



LEON'S FURNITURE LIMITED

**Interim Condensed Consolidated Financial Statements**

For the period ended September 30, 2024

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## Interim Consolidated Statements of Financial Position (unaudited)

As at				
(C\$ in thousands)	Notes	September 30, 2024	December 31, 2023	September 30, 2023
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		125,039	82,744	88,389
Restricted marketable securities		-	414	404
Debt securities		88,849	73,718	92,091
Equity securities		35,329	30,685	31,609
Trade receivables		182,781	197,759	180,673
Income taxes recoverable		9,632	7,174	7,946
Inventories	5	377,196	416,596	430,090
Deferred acquisition costs		13,699	13,353	13,137
Prepaid expenses and other assets		19,979	12,612	19,552
Derivative assets	16	833	-	1,337
Total current assets		853,337	835,055	865,228
<b>Non-current assets</b>				
Deferred acquisition costs		22,389	22,632	22,161
Loan receivable	11	15,714	19,669	19,822
Property, plant and equipment and right-of-use assets	6	647,930	651,764	631,943
Investment properties	7	13,813	14,090	14,185
Intangible assets	8	270,938	271,213	270,629
Goodwill		390,120	390,120	390,120
Deferred income tax assets		17,498	17,296	17,059
Total non-current assets		1,378,402	1,386,784	1,365,919
<b>Total assets</b>		<b>2,231,739</b>	<b>2,221,839</b>	<b>2,231,147</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		288,726	282,937	296,648
Current portion of provisions		10,915	9,736	12,484
Income taxes payable		2,265	3,694	2,347
Customers' deposits		146,201	160,346	154,052
Current portion of lease liabilities	9	78,531	75,127	74,479
Dividends payable		13,638	12,246	10,885
Current portion of deferred warranty plan and insurance revenue		70,301	68,229	66,814
Current portion of long-term debt	10	7,500	7,500	3,750
Derivative liabilities	16	-	2,265	-
Total current liabilities		618,077	622,080	621,459
<b>Non-current liabilities</b>				
Long-term debt	10	82,500	92,500	156,250
Lease liabilities	9	245,944	278,798	269,042
Deferred warranty plan and insurance revenue		110,874	111,178	109,213
Provisions		20,742	20,360	17,406
Deferred income tax liabilities		66,980	68,399	68,075
Total non-current liabilities		527,040	571,235	619,986
<b>Total liabilities</b>		<b>1,145,117</b>	<b>1,193,315</b>	<b>1,241,445</b>
<b>Shareholders' equity</b>				
Common shares	12	167,216	164,875	164,864
Retained earnings		906,289	856,891	822,878
Accumulated other comprehensive income		13,117	6,758	1,960
<b>Total shareholders' equity</b>		<b>1,086,622</b>	<b>1,028,524</b>	<b>989,702</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,231,739</b>	<b>2,221,839</b>	<b>2,231,147</b>

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

## Interim Consolidated Statements of Income (unaudited)

For the		Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(C\$ in thousands except share and per share amounts)	Notes				
Revenue	13	651,934	660,991	1,831,851	1,767,847
Cost of sales	5	366,397	369,908	1,028,392	993,387
Gross profit		285,537	291,083	803,459	774,460
Selling, general and administrative expenses		232,356	237,704	681,518	658,101
Other (income) loss		460	(20,854)	(3,098)	(20,071)
Net finance costs		3,800	4,919	11,501	15,291
Net income before income tax		48,921	69,314	113,538	121,139
Income tax expense	14	12,060	17,044	27,692	28,529
Net income for the period		36,861	52,270	85,846	92,610
Weighted average number of common shares outstand	15				
Basic		68,182,137	68,000,714	68,126,175	67,915,967
Diluted		68,646,871	68,642,290	68,646,525	68,633,107
Earnings per share	15				
Basic		\$0.54	\$0.77	\$1.26	\$1.36
Diluted		\$0.54	\$0.76	\$1.25	\$1.35
Dividends declared per share					
Common		\$0.20	\$0.16	\$0.56	\$0.48

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

## Interim Consolidated Statements of Comprehensive Income (unaudited)

For the	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(C\$ in thousands)				
<b>Net income for the period</b>	<b>36,861</b>	52,270	<b>85,846</b>	92,610
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified subsequently to profit or loss:				
Gain (loss) on debt instruments arising during the period	<b>2,617</b>	(939)	<b>2,530</b>	(1,019)
Reclassification adjustment for gain on disposal of debt instruments	-	-	<b>2</b>	-
Item that will not be reclassified to profit or loss:				
Gain (loss) on equity instruments arising during the period	<b>2,185</b>	(1,076)	<b>4,112</b>	(481)
Income tax (expense) recovery on the above	<b>(220)</b>	123	<b>(285)</b>	110
Other comprehensive income / (loss) for the period	<b>4,582</b>	(1,892)	<b>6,359</b>	(1,390)
<b>Comprehensive income for the period</b>	<b>41,443</b>	50,378	<b>92,205</b>	91,220

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

## Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(C\$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
<b>As at December 31, 2023</b>	<b>164,875</b>	<b>6,758</b>	<b>856,891</b>	<b>1,028,524</b>
<b>Comprehensive income</b>				
Net income for the period	-	-	85,846	85,846
Other comprehensive income for the period	-	6,359	-	6,359
<b>Total comprehensive income</b>	<b>-</b>	<b>6,359</b>	<b>85,846</b>	<b>92,205</b>
<b>Transactions with shareholders</b>				
Dividends declared	-	-	(38,153)	(38,153)
Management share purchase plan [note 11]	2,046	-	-	2,046
Share repurchase commitment	295	-	1,705	2,000
<b>Total transactions with shareholders</b>	<b>2,341</b>	<b>-</b>	<b>(36,448)</b>	<b>(34,107)</b>
<b>As at September 30, 2024</b>	<b>167,216</b>	<b>13,117</b>	<b>906,289</b>	<b>1,086,622</b>

(C\$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
<b>As at December 31, 2022</b>	<b>162,636</b>	<b>3,350</b>	<b>762,899</b>	<b>928,885</b>
<b>Comprehensive income</b>				
Net income for the period	-	-	92,610	92,610
Other comprehensive loss for the period	-	(1,390)	-	(1,390)
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,390)</b>	<b>92,610</b>	<b>91,220</b>
<b>Transactions with shareholders</b>				
Dividends declared	-	-	(32,618)	(32,618)
Management share purchase plan [note 11]	2,215	-	-	2,215
Share repurchase commitment	13	-	(13)	-
<b>Total transactions with shareholders</b>	<b>2,228</b>	<b>-</b>	<b>(32,631)</b>	<b>(30,403)</b>
<b>As at September 30, 2023</b>	<b>164,864</b>	<b>1,960</b>	<b>822,878</b>	<b>989,702</b>

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

## Interim Consolidated Statements of Cash Flows (unaudited)

For the	Nine months ended		
(C\$ in thousands)	Notes	September 30, 2024	September 30, 2023
<b>Operating activities</b>			
Net income before income tax		113,538	121,139
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		79,139	79,997
Amortization of intangible assets		924	797
Amortization of deferred warranty plan revenue	13	(51,109)	(46,995)
Amortization of deferred insurance revenue	13	(18,765)	(18,213)
Amortization of premium		(77)	(124)
Net finance costs		11,501	15,291
Gain on sale of property, plant and equipment and investment properties		(220)	(49)
Gain on settlement of warrant		-	(20,000)
Gain on sale of marketable securities		(2)	-
Fair value gain on loan receivable		(1,608)	(938)
		133,321	130,905
Change in operating working capital	17	40,123	1,697
Cash received on warranty plan sales		52,877	51,601
Cash received on insurance sales		18,765	18,213
Income taxes paid		(33,488)	(31,183)
Cash provided by operating activities		211,598	171,233
<b>Investing activities</b>			
Purchase of property, plant and equipment	6	(46,838)	(26,674)
Purchase of intangible assets	8	(649)	(1,685)
Proceeds on sale of property, plant and equipment and investment properties		263	74
Purchase of debt and equity instruments		(30,216)	(35,720)
Proceeds on sale of debt and equity instruments		17,576	21,482
Repayment of loan receivable		5,357	1,464
Proceeds on settlement of warrant		-	20,000
Interest received		4,914	5,429
Cash used in investing activities		(49,593)	(15,630)
<b>Financing activities</b>			
Payment of lease liabilities	9	(57,682)	(55,875)
Dividends paid		(36,761)	(32,591)
Decrease of employee loans-redeemable shares		2,046	2,215
Repayment of long-term debt	10	(20,000)	(74,375)
Issuance of long-term debt	10	10,000	-
Interest paid		(17,313)	(21,715)
Cash used in financing activities		(119,710)	(182,341)
<b>Net decrease in cash and cash equivalents during the period</b>		<b>42,295</b>	<b>(26,738)</b>
Cash and cash equivalents, beginning of period		82,744	115,127
<b>Cash and cash equivalents, end of period</b>		<b>125,039</b>	<b>88,389</b>

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

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### 1. Reporting Entity

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Leon's Furniture Limited ("Leon's" or the "Company") was incorporated by the 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) 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.

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

### 2. Basis of Presentation

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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 interim condensed consolidated 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 Thursday, November 7, 2024.

### 3. Summary of Significant Accounting Policies

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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, 2023. The disclosure contained in these interim condensed consolidated financial statements does not include all requirements in IAS 1, *Presentation of Financial Statements* ("IAS 1"). Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023.

#### Segment reporting

The Company has two operating segments, Leon's and The Brick, both in the business of the sale of home furnishings, mattresses, appliances and electronics in Canada. The Company's chief operating decision-maker, identified as the Chief Executive Officer, monitors the results of operating segments for the purpose of allocating resources and assessing performance.

Leon's and The Brick operating segments are aggregated into a single reportable segment because they show a similar long-term economic performance (gross margin), have comparable products, customers and distribution channels, operate in the same regulatory environment, and are steered and monitored together.

Accordingly, there is no reportable segment information to provide in these interim condensed consolidated financial statements.

#### Adoption of new accounting standards

##### Amendments to IAS 1, *Presentation of Financial Statements*

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The adoption of this standard did not have a material impact on the financial statements.



## **Leon's Furniture Limited**

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### **Accounting standards and amendments issued but not yet adopted**

#### **Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates***

In August 2023, the IASB issued amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The adoption of this standard will not have a material impact on the financial statements.

#### **IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")**

The IASB issued IFRS 18 "Presentation and Disclosure in the Financial Statements" ("IFRS 18"), which sets out requirements and guidance on presentation and disclosure in financial statements, including:

- Presentation in income statement of income and expenses within five defined categories: operating, investing, financing, income taxes, and discontinued operations
- Presentation in the income statements of new defined subtotals for operating profit and profit before financing and income taxes
- Enhanced guidance on aggregation and disaggregation of information and whether to provide information in the financial statements or in the notes
- Disclosure of specified expenses by nature
- Disclosure of explanations of management-defined performance measures

IFRS 18 will replace IAS 1 "Presentation of Financial Statements" but carries forward many requirements from IAS 1 without any change. The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

#### **Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments**

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments include, among others:

- Clarify that a financial liability is to be derecognized on the 'settlement date' and introduces an accounting policy to derecognize financial liabilities settled through an electronic payment system before settlement date if certain conditions are met; and
- Require additional disclosures for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

These amendments will be effective for annual periods beginning on or after January 1, 2026 and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. The Company does not expect material impacts from these amendments on its interim financial statements.

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### 4. Capital Risk Management

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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 currently includes working capital, debt and equity securities, lease liabilities, term credit facility and borrowing capacity available under the revolving credit facilities (note 10). As at September 30, 2024, \$189,307 is available to draw on under the Company's \$200,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of \$6,943 (December 31, 2023 - \$6,943) and utilizing \$3,750 of the revolving credit facility.

Under the Senior Secured Credit Agreement ("SSCA"), 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 September 30, 2024.

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. Refer to note 25 in the fiscal year 2023 consolidated financial statements.

### 5. Inventories

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The amount of inventory recognized as an expense for the three and nine months ended September 30, 2024 was \$355,091 (three months ended September 30, 2023 - \$355,588) and \$985,516 (nine months ended September 30, 2023 - \$950,562), which is presented within cost of sales in the unaudited interim condensed consolidated statements of income.

During the three and nine months ended September 30, 2024, there were \$499 and \$524 in inventory write downs (three and nine months ended September 30, 2023 - \$358 and \$1,200 inventory write down reversals).

As at September 30, 2024, the inventory markdown provision totaled \$7,352 (as at December 31, 2023 - \$6,829).

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### 6. Property, Plant and Equipment and Right-Of-Use Assets

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
<b>Cost</b>								
Balance as at December 31, 2023	111,304	313,658	190,520	71,809	249,576	686,196	2,232	1,625,295
Additions	-	29,844	10,852	2,401	5,240	27,299	-	75,636
Disposals	-	-	(423)	(911)	(1,995)	(2,063)	(104)	(5,496)
<b>Balance as at September 30, 2024</b>	<b>111,304</b>	<b>343,502</b>	<b>200,949</b>	<b>73,299</b>	<b>252,821</b>	<b>711,432</b>	<b>2,128</b>	<b>1,695,435</b>
<b>Accumulated depreciation</b>								
Balance as at December 31, 2023	-	182,831	146,326	50,269	218,537	374,103	1,465	973,531
Depreciation	-	6,544	5,814	3,559	5,672	57,019	243	78,851
Disposals	-	-	(405)	(835)	(1,991)	(1,542)	(104)	(4,877)
<b>Balance as at September 30, 2024</b>	<b>-</b>	<b>189,375</b>	<b>151,735</b>	<b>52,993</b>	<b>222,218</b>	<b>429,580</b>	<b>1,604</b>	<b>1,047,505</b>
<b>Net book value as at September 30, 2024</b>	<b>111,304</b>	<b>154,127</b>	<b>49,214</b>	<b>20,306</b>	<b>30,603</b>	<b>281,852</b>	<b>524</b>	<b>647,930</b>

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
<b>Cost</b>								
Balance as at December 31, 2022	111,304	292,365	187,814	65,664	249,753	581,316	2,292	1,490,508
Additions	-	21,293	9,260	6,735	6,138	106,265	-	149,691
Disposals	-	-	(6,554)	(590)	(6,315)	(1,385)	(60)	(14,904)
<b>Balance as at December 31, 2023</b>	<b>111,304</b>	<b>313,658</b>	<b>190,520</b>	<b>71,809</b>	<b>249,576</b>	<b>686,196</b>	<b>2,232</b>	<b>1,625,295</b>
<b>Accumulated depreciation</b>								
Balance as at December 31, 2022	-	174,870	144,874	45,990	215,770	299,338	1,201	882,043
Depreciation	-	7,961	7,978	4,868	9,078	76,150	324	106,359
Disposals	-	-	(6,526)	(589)	(6,311)	(1,385)	(60)	(14,871)
<b>Balance as at December 31, 2023</b>	<b>-</b>	<b>182,831</b>	<b>146,326</b>	<b>50,269</b>	<b>218,537</b>	<b>374,103</b>	<b>1,465</b>	<b>973,531</b>
<b>Net book value as at December 31, 2023</b>	<b>111,304</b>	<b>130,827</b>	<b>44,194</b>	<b>21,540</b>	<b>31,039</b>	<b>312,093</b>	<b>767</b>	<b>651,764</b>

Included in the above balances as at September 30, 2024, are assets not being amortized with a net book value of approximately \$49,945 (as at December 31, 2023 - \$27,558), being construction in progress. Depreciation of property, plant and equipment is included within selling, general and administrative expenses on the unaudited interim consolidated statements of income.

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### 7. Investment Properties

(C\$ in thousands)	Land	Buildings	Building improvements	Total
<b>Cost</b>				
Balance as at December 31, 2023	10,646	15,396	953	26,995
Additions	-	-	11	11
<b>Balance as at September 30, 2024</b>	<b>10,646</b>	<b>15,396</b>	<b>964</b>	<b>27,006</b>
<b>Accumulated depreciation</b>				
Balance as at December 31, 2023	-	12,254	651	12,905
Depreciation	-	255	33	288
<b>Balance as at September 30, 2024</b>	<b>-</b>	<b>12,509</b>	<b>684</b>	<b>13,193</b>
<b>Net book value as at September 30, 2024</b>	<b>10,646</b>	<b>2,887</b>	<b>280</b>	<b>13,813</b>

(C\$ in thousands)	Land	Buildings	Building improvements	Total
<b>Cost</b>				
Balance as at December 31, 2022	10,646	15,396	953	26,995
<b>Balance as at December 31, 2023</b>	<b>10,646</b>	<b>15,396</b>	<b>953</b>	<b>26,995</b>
<b>Accumulated depreciation</b>				
Balance as at December 31, 2022	-	11,924	601	12,525
Depreciation	-	330	50	380
<b>Balance as at December 31, 2023</b>	<b>-</b>	<b>12,254</b>	<b>651</b>	<b>12,905</b>
<b>Net book value as at December 31, 2023</b>	<b>10,646</b>	<b>3,142</b>	<b>302</b>	<b>14,090</b>

The estimated fair value of the investment properties portfolio as at September 30, 2024, was approximately \$40,500 (as at December 31, 2023 - \$40,500). This recurring fair value disclosure is categorized within Level 3 of the fair value hierarchy (note 16 for definition of levels). This was compiled internally by management based on available market evidence.

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

### 8. Intangible Assets

(C\$ in thousands)	Customer relationships, brand name and franchise agreements	Computer software	Total
<b>Cost</b>			
Balance as at December 31, 2023	275,500	20,872	296,372
Additions	-	649	649
Disposals	-	(1,327)	(1,327)
<b>Balance as at September 30, 2024</b>	<b>275,500</b>	<b>20,194</b>	<b>295,694</b>
<b>Accumulated amortization</b>			
Balance as at December 31, 2023	9,500	15,659	25,159
Amortization	-	924	924
Disposals	-	(1,327)	(1,327)
<b>Balance as at September 30, 2024</b>	<b>9,500</b>	<b>15,256</b>	<b>24,756</b>
<b>Net book value as at September 30, 2024</b>	<b>266,000</b>	<b>4,938</b>	<b>270,938</b>

(C\$ in thousands)	Customer relationships, brand name and franchise agreements	Computer software	Total
<b>Cost</b>			
Balance as at December 31, 2022	275,500	18,348	293,848
Additions	-	2,524	2,524
<b>Balance as at December 31, 2023</b>	<b>275,500</b>	<b>20,872</b>	<b>296,372</b>
<b>Accumulated amortization</b>			
Balance as at December 31, 2022	9,500	14,607	24,107
Amortization	-	1,052	1,052
<b>Balance as at December 31, 2023</b>	<b>9,500</b>	<b>15,659</b>	<b>25,159</b>
<b>Net book value as at December 31, 2023</b>	<b>266,000</b>	<b>5,213</b>	<b>271,213</b>

Amortization of intangible assets is included within selling, general and administrative expenses on the unaudited interim consolidated statements of income. The following table presents the details of the Company's indefinite-life intangible assets:

As at (C\$ in thousands)	September 30, 2024	December 31, 2023
The Brick brand name (allocated to The Brick division)	245,000	245,000
The Brick franchise agreements (allocated to The Brick division)	21,000	21,000
<b>Total</b>	<b>266,000</b>	<b>266,000</b>

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.

## Leon's Furniture Limited

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## 9. Leases

### Company as a lessee

#### Leasing arrangements

The Company leases various items of real estate property, vehicles and equipment used in its operations. The lease terms are generally between 5 and 15 years. There are some leases with renewal options, which are included when management is reasonably certain they will be exercised. Management uses significant judgment in determining whether these extensions are reasonably certain to be exercised.

#### Lease liabilities

Carrying amounts of lease liabilities are as follows:

(C\$ in thousands)	September 30, 2024	December 31, 2023
<b>Balance, beginning of period</b>	<b>353,925</b>	322,855
Additions	28,809	107,588
Disposals	(577)	-
Interest	12,820	16,669
Payments	(70,502)	(93,187)
<b>Balance, end of period</b>	<b>324,475</b>	353,925
<b>Reported as:</b>		
Current	78,531	75,127
Non-current	245,944	278,798
<b>Total</b>	<b>324,475</b>	353,925

## Leon's Furniture Limited

Amounts in thousands of Canadian dollars, except share amounts and earnings per share

# 10. Long-term Debt

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## Bank indebtedness

On June 28, 2024, the Company completed an amending agreement number two to its existing Senior Secured Credit Agreement ("SSCA"). Under this amendment, the Company's total credit facility was adjusted to \$286,250. Out of the total amount, \$86,250 was related to its term loan and the remaining \$200,000 is attributable to the Company's revolving credit facility. The amount borrowed under this amendment must be repaid in full by May 31, 2026. The Company has drawn \$3,750 under the revolving credit facility and has \$86,250 outstanding for its term loan as at September 30, 2024. In addition, the Company adopted the Canadian Overnight Repo Rate Average ("CORRA") as the new base reference rate, given the discontinuation of the Canadian Dollar Offered Rate ("CDOR").

Bank indebtedness bears interest based on Canadian prime rate, Secured Overnight Financing Rate ("SOFR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. The term credit facility is repayable in the amount of \$7,500 per annum, with the remainder due on maturity. Currently, the Company has entered into a 34-day Bankers' Acceptance with a cost of borrowing of 5.39% that was renewed on September 27, 2024.

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 property of the Company. In addition to this, there are financial covenants related to the credit facility. As at September 30, 2024, the Company was in full compliance of these financial and non-financial covenants.

# 11. Management Share Purchase Plan

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## Employee benefit plan

Members of senior management participate in the Company's Management Share Purchase Plan ("MSPP"). Under the terms of the MSPP, the Company advanced non-interest bearing loans to certain of its employees in 2018 and 2022 to allow them to acquire common shares of the Company. Participation in the MSPP is voluntary. The common shares purchased under the MSPP are held in trust by a trustee for the benefit of the employee until the later of three years from the date of issue and the date the related loan to acquire the shares is repaid in full. While such shares are held in trust, any dividends paid on these common shares are credited against the related loan.

During 2018, a total of 1,188,873 of the 2018 series of common shares were issued under the 2018 MSPP to senior management employees at \$15.30 per share. The Company recognized a loan receivable in the amount of \$13,191 (recognized at fair value) and a deferred compensation expense of \$2,315. The common shares issued of \$15,506 are shown within common shares on the interim consolidated statements of financial position.

During 2022, a total of 903,013 of the 2022 series of common shares were issued under the 2022 MSPP to senior management employees at \$17.29 per share. The Company recognized a loan receivable in the amount of \$11,274 (recognized at fair value) and a deferred compensation expense of \$1,517. The common shares issued of \$12,791 are shown within common shares on the interim consolidated statements of financial position.

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### Loan receivable

As at

(C\$ in thousands)	September 30, 2024	December 31, 2023
<b>Balance, beginning of period</b>	<b>19,669</b>	20,348
Fair value adjustment	1,402	1,067
Forfeiture	(997)	-
Dividends paid	(750)	(1,045)
Loan repayment	(3,610)	(701)
<b>Balance, end of period</b>	<b>15,714</b>	19,669

### Deferred compensation expense

	September 30, 2024	December 31, 2023
<b>Balance, beginning of period</b>	<b>2,435</b>	2,811
Compensation expense	(369)	(376)
<b>Balance, end of period</b>	<b>2,066</b>	2,435

### Redeemable share liability

As at

(C\$ in thousands)	September 30, 2024	December 31, 2023
<b>Authorized</b>		
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		
880,000 convertible, non-voting, series 2015 shares		
<b>Issued and fully paid</b>		
44,929 series 2012 shares (December 31, 2023 - 46,113)	558	572
162,581 series 2013 shares (December 31, 2023 - 232,081)	1,852	2,644
96,498 series 2014 shares (December 31, 2023 - 132,887)	1,452	2,000
152,362 series 2015 shares (December 31, 2023 - 203,762)	2,051	2,743
Less employee share purchase loans	(5,906)	(7,952)
<b>Total</b>	<b>7</b>	7

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2012, 2013, 2014 and 2015 to allow them to acquire convertible, series 2012 shares, series 2013 shares, series 2014 shares and series 2015 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 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 thirteenth anniversary of such issue. Each issued and fully paid for series 2013, series 2014 and series 2015 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 thirteenth anniversary of such issue. The series 2012, series 2013, series 2014 and series 2015 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 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The Company has the option to redeem the series 2013, series 2014 and series 2015 shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the thirteenth 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 \$12.41 per series 2012 share, \$11.39 per series 2013 share, \$15.05 per series 2014 share and \$13.46 per series 2015 share. Dividends paid to holders of series 2012, 2013, 2014 and 2015 shares of approximately \$197 (2023 - \$251) have been used to reduce the respective shareholder loans. The preferred dividends are paid once a year during the first quarter.



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During the nine-month period ended September 30, 2024, 1,184 series 2012 shares, 69,500 series 2013 shares, 36,389 series 2014 shares and 51,400 series 2015 shares (nine-month period ended September 30, 2023 - 9,779 series 2012 shares, 53,838 series 2013 shares, 42,299 series 2014 shares and 62,689 series 2015 shares) were converted into common shares with a stated value of approximately \$15, \$792, \$548 and \$692, respectively (nine-month period ended September 30, 2023 - \$121, \$613, \$637 and \$844 respectively).

During the nine-month period ended September 30, 2024, the Company did not cancel any shares from any of the series of shares (nine-month period ended September 30, 2023 - no shares were cancelled in any of the series of shares).

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. This balance is included under trade and other payables on the interim consolidated statements of financial position.

## 12. Common Shares

As at	September 30, 2024	December 31, 2023
(C\$ in thousands)		
<b>Authorized - Unlimited common shares</b>		
<b>Issued</b>		
68,190,501 common shares (2023 - 68,032,028)	167,216	164,875

For MSPP shares converted into common shares during the year, please see Note 11.

As at September 30, 2024 and 2023, dividends payable were \$13,638 (\$0.20 per share) and \$10,885 (\$0.16 per share), respectively.

## 13. Revenue

### Disaggregation of revenue

For the	Nine months ended	
(C\$ in thousands)	September 30, 2024	September 30, 2023
Sales of goods by corporate stores	1,737,629	1,679,023
Income from franchise operations	23,099	22,363
Extended warranty revenue	51,109	46,995
Insurance sales revenue	18,765	18,213
Rental income from investment property	1,249	1,252
<b>Total</b>	<b>1,831,851</b>	<b>1,767,846</b>

For the	Three months ended	
(C\$ in thousands)	September 30, 2024	September 30, 2023
Sales of goods by corporate stores	619,174	630,484
Income from franchise operations	8,002	8,021
Extended warranty revenue	17,420	16,020
Insurance sales revenue	6,937	6,024
Rental income from investment property	401	442
<b>Total</b>	<b>651,934</b>	<b>660,991</b>

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### 14. Income Tax Expense

For the (C\$ in thousands)	Three months ended	
	September 30, 2024	September 30, 2023
Current income tax expense	12,578	17,800
Deferred income tax recovery	(518)	(756)
<b>Total</b>	<b>12,060</b>	<b>17,044</b>

  

For the (C\$ in thousands)	Nine months ended	
	September 30, 2024	September 30, 2023
Current income tax expense	29,500	31,492
Deferred income tax recovery	(1,808)	(2,963)
<b>Total</b>	<b>27,692</b>	<b>28,529</b>

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 nine-month period ended September 30, 2024 and September 30, 2023 were 24.4% and 23.6%, respectively.

## Leon's Furniture Limited

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### 15. Earnings Per Share

Earnings per share are calculated using the weighted average number of common shares outstanding. The following table reconciles the net income for the period and the number of shares for the basic and diluted earnings per share calculations:

For the	Three months ended	
(C\$ in thousands except share and per share amounts)	September 30, 2024	September 30, 2023
Net income for the period for basic earnings per share	36,861	52,270
Net income for the period for diluted earnings per share	36,861	52,270
Weighted average number of common shares outstanding	68,182,137	68,000,714
Dilutive effect	464,734	641,576
Dilutive weighted average number of common shares outstanding	68,646,871	68,642,290
Basic earnings per share	\$0.54	\$0.77
Diluted earnings per share	\$0.54	\$0.76

For the	Nine months ended	
(C\$ in thousands except share and per share amounts)	September 30, 2024	September 30, 2023
Net income for the period for basic earnings per share	85,846	92,610
Net income for the period for diluted earnings per share	85,846	92,610
Weighted average number of common shares outstanding	68,126,175	67,915,967
Dilutive effect	520,350	717,140
Dilutive weighted average number of common shares outstanding	68,646,525	68,633,107
Basic earnings per share	\$1.26	\$1.36
Diluted earnings per share	\$1.25	\$1.35

### 16. Financial Instruments

#### Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business is within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at September 30, 2024, unrestricted liquidity was \$438,524 comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

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### 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.

As at	September 30, 2024			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	125,039	125,039	Level 1
Trade receivables	Amortized cost	182,781	182,781	Level 2
Equity securities	FVOCI	35,329	35,329	Level 1
Debt securities	FVOCI	88,749	88,749	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	15,714	15,714	Level 2
Derivative Assets	FVTPL	833	833	Level 2
<b>Financial liabilities</b>				
Trade and other payables	Amortized cost	288,726	288,726	Level 2
Long-term debt	Amortized cost	90,000	90,000	Level 2

As at	December 31, 2023			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	82,744	82,744	Level 1
Trade receivables	Amortized cost	197,759	197,759	Level 2
Restricted marketable securities	FVOCI	414	414	Level 1
Equity securities	FVOCI	30,685	30,685	Level 1
Debt securities	FVOCI	73,618	73,618	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	19,669	19,669	Level 2
<b>Financial liabilities</b>				
Trade and other payables	Amortized cost	282,937	282,937	Level 2
Long-term debt	Amortized cost	100,000	100,000	Level 2
Derivative liabilities	FVTPL	2,265	2,265	Level 2

The fair value hierarchy of financial instruments measured at fair value as at September 30, 2024 includes financial assets of \$249,117, \$199,428 and \$nil for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$378,726 and \$nil for Levels 1, 2 and 3, respectively.

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

The carrying amounts of the Company's long-term debt 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 debt and equity instruments, including 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.

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.

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The Company maintains other financial derivatives, which comprises foreign exchange forwards, with maturities that do not exceed past December 2025. As at September 30, 2024, the fair value of derivative assets is \$833 (December 31, 2023 - \$2,265 derivative liabilities).

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).

## 17. Interim Consolidated Statements of Cash Flows

The net change in operating working capital balances consist of the following:

For the (C\$ in thousands)	Nine months ended	
	September 30, 2024	September 30, 2023
Trade receivables	14,978	(191)
Inventories	39,400	(19,478)
Prepaid expenses and other assets	(7,367)	(6,945)
Trade and other payables	8,897	47,790
Customers' deposits	(14,145)	(21,795)
Derivative assets and liabilities	(3,098)	(69)
Provisions	1,561	3,396
Deferred acquisition costs	(103)	(1,011)
<b>Total</b>	<b>40,123</b>	<b>1,697</b>

## 18. Comparative Financial Information

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the third quarter of 2024 interim condensed consolidated financial statements.