

Interim Condensed Consolidated Financial Statements

Leon's Furniture Limited INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)		
(\$ in thousands)	As at June 30 2016	As at December 31 2015
ASSETS		
Current assets		
Cash and cash equivalents	-	7,859
Restricted marketable securities	18,537	18,691
Available-for-sale financial assets	28,254	22,960
Trade receivables	106,775	117,832
Income taxes receivable	24,920	24,920
Inventories <i>[note 5]</i>	289,616	303,961
Deferred acquisition costs	6,407	8,329
Deferred financing costs	268	473
Total current assets	474,777	505,025
Other assets	14,255	6,214
Deferred acquisition costs	13,705	13,093
Property, plant and equipment <i>[note 6]</i>	314,622	323,218
Investment properties <i>[note 7]</i>	18,242	18,496
Intangible assets <i>[note 8]</i>	314,528	318,214
Goodwill	390,120	390,120
Deferred income tax assets	8,588	9,083
Total assets	1,548,837	1,583,463
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank overdraft	10,582	-
Trade and other payables	173,706	206,076
Provisions	5,669	5,343
Income taxes payable	710	7,266
Customers' deposits	102,323	112,446
Finance lease liability	2,002	1,954
Dividends payable	7,175	7,141
Deferred warranty plan revenue	51,095	49,380
Loans and borrowings <i>[note 10]</i>	288,248	50,000
Other liabilities	9,450	-
Total current liabilities	650,960	439,606
Loans and borrowings <i>[note 10]</i>	-	237,357
Convertible debentures <i>[note 10]</i>	93,070	92,628
Finance lease liability	10,884	11,895
Deferred warranty plan revenue	90,859	95,775
Redeemable share liability <i>[note 9]</i>	503	880
Deferred rent liabilities and lease inducements	10,646	8,858
Deferred income tax liabilities	90,388	96,062
Total liabilities	947,310	983,061
Shareholders' equity attributable to the shareholders of the Company		
Common shares <i>[note 11]</i>	38,016	34,389
Equity component of convertible debentures <i>[note 10]</i>	7,089	7,089
Retained earnings	556,442	558,526
Accumulated other comprehensive income (loss)	(20)	398
Total shareholders' equity	601,527	600,402
Total liabilities and shareholders' equity	1,548,837	1,583,463

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 June 30		Six months ended June 30	
	2016	2015	2016	2015
Revenue	516,184	492,939	979,631	922,628
Cost of sales <i>[note 5]</i>	299,780	279,122	569,278	523,620
Gross profit	216,404	213,817	410,353	399,008
Operating expenses				
Selling, general and administration expenses	189,246	188,292	385,952	363,484
Operating profit	27,158	25,525	24,401	35,524
Finance costs	(3,973)	(4,920)	(8,504)	(9,719)
Finance income	418	323	1,184	768
Net income before income tax	23,603	20,928	17,081	26,573
Income tax expense <i>[note 12]</i>	6,644	5,932	4,834	7,471
Net income for the period	16,959	14,996	12,247	19,102
Weighted average number of common shares outstanding				
Basic	71,676,339	71,152,777	71,599,750	71,126,349
Diluted	83,154,159	82,257,041	83,175,110	82,325,790
Earnings per share <i>[note 13]</i>				
Basic	\$ 0.24	\$ 0.21	\$ 0.17	\$ 0.27
Diluted	\$ 0.21	\$ 0.19	\$ 0.16	\$ 0.25

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Leon's Furniture Limited
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(\$ in thousands)	Three months ended June 30		
	2016	Tax effect	Net of tax 2016
Net income for the period	16,959	-	16,959
Other comprehensive income, net of tax			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains on available-for-sale financial assets arising during the period	139	38	101
Reclassification adjustment for net losses included in profit for the period	(171)	(45)	(126)
Change in unrealized losses on available-for-sale financial assets arising during the period	(32)	(7)	(25)
Comprehensive income for the period	16,927	(7)	16,934
(\$ in thousands)	Three months ended June 30		
	2015	Tax effect	Net of tax 2015
Net income for the period	14,996	-	14,996
Other comprehensive income, net of tax			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:			
Unrealized losses on available-for-sale financial assets arising during the period	(489)	(129)	(360)
Reclassification adjustment for net gains included in profit for the period	11	3	8
Change in unrealized losses on available-for-sale financial assets arising during the period	(478)	(126)	(352)
Comprehensive income for the period	14,518	(126)	14,644

(\$ in thousands)	Six months ended June 30		
	2016	Tax effect	Net of tax 2016
Net income for the period	12,247	-	12,247
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	7	(58)	65
Reclassification adjustment for net losses included in profit for the period	(658)	(175)	(483)
Change in unrealized losses on available-for-sale financial assets arising during the period	(651)	(233)	(418)
Comprehensive income for the period	11,596	(233)	11,829
(\$ in thousands)	Six months ended June 30		
	2015	Tax effect	Net of tax 2015
Net income for the period	19,102	-	19,102
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	(504)	(135)	(369)
Reclassification adjustment for net gains included in profit for the period	10	3	7
Change in unrealized losses on available-for-sale financial assets arising during the period	(494)	(132)	(362)
Comprehensive income for the period	18,608	(132)	18,740

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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)	Retained earnings	Total
As at December 31, 2014	7,089	31,169	449	510,398	549,105
Comprehensive income					
Net income for the period	-	-	-	19,102	19,102
Change in unrealized losses on available-for-sale financial assets arising during the period	-	-	(362)	-	(362)
Total comprehensive income	-	-	(362)	19,102	18,740
Transactions with shareholders					
Dividends declared	-	-	-	(14,230)	(14,230)
Management share purchase plan <i>[note 9]</i>	-	1,081	-	-	1,081
Total transactions with shareholders	-	1,081	-	(14,230)	(13,149)
As at June 30, 2015	7,089	32,250	87	515,270	554,696
As at December 31, 2015	7,089	34,389	398	558,526	600,402
Comprehensive income					
Net loss for the period	-	-	-	12,247	12,247
Change in unrealized losses on available-for-sale financial assets arising during the period	-	-	(418)	-	(418)
Total comprehensive loss	-	-	(418)	12,247	11,829
Transactions with shareholders					
Dividends declared	-	-	-	(14,331)	(14,331)
Management share purchase plan <i>[note 9]</i>	-	3,627	-	-	3,627
Total transactions with shareholders	-	3,627	-	(14,331)	(10,704)
As at June 30, 2016	7,089	38,016	(20)	556,442	601,527

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Leon's Furniture Limited INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)		
(\$ in thousands)	Six months ended June 30	
	2016	2015
OPERATING ACTIVITIES		
Net income for the period	12,247	19,102
Add (deduct) items not involving an outlay of cash		
Depreciation of property, plant and equipment and investment properties	16,554	16,288
Amortization of intangible assets	3,814	3,980
Amortization of deferred warranty plan revenue	(20,380)	(31,158)
Net finance costs	7,320	8,951
Deferred income taxes	(5,043)	(2,525)
Gain on sale of property, plant and equipment and investment properties	(30)	(52)
Loss (gain) on sale of available-for-sale financial assets	(631)	6
	13,851	14,592
Net change in non-cash working capital balances related to operations <i>[note 15]</i>	(18,370)	(70,477)
Cash received on warranty plan sales	17,178	29,761
Cash provided by (used in) operating activities	12,659	(26,124)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties <i>[notes 6 & 7]</i>	(7,744)	(7,827)
Purchase of intangible assets <i>[note 8]</i>	(128)	(4,303)
Proceeds on sale of property, plant and equipment and investment properties	70	85
Purchase of available-for-sale financial assets	(15,141)	(6,203)
Proceeds on sale of available-for-sale financial assets	9,982	3,724
Interest received	853	674
Cash used in investing activities	(12,108)	(13,850)
FINANCING ACTIVITIES		
Repayment of finance leases	(929)	(971)
Dividends paid	(14,297)	(14,217)
Decrease of employee loans-redeemable shares <i>[note 9]</i>	3,250	1,560
Proceeds from revolving loan <i>[note 10]</i>	20,000	14,987
Repayment of term loan <i>[note 10]</i>	(20,000)	(10,000)
Interest paid	(7,016)	(7,673)
Cash used in financing activities	(18,992)	(16,314)
Net decrease in cash and cash equivalents during the period	(18,441)	(56,288)
Cash and cash equivalents, beginning of period	7,859	45,900
Bank overdraft, end of period	(10,582)	(10,388)

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