
Intangible assets <i>[note 9]</i>	321,878	321,302
Goodwill	418,079	418,079
Deferred income tax assets	9,904	7,478
Total assets	1,525,178	1,563,476
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank overdraft	26,018	-
Trade and other payables	186,324	197,044
Provisions	3,824	4,576
Income taxes payable	6,199	34,773
Customers' deposits	80,521	97,705
Finance lease liability	2,002	2,002
Dividends payable	7,113	7,105
Deferred warranty plan revenue	50,986	51,111
Loans and borrowings <i>[note 11]</i>	30,000	30,000
Total current liabilities	392,987	424,316
Loans and borrowings <i>[note 11]</i>	280,903	285,363
Convertible debentures <i>[note 11]</i>	91,980	91,773
Finance lease liability	13,338	13,849
Deferred warranty plan revenue	90,722	92,254
Redeemable share liability <i>[note 10]</i>	879	401
Deferred rent liabilities and lease inducements	7,265	6,794
Deferred income tax liabilities	100,341	99,621
Total liabilities	978,415	1,014,371
Shareholders' equity attributable to the shareholders of the Company		
Common shares <i>[note 12]</i>	31,844	31,169
Equity component of convertible debentures <i>[note 11]</i>	7,089	7,089
Retained earnings	507,391	510,398
Accumulated other comprehensive income	439	449
Total shareholders' equity	546,763	549,105
Total liabilities and shareholders' equity	1,525,178	1,563,476

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited		
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME		
(UNAUDITED)		
(\$ in thousands)	Three months ended March 31st	
	<i>Restated [note 5]</i>	
	2015	2014
Revenue	423,037	426,009
Cost of sales <i>[note 6]</i>	244,498	246,530
Gross profit	178,539	179,479
Operating expenses		
General and administrative expenses	73,058	71,736
Sales and marketing expenses	50,685	54,070
Occupancy expenses	42,235	42,906
Other operating expenses	2,562	4,307
Total operating expenses	168,540	173,019
Operating profit	9,999	6,460
Finance costs	(4,799)	(5,620)
Finance income	445	452
Net income before income tax	5,645	1,292
Income tax expense (recovery) <i>[note 13]</i>	1,539	(44)
Net income for the period	4,106	1,336
Earnings per share <i>[note 14]</i>		
Basic	\$ 0.06	\$ 0.02
Diluted	\$ 0.06	\$ 0.02

The accompanying notes are an integral part of these unaudited condensed consolidated financial statement.

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited			
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)			
(\$ in thousands)	Three months ended March 31		
	2015	Tax effect	Net of tax 2015
Net income for the period	4,106	-	4,106
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized losses on available-for-sale financial assets arising during the period	(14)	(5)	(9)
Reclassification adjustment for net gains (losses) included in profit for the period	(1)	-	(1)
Change in unrealized losses on available-for-sale financial assets arising during the period	(15)	(5)	(10)
Comprehensive income for the period	4,091	(5)	4,096
	<i>Restated [note 5]</i>		<i>Restated [note 5]</i>
	2014	Tax effect	Net of tax 2014
Net income for the period	1,336	-	1,336
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains on available-for-sale financial assets arising during the period	452	98	354
Reclassification adjustment for net gains (losses) included in profit for the period	(62)	(16)	(46)
Change in unrealized gains on available-for-sale financial assets arising during the period	390	82	308
Comprehensive income for the period	1,726	82	1,644

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited					
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)					
(\$ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income (loss)	Restated [note 5] Retained earnings	Total
As at December 31, 2013	7,089	27,352	79	462,035	496,555
Comprehensive income					
Net income for the period	-	-	-	1,336	1,336
Change in unrealized gains on available-for-sale financial assets arising during the period	-	-	308	-	308
Total comprehensive income	-	-	308	1,336	1,644
Transactions with shareholders					
Dividends declared	-	-	-	(7,067)	(7,067)
Management share purchase plan [note 10]	-	728	-	-	728
Total transactions with shareholders	-	728	-	(7,067)	(6,339)
As at March 31, 2014	7,089	28,080	387	456,304	491,860
As at December 31, 2014	7,089	31,169	449	510,398	549,105
Comprehensive income					
Net income for the period	0	0	0	4,106	4,106
Change in unrealized losses on available-for-sale financial assets arising during the period	0	0	(10)	0	(10)
Total comprehensive income	0	0	(10)	4,106	4,096
Transactions with shareholders					
Dividends declared	0	0	0	(7,113)	(7,113)
Management share purchase plan [note 10]	0	675	0	0	675
Total transactions with shareholders	0	675	0	(7,113)	(6,438)
As at March 31, 2015	7,089	31,844	439	507,391	546,763

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited		
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)		
(\$ in thousands)	Three months ended March 31	
	2015	<i>Restated [note 5]</i> 2014
OPERATING ACTIVITIES		
Net income for the period	4,106	1,336
Add (deduct) items not involving an outlay of cash		
Depreciation of property, plant and equipment and investment properties	8,137	8,841
Amortization of intangible assets	1,963	1,737
Amortization of deferred warranty plan revenue	(15,602)	(15,669)
Net finance costs	4,354	5,168
Deferred income taxes	(1,877)	(1,551)
Gain on sale of property, plant and equipment	(29)	15
Gain on sale of available-for-sale financial assets	22	0
Net change in non-cash working capital balances related to operations <i>[note 16]</i>	1,074	(123)
Cash received on warranty plan sales	(36,246)	(14,408)
Cash used in operating activities	(21,227)	(137)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties <i>[notes 7 & 8]</i>	(3,125)	(2,291)
Purchase of intangible assets <i>[note 9]</i>	(2,539)	(316)
Proceeds on sale of property, plant and equipment	36	26
Purchase of available-for-sale financial assets	(4,009)	(2,272)
Proceeds on sale of available-for-sale financial assets	833	1,888
Interest received	367	360
Cash used in investing activities	(8,437)	(2,605)
FINANCING ACTIVITIES		
Repayment of finance leases	(495)	(884)
Dividends paid <i>[note 12]</i>	(7,105)	(7,063)
Repayment of employee loans-redeemable shares <i>[note 10]</i>	1,153	1,267
Repayment of term loan <i>[note 11]</i>	(5,000)	0
Interest paid	(2,848)	(6,454)
Cash used in financing activities	(14,295)	(13,134)
Net decrease in cash and cash equivalents during the period	(43,959)	(15,876)
Cash and cash equivalents, beginning of period	17,941	5,832
Bank overdraft, end of period	(26,018)	(10,044)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) Leon's Furniture Limited

Amounts in thousands of Canadian dollars except shares outstanding and earnings per share

For the three month periods ended March 31, 2015 and 2014.

1. REPORTING ENTITY

Leon's Furniture Limited ("Leon's" or the "Company") was incorporated by Articles of Incorporation under the Business Corporations Act on February 28, 1969. Leon's is a retailer of home furnishings, mattresses, appliances and electronics across Canada. Leon's is a public company listed on the Toronto Stock Exchange (TSX – LNF, LNF.DB) and is incorporated and domiciled in Canada. The address of the Company's head office and registered office is 45 Gordon Mackay Road, Toronto, Ontario, M9N 3X3.

On November 11, 2012, the Company announced that it had entered into a definitive agreement (the "Arrangement Agreement") that provided for the acquisition of 100% of the outstanding common shares and common share purchase warrants of The Brick Ltd. ("The Brick" or "Brick division") by the Company by way of a plan of arrangement for \$5.40 per outstanding common share and \$4.40 per outstanding common share purchase warrant. On March 28, 2013, the Company acquired 100% of the common shares and warrants of The Brick [note 5]. The operations of The Brick are included in the Company's results from operations and financial position commencing March 28, 2013.

The Company's business is seasonal in nature. Retail sales are traditionally higher in the third and fourth quarters.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements of the Company are prepared in accordance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and note disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The financial statements of the Company include the financial results of Leon's Furniture Limited and its wholly owned subsidiaries.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 14, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of the new, revised or amended accounting standards noted below, these interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Leon's for the year ended December 31, 2014. The disclosure contained in these interim condensed consolidated financial statements does not include all requirements in IAS 1, *Presentation of Financial Statements*. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Company operates in one geographical segment (Canada) and one industry (sale of home furnishings, appliances and electronics). Accordingly, no segment information has been provided in these interim condensed consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

In July 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* (“IFRS 9”), which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of evaluating the impact of adopting these amendments on the Company’s consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18, Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17, Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements (“IFRS 11”). In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity’s ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. At their April meeting, the IASB recommended deferral of the effective date to annual periods beginning on or after 1 January 2018. The IASB will be issuing a narrow-scope exposure draft with a shortened comment period to facilitate finalising the IASB’s discussions on this matter at the July 2015 Board Meeting. As such, the final decision on deferral is expected to be effected in July 2015. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting this amendment may have on the Company’s consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16, Property, Plant and Equipment (“IAS 16”) and IAS 38, Intangible Assets (“IAS 38”) to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting these amendments on the Company’s consolidated financial statements.

In September 2014, the IASB issued amendments to IFRS 10, Consolidated Financial Statements (“IFRS 10”) and IAS 28, Investments in Associates and Joint Ventures (“IAS 28”) to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting this amendment on the Company’s consolidated financial statements.

Adoption of new, revised or amended accounting standards

The Company has adopted the amended International Financial Reporting Standards (“IFRS”) pronouncement listed below as at January 1, 2015, in accordance with the transitional provisions outlined in the respective standard.

Operating Segments

The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS 8, Operating Segments. This standard has been amended to require (1) disclosure of judgements made by a company’s management in aggregating segments, and (ii) a reconciliation of segment assets to the entity’s assets when a measure of segment is reported to the Chief Operating Decision Maker. These amendments are effective for annual periods beginning on or after July 1, 2014. As at January 1, 2015, the Corporation adopted this pronouncement and there was no impact on the condensed consolidated interim financial statements.

4. CAPITAL RISK MANAGEMENT

The Company’s objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; and
- utilize working capital to negotiate favourable supplier agreements both in respect of early payment discounts and overall payment terms.

The capital structure includes finance lease liabilities, convertible debentures, term credit facility and borrowing capacity available under the revolving credit facilities (Note 11).

Under the Senior Secured Credit Agreement, the financial and non-financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreement. The Company was in compliance with these covenants as at March 31, 2015.

The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. Based on the Company’s borrowing capacity available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Company incurs major unanticipated expenses, it may be required to seek additional capital.

The Company is not subject to any externally imposed capital requirements, other than with respect to its insurance subsidiaries.

5. RESTATEMENT OF PREVIOUSLY REPORTED FINANCIAL RESULTS

Subsequent to the finalization of the purchase price allocation for the March 28, 2013 acquisition of the Brick as previously disclosed in the Company’s interim condensed consolidated financial statements as of and for the three months ended March 31, 2014, management discovered that certain of the values allocated to property, plant and equipment, intangible assets and finance lease liabilities were incorrect.

Refer to the annual consolidated financial statements as of and for the year ended December 31, 2014 for more information.

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Summary of restatement

The following table summarizes the impact of the restatement of the purchase price allocation as of March 28, 2013 on the interim consolidated statement of income for the 3 month period ended March 31, 2014.

Interim consolidated income statement for the 3 months ended March 31, 2014

	Originally reported	Adjustments	As restated
Net income for the period	818	518	1,336
Earnings per share			
Basic	\$0.01	\$0.01	\$0.02
Diluted	\$0.01	\$0.01	\$0.02

6. INVENTORIES

The amount of inventory recognized as an expense for the three month period ended March 31, 2015 was \$238,163 (period ended March 31, 2014 - \$239,200), which is presented within cost of sales on the interim consolidated statements of income.

During the three month period ended March 31, 2015, there was \$319 in inventory writedowns (three month period ended March 31, 2014 - \$622). As at March 31, 2015, the inventory markdown provision totalled \$10,158 (as at December 31, 2014 - \$9,839).

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Vehicles	Building Improvements	Leased Property	Leased Equipment	Total
As at March 31, 2015:								
Opening net book value	84,133	116,722	41,904	8,379	70,370	10,647	1,897	334,052
Additions	—	55	1,285	1,481	189	—	—	3,010
Disposals	—	—	(3)	(4)	—	—	—	(7)
Depreciation	—	(1,504)	(2,050)	(417)	(3,520)	(283)	(231)	(8,005)
Closing net book value	84,133	115,273	41,136	9,439	67,039	10,364	1,666	329,050
As at March 31, 2015:								
Cost	84,133	228,507	96,243	30,837	139,968	12,626	2,954	595,268
Accumulated depreciation	—	(113,234)	(55,107)	(21,398)	(72,929)	(2,262)	(1,288)	(266,218)
Net book value	84,133	115,273	41,136	9,439	67,039	10,364	1,666	329,050

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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	Land	Buildings	Equipment	Vehicles	Building Improvements	Leased Property	Leased Equipment	Total
As at December 31, 2014:								
Opening net book value	83,987	122,077	41,399	4,288	86,295	11,778	2,883	352,707
Additions	146	662	8,612	5,453	1,477	—	—	16,350
Disposals	—	—	(63)	(31)	(4)	—	—	(98)
Depreciation	—	(6,017)	(8,044)	(1,331)	(17,398)	(1,131)	(986)	(34,907)
Closing net book value	84,133	116,722	41,904	8,379	70,370	10,647	1,897	334,052
As at December 31, 2014:								
Cost	84,133	228,452	95,026	29,565	139,779	12,626	2,954	592,535
Accumulated depreciation	—	(111,730)	(53,122)	(21,186)	(69,409)	(1,979)	(1,057)	(258,483)
Net book value	84,133	116,722	41,904	8,379	70,370	10,647	1,897	334,052

Included in the above balances as at March 31, 2015 are assets not being amortized with a net book value of approximately \$1,716 [as at December 31, 2014 – \$5,741] being construction in progress.

8. INVESTMENT PROPERTIES

	Land	Buildings	Building Improvements	Total
As at March 31, 2015:				
Opening net book value	12,519	8,798	675	21,992
Additions	—	—	114	114
Depreciation	—	(119)	(13)	(132)
Closing net book value	12,519	8,679	776	21,974
As at March 31, 2015:				
Cost	12,519	17,694	2,295	32,508
Accumulated depreciation	—	(9,015)	(1,519)	(10,534)
Net book value	12,519	8,679	776	21,974
As at December 31, 2014:				
Opening net book value	12,519	9,273	512	22,304
Additions	—	—	212	212
Depreciation	—	(475)	(49)	(524)
Closing net book value	12,519	8,798	675	21,992
As at December 31, 2014:				
Cost	12,519	17,694	2,181	32,394
Accumulated depreciation	—	(8,896)	(1,506)	(10,402)
Net book value	12,519	8,798	675	21,992

The estimated fair value of the investment properties portfolio as at March 31, 2015 was approximately \$48,000 [as at December 31, 2014 - \$48,000]

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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9. INTANGIBLE ASSETS

	Customer relationships	Brand name and franchise agreements	Non-compete agreement	Computer software	Favourable lease agreements	Total
As at March 31, 2015:						
Opening net book value	4,156	266,750	125	11,946	38,325	321,302
Additions	—	—	—	2,539	—	2,539
Amortization	(219)	(62)	(31)	(624)	(1,027)	(1,963)
Closing net book value	3,937	266,688	94	13,861	37,298	321,878
As at March 31, 2015:						
Cost	7,000	268,500	1,012	20,902	46,049	343,463
Accumulated amortization	(3,063)	(1,812)	(918)	(7,041)	(8,751)	(21,585)
Net book value	3,937	266,688	94	13,861	37,298	321,878
As at December 31, 2014:						
Opening net book value	5,031	267,000	251	9,996	42,559	324,837
Additions	—	—	—	3,754	—	3,754
Amortization	(875)	(250)	(126)	(1,804)	(4,234)	(7,289)
Closing net book value	4,156	266,750	125	11,946	38,325	321,302
As at December 31, 2014:						
Cost	7,000	268,500	1,012	18,363	46,049	340,924
Accumulated amortization	(2,844)	(1,750)	(887)	(6,417)	(7,724)	(19,622)
Net book value	4,156	266,750	125	11,946	38,325	321,302

Amortization of intangible assets is included within general and administrative expenses on the consolidated statements of income.

The following table presents the details of the Company's indefinite-life intangible assets:

	As at March 31, 2015	As at December 31, 2014
The Brick brand name (allocated to Brick division)	245,000	245,000
The Brick franchise agreements (allocated to Brick division)	21,000	21,000
	266,000	266,000

The Company currently has no plans to change The Brick store banners and expects these assets to generate cash flows over an indefinite future period. Therefore, these intangible assets are considered to have indefinite useful lives for accounting purposes. The Brick franchise agreements have expiry dates with options to renew. The Company's intention is to renew these agreements at each renewal date indefinitely. The Company expects the franchise agreements and franchise locations will generate cash flows over an indefinite future period. Therefore, these assets are also considered to have indefinite useful lives.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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The following table presents the details of the Company's finite-life intangible assets:

	As at March 31, 2015	As at December 31, 2014
Leon's division customer relationships	187	250
Leon's division brand name	688	750
Leon's division non-compete agreement	94	125
Brick division customer relationships	3,750	3,906
Brick division favourable lease agreements	37,298	38,325
Computer software	13,861	11,946
	55,878	55,302

The Company has assessed that these finite-life intangible assets have limited life terms.

10. REDEEMABLE SHARE LIABILITY

	As at March 31, 2015	As at December 31, 2014
Authorized		
806,000 convertible, non-voting, series 2005 shares		
1,224,000 convertible, non-voting, series 2009 shares		
306,500 convertible, non-voting, series 2012 shares		
1,485,000 convertible, non-voting, series 2013 shares		
740,000 convertible, non-voting, series 2014 shares		
Issued and fully paid		
208,777 series 2005 shares [December 31, 2014 – 251,080]	1,972	2,371
683,851 series 2009 shares [December 31, 2014 – 715,000]	6,052	6,328
243,136 series 2012 shares [December 31, 2014 – 247,896]	3,017	3,076
1,406,772 series 2013 shares [December 31, 2014 – 1,406,772]	16,024	16,024
740,000 series 2014 shares [December 31, 2014 – 740,000]	11,137	11,137
Less employee share purchase loans	(37,323)	(38,535)
	879	401

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2005, 2009, 2012, 2013 and 2014 to allow them to acquire convertible, non-voting series 2005 shares, series 2009 shares, series 2012 shares, series 2013 and series 2014 shares, respectively, of the Company. These loans are repayable through the application against the loans of any dividends on the shares with any remaining balance repayable on the date the shares are converted to common shares. Each issued and fully paid for series 2005, series 2009 and series 2012 share may be converted into one common share at any time after the fifth anniversary date of the issue of these shares and prior to the tenth anniversary of such issue. Each issued and fully paid for series 2013 and 2014 series share may be converted into one common share at any time after the third anniversary date of the issue of these shares and prior to the tenth anniversary of such issue. The series 2005, series 2009, series 2012, series 2013 and 2014 series shares are redeemable at the option of the holder for a period of one business day following the date of issue of such shares. The Company has the option to redeem the series 2005, series 2009 and series 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the tenth anniversary of such issue. The Company has the option to redeem the series 2013 and 2014 series shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the tenth anniversary of such issue. The redemption price is equal to the original issue price of the shares adjusted for subsequent subdivisions of shares plus accrued and unpaid dividends. The purchase prices of the shares are \$9.44 per series 2005 share, \$8.85 per series 2009 share, \$12.41 per series 2012 share, \$11.39 per series 2013 share and \$15.05 per series 2014 share. Dividends paid to

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holders of series 2005, 2009, 2012 and 2013 shares of approximately \$676 [2014 - \$624] have been used to reduce the respective shareholder loans. The preferred dividends are paid once a year during the first quarter.

During the three month period ended March 31, 2015, 42,303 series 2005 shares and 31,149 series 2009 shares [three month period ended March 31, 2014 – 77,094 series 2005 shares] were converted into common shares with a stated value of approximately \$399 and \$276 respectively [three month period ended March 31, 2014 - \$728].

During the three month period ended March 31, 2015, the Company cancelled Nil series 2009 shares [three month period ended March 31, 2014 – 6,722], 4,760 series 2012 shares [three month period ended March 31, 2014 – Nil] and Nil series 2013 shares [three month period ended March 31, 2014 – 3,930] in the amount of \$Nil, \$59 and \$Nil, respectively [three month period ended March 31, 2014 – \$59, \$Nil and \$45].

Employee share purchase loans have been netted against the redeemable share liability, as the Company has the legally enforceable right of set-off and the positive intent to settle on a net basis.

During the year ended December 31, 2014, the Company issued 740,000 series 2014 shares for proceeds of \$11,137. In addition, the Company advanced non-interest bearing loans in the amount of \$11,137 to certain of its employees to acquire these shares.

11. LOANS AND BORROWINGS

Convertible debentures

On March 28, 2013 (“Issuance Date”), the Company closed an offering in which the shareholders of The Brick purchased \$100,000 principal amount of 3% convertible unsecured debentures due on March 28, 2023 (“Maturity Date”). Interest is due semi-annually in arrears on June 30 and December 31 in each year. The convertible debentures are convertible, at the option of the holder, at any time during the period between the ninetieth day prior to the fourth anniversary of the Issuance Date and the third business day prior to the Maturity Date in whole or in multiples of one thousand dollars, into fully paid common shares of the Company at the conversion rate of 79.12707 common shares per one thousand dollars principal amount of debentures subject to certain adjustments. The Company has the right to settle the convertible debentures in cash or shares during any time subsequent to the fourth anniversary of the Issuance Date and on the Maturity Date. There are additional conversion options available to debenture holders in the event of an increase in the Company’s dividend rate or in the event of a change in control of the Company. The convertible debentures are unsecured obligations of the Company and are subordinated in right of payment to all of the Company’s senior indebtedness.

The Company will accrete the carrying value of the convertible debentures to their contractual face value of \$100,000 through a charge to net income over their term. This charge will be included in finance costs.

Carrying value of convertible debentures as at December 31, 2014	91,773
Accretion expense for the period ended March 31, 2015	207
Carrying value of convertible debentures as at March 31, 2015	91,980

The effective interest rate for the convertible debentures is 4.3% and includes accretion expense and semi-annual coupon payments.

Brick debentures

On March 11, 2013, in accordance with the terms of the Arrangement Agreement to acquire all the common shares and warrants of The Brick, The Brick issued a tender offer to all debenture holders to redeem their Debentures for a price of one hundred and ten dollars per one hundred dollars of principal value plus accrued and unpaid interest. The Brick received valid tenders for \$17,833 aggregate principal amount of Debentures pursuant to the March 11, 2013 offer, which expired on April 11, 2013. Payment for the Debentures tendered in the amount of \$20,191 comprised of \$19,616 in respect of principal and the 10% premium on principal, and \$575 in respect of accrued interest. The

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remaining principal amount of Debentures outstanding subsequent to the April 11, 2013 repurchase is \$15,000 and bear interest at a fixed rate of 12% per annum payable in cash semi-annually in arrears on June 30 and December 31.

The Debentures matured on May 30, 2014. Payment for the Debentures totalled \$15,740 comprised of \$15,000 in respect of principal and \$740 in respect of accrued interest.

Bank indebtedness

On January 31, 2013, a Senior Secured Credit Agreement was obtained to fund the acquisition of The Brick. The Senior Secured Credit Agreement includes a credit facility, with a syndicate of banks, with a term credit facility limit of \$400,000 and revolving credit facility limit of \$100,000. Under the terms of the Senior Secured Credit Agreement amounts borrowed must be repaid in full by March 28, 2017. Bank indebtedness bears interest based on Canadian prime, Bankers' Acceptance and LIBOR ("London Interbank Offered Rate") rates plus an applicable standby fee on undrawn amounts. Transaction costs in the amount of \$5,193 have been deferred and are being amortized. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. Currently, the Company has entered into a 30-day Bankers' Acceptance with a cost of borrowing of 3.29% that was renewed on March 31, 2015. The term credit facility is repayable in quarterly amounts ranging from \$10,000 to \$15,000. The Company can prepay without penalty amounts outstanding under the facilities at any time. The agreement includes a general security agreement which constitutes a lien on all personal property of the Company. In addition to this, there are financial covenants related to the credit facility.

As at March 31, 2015 the Company is in full compliance of these financial and non-financial covenants.

12. COMMON SHARES

	As at March 31, 2015	As at December 31, 2014
Authorized - Unlimited common shares		
Issued 71,130,337 common shares [2014 – 71,056,885]	31,844	31,169

During the three month period ended March 31, 2015, 42,303 series 2005 shares and 31,149 series 2009 shares [three month period ended March 31, 2014 – 77,094 series 2005 shares] were converted into common shares with a stated value of approximately \$399 and \$276 respectively [three month period ended March 31, 2014 - \$728].

The dividends paid for the three month periods ended March 31, 2015 and March 31, 2014 were \$7,105 [\$0.10 per share] and \$7,063 [\$0.10 per share] respectively.

13. INCOME TAX EXPENSE

	Three month period ended March 31, 2015	Three month period ended March 31, 2014
Current income tax expense	1,496	342
Deferred income tax expense (recovery)	43	(386)
	1,539	(44)

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rates used for the three month periods ended March 31, 2015 and March 31, 2014 was 26.5%.

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14. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of shares outstanding. The weighted average number of shares used in the basic earnings per share calculations amounted to 71,099,717 for the three month period ended March 31, 2015 [three month period ended March 31, 2014 – 70,660,120]. The following table reconciles the profit for the period and the number of shares for the basic and diluted earnings per share calculations:

	Three month period ended March 31, 2015	Three month period ended March 31, 2014
Profit for the period for basic earnings per share	4,106	1,336
Profit for the period for diluted earnings per share	4,809	2,034
Weighted average common shares outstanding	71,099,717	70,660,120
Dilutive effect	11,227,291	11,016,884
Diluted weighted average common shares outstanding	82,327,008	81,677,005
Basic earnings per share	\$0.06	\$0.02
Diluted earnings per share	\$0.06	\$0.02

15. FINANCIAL INSTRUMENTS

Classification of financial instruments and fair value

The classification of the Company's financial instruments, as well as their carrying amounts and fair values, are disclosed in the tables below.

March 31, 2015:

	Measurement	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Loans and receivables				
Trade receivables	Amortized cost	86,181	86,181	Level 2
Available-for-sale				
Restricted marketable securities	Fair value	19,046	19,046	Level 1
Available-for-sale financial assets	Fair value	24,760	24,760	Level 1
Investment properties	Amortized cost	21,974	48,000	Level 3
Derivative instruments				
Other assets	Fair value	2,056	2,056	Level 2
Other financial liabilities				
Bank overdraft	Fair value	26,018	26,018	Level 1
Trade and other payables	Amortized cost	186,324	186,324	Level 2
Provisions	Amortized cost	3,824	3,824	Level 2
Finance lease liabilities	Amortized cost	15,340	15,340	Level 2
Loans and borrowings	Amortized cost	310,903	310,903	Level 2
Convertible debentures	Amortized cost	91,980	150,000	Level 2
Redeemable share liability	Amortized cost	879	879	Level 2

December 31, 2014:

	Measurement	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Loans and receivables				
Cash and cash equivalents	Fair value	17,941	17,941	Level 1
Trade receivables	Amortized cost	112,171	112,171	Level 2
Available-for-sale				
Restricted marketable securities	Fair value	18,310	18,310	Level 1
Available-for-sale financial assets	Fair value	22,358	22,358	Level 1
Investment properties	Amortized cost	21,992	48,000	Level 3
Derivative instruments				
Other assets	Fair value	171	171	Level 2
Other financial liabilities				
Trade and other payables	Amortized cost	197,044	197,044	Level 2
Provisions	Amortized cost	4,576	4,576	Level 2
Finance lease liabilities	Amortized cost	15,851	15,851	Level 2
Loans and borrowings	Amortized cost	315,363	315,363	Level 2

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Convertible debentures	Amortized cost	91,773	138,000	Level 2
Redeemable share liability	Amortized cost	401	401	Level 2

The fair value hierarchy of financial instruments measured at fair value, as at March 31, 2015 includes financial assets of \$43,806, \$88,237 and \$48,000 for Levels 1, 2 and 3 respectively, and financial liabilities of \$26,018, \$667,270 and \$Nil for Levels 1, 2 and 3, respectively.

The carrying amounts of the Company's trade receivables, trade and other payables and debentures approximate their fair values due to their short-term nature.

The carrying amounts of the Company's finance lease liabilities approximate their fair values because the interest rate applied to measure their carrying amount approximates current market interest rates.

The carrying amounts of the Company's loans and borrowings approximate their fair values since they bear interest at rates comparable to market rates at the end of the reporting period.

The fair values of available-for-sale financial assets and restricted marketable securities that are traded in active markets are determined by reference to their quoted closing price or dealer price quotations at the reporting date. For financial instruments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models and comparison to similar instruments for which market observable prices exist.

As at March 31, 2015, the fair value of the convertible debentures was determined using their closing quoted market price (not in thousands of dollars) of \$150.00 per \$100.00 of face value [2014 – \$138.00 per \$100.00 of face value]. For the convertible debentures at March 31, 2015, fair value is calculated based on the face value of the convertible debentures of \$100,000.

The fair values of derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market based observable inputs including interest rate curves, foreign exchange rates and forward and spot prices for currencies.

The Company maintains a notional \$100,000 [2014 – \$100,000] in interest rate swaps that mature by the fourth quarter of 2019 on which it pays a fixed rate of 1.895% and currently receives 1 month BA rate. The Company also maintains other financial derivatives which comprise of foreign exchange forwards, with maturities that do not exceed past the first quarter of 2017. At March 31, 2015, a \$2,056 [2014 – \$171] unrealized receivable was recorded in other assets.

Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

Fair value hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities, the levels of which are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

16. INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[a] The net change in non-cash working capital balances related to operations consists of the following:

	Three month period ended March 31, 2015	Three month period ended March 31, 2014
Trade receivables	25,990	22,975
Inventories	(306)	15,769
Other assets	(3,465)	(2,937)
Trade and other payables	(11,748)	(36,278)
Income taxes payable	(28,397)	(2,633)
Customers' deposits	(17,184)	(11,113)
Provisions	(752)	549
Deferred acquisition costs	(855)	(1,532)
Deferred rent liabilities and lease inducements	471	792
	(36,246)	(14,408)

[b] Supplemental cash flow information:

	Three month period ended March 31, 2015	Three month period ended March 31, 2014
Income taxes paid	31,817	4,138

17. COMPARATIVE FINANCIAL INFORMATION

The comparative Interim Condensed Consolidated Financial Statements have been reclassified from statements previously presented to conform to the presentation of the first quarter 2015 Interim Condensed Consolidated Financial Statements.