



LEON'S FURNITURE LIMITED

Interim Condensed Consolidated Financial Statements

For the period ended September 30, 2022

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Interim Consolidated Statements of Financial Position (unaudited)

As at (C\$ in thousands)	Notes	September 30, 2022	December 31, 2021	September 30, 2021
Assets				
Current assets				
Cash and cash equivalents		81,963	382,138	386,954
Restricted marketable securities		463	466	522
Debt securities		74,690	66,561	94,301
Equity securities		32,651	41,251	52,621
Trade receivables		162,992	160,093	149,093
Income taxes recoverable		4,300	2,242	2,034
Inventories	5	501,657	395,646	368,151
Deferred acquisition costs		12,010	11,294	10,967
Prepaid expenses and other assets		20,811	15,598	16,183
Derivative assets		3,126	-	-
Total current assets		894,663	1,075,289	1,080,826
Non-current assets				
Deferred acquisition costs		21,320	19,896	19,179
Loan receivable	11	20,352	10,039	12,154
Property, plant and equipment and right-of-use assets	6	616,079	657,809	676,143
Investment properties	7	14,560	14,850	14,948
Intangible assets	8	269,513	270,173	270,274
Goodwill		390,120	390,120	390,120
Deferred income tax assets		16,387	14,957	14,946
Total non-current assets		1,348,331	1,377,844	1,397,764
Total assets		2,242,994	2,453,133	2,478,590
Liabilities				
Current liabilities				
Trade and other payables		295,407	543,737	350,041
Provisions		26,007	24,649	27,522
Income taxes payable		3,061	32,523	28,039
Customers' deposits		195,078	362,099	285,035
Lease liabilities	9	74,202	74,920	75,094
Dividends payable		10,858	12,287	108,758
Deferred warranty plan revenue		61,238	57,787	56,344
Current portion of long-term debt	10	7,500	90,000	90,000
Derivative liabilities		-	1,742	1,065
Total current liabilities		673,351	1,199,744	1,021,898
Non-current liabilities				
Long-term debt	10	228,750	-	-
Lease liabilities	9	264,514	291,334	306,119
Deferred warranty plan revenue		106,071	99,840	96,331
Redeemable share liability	11	13	13	13
Deferred income tax liabilities		71,205	71,009	72,992
Total non-current liabilities		670,553	462,196	475,455
Total liabilities		1,343,904	1,661,940	1,497,353
Shareholders' equity				
Common shares	12	162,697	149,966	170,863
Retained earnings		730,954	627,243	797,866
Accumulated other comprehensive income		5,439	13,984	12,508
Total shareholders' equity		899,090	791,193	981,237
Total liabilities and shareholders' equity		2,242,994	2,453,133	2,478,590

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

Interim Consolidated Statements of Income (unaudited)

For the	Notes	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(C\$ in thousands except share and per share amounts)					
Revenue	13	662,199	683,195	1,856,458	1,842,865
Cost of sales	5	358,101	381,307	1,035,170	1,031,292
Gross profit		304,098	301,888	821,288	811,573
Operating expenses					
Selling, general and administrative expenses		220,438	216,293	631,565	600,445
Operating profit		83,660	85,595	189,723	211,128
Finance costs					
Finance costs		(7,046)	(5,158)	(18,547)	(15,898)
Finance income		1,194	1,097	3,005	3,859
Change in fair value of derivative instruments		2,774	4,253	4,869	2,909
Net income before income tax		80,582	85,787	179,050	201,998
Income tax expense	14	19,259	21,965	42,850	51,305
Net income for the period		61,323	63,822	136,200	150,693
Weighted average number of common shares outstanding					
Basic		67,207,530	77,026,816	67,393,971	77,894,459
Diluted		68,001,476	78,386,090	68,202,221	79,534,118
Earnings per share					
Basic	15	\$0.91	\$0.83	\$2.02	\$1.93
Diluted		\$0.90	\$0.81	\$2.00	\$1.89
Dividends declared per share					
Common		\$0.16	\$1.41	\$0.48	\$1.73

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, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(C\$ in thousands)				
Net income for the period	61,323	63,822	136,200	150,693
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Loss on debt instruments arising during the period	(323)	(318)	(4,538)	(1,584)
Items that will not be reclassified to profit or loss:				
Gain (loss) on equity instruments arising during the period	(873)	225	(4,686)	5,941
Income tax expense (recovery) on the above	172	(34)	679	(548)
Other comprehensive income (loss) for the period	(1,024)	(127)	(8,545)	3,809
Comprehensive income for the period	60,299	63,695	127,655	154,502

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
As at December 31, 2021	149,966	13,984	627,243	791,193
Comprehensive income (loss)				
Net income for the period	-	-	136,200	136,200
Other comprehensive loss for the period	-	(8,545)	-	(8,545)
Total comprehensive income (loss)	-	(8,545)	136,200	127,655
Transactions with shareholders				
Dividends declared	-	-	(32,381)	(32,381)
Management share purchase plan [note 11]	13,397	-	-	13,397
Share repurchase commitment [note 12]	3,698	-	39,802	43,500
Repurchase of common shares [note 12]	(4,364)	-	(39,910)	(44,274)
Total transactions with shareholders	12,731	-	(32,489)	(19,758)
As at September 30, 2022	162,697	5,439	730,954	899,090

(C\$ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income	Retained earnings	Total
As at December 31, 2020	31	164,669	8,699	842,604	1,016,003
Comprehensive income					
Net income for the period	-	-	-	150,693	150,693
Other comprehensive income for the period	-	-	3,809	-	3,809
Total comprehensive income	-	-	3,809	150,693	154,502
Transactions with shareholders					
Dividends declared	-	-	-	(133,806)	(133,806)
Management share purchase plan [note 11]	-	11,888	-	-	11,888
Convertible debentures	(31)	408	-	-	377
Treasury shares [note 12]	-	(204)	-	(2,082)	(2,286)
Share repurchase commitment [note 12]	-	(387)	-	(6,113)	(6,500)
Repurchase of common shares [note 12]	-	(5,511)	-	(53,430)	(58,941)
Total transactions with shareholders	(31)	6,194	-	(195,431)	(189,268)
As at September 30, 2021	-	170,863	12,508	797,866	981,237

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, 2022	September 30, 2021
Operating activities			
Net income before income tax		179,050	201,998
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		81,619	82,879
Amortization of intangible assets		1,236	1,388
Amortization of deferred warranty plan revenue		(54,556)	(50,584)
Amortization of premium		250	212
Net finance costs		15,542	12,039
(Gain) loss on sale of property, plant and equipment and investment properties		(98)	254
Fair value gain on loan receivable	11	(378)	(499)
		222,665	247,687
Change in operating working capital	17	(290,454)	(46,160)
Cash received on warranty plan sales		64,238	58,922
Income taxes paid		(74,924)	(39,584)
Cash used in (provided by) operating activities		(78,475)	220,865
Investing activities			
Purchase of property, plant and equipment	6	(10,790)	(9,292)
Purchase of intangible assets	8	(576)	(1,181)
Proceeds on sale of property, plant and equipment and investment properties		169	875
Purchase of debt and equity instruments		(25,901)	(39,953)
Proceeds on sale of debt and equity instruments		16,902	21,301
Repayment of loan receivable	11	1,340	1,069
Interest received		2,530	3,733
Cash used in investing activities		(16,326)	(23,448)
Financing activities			
Payment of lease liabilities	9	(56,418)	(54,662)
Dividends paid		(33,810)	(61,209)
Decrease of employee loans-redeemable shares	11	606	11,888
Repurchase of common shares	12	(244,274)	(59,156)
Early redemption payment on outstanding debentures		-	(77)
Repayment of term loan		(3,750)	-
Issuance of term loan	10	150,000	-
Interest paid		(17,728)	(15,882)
Cash used in financing activities		(205,374)	(179,098)
Net increase (decrease) in cash and cash equivalents during the period		(300,175)	18,319
Cash and cash equivalents, beginning of period		382,138	368,635
Cash and cash equivalents, end of period		81,963	386,954

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

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

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.

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19"), which has the potential to cause severe respiratory illness, a global pandemic. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty. The COVID-19 pandemic has increased the uncertainties around key assumptions used by the Company in estimating the recoverable amount for the purpose of testing for impairment of property, plant and equipment, goodwill and intangible assets. These key estimates include future cash flows, margins and discount rates. Accordingly, estimates of the extent to which the COVID-19 pandemic could materially and adversely affect the Company's operations, financial results and condition in future periods, including the use of estimates and judgements described in Note 2 in the fiscal year 2021 consolidated financial statements, are also subject to significant uncertainty.

The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 09, 2022.

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, 2021. 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, 2021.

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.

Leon's Furniture Limited

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

Adoption of new accounting standards

Amendments to IFRS 9, *Financial Instruments* ("IFRS 9")

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

IFRS 17, *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4, *Insurance Contracts*. IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

In June 2020, the IASB issued amendments to IFRS 17 partly aimed at helping companies implement the standard. IFRS 17, incorporating the amendments, is effective for annual reporting periods beginning on or after January 1, 2023. Retrospective application is required. The Company plans to adopt the new standard on the effective date. The Company is currently analyzing the impact this standard will have on its financial statements.

Amendments to IAS 1

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. 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. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is currently analyzing the impact this amendment will have on its financial statements.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently analyzing the impact this amendment will have on its financial statements.

Leon's Furniture Limited

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

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendment to IAS 1 requires companies to disclose their material accounting policy information rather than its significant accounting policies. The amendment also clarifies that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The Company is currently analyzing the impact these amendments will have on its 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 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, 2022, \$108,676 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 \$1,324 (December 31, 2021 - \$47,992) and utilizing \$90,000 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, 2022.

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 24 in the fiscal year 2021 consolidated financial statements.

5. Inventories

The amount of inventory recognized as an expense for the three and nine months ended September 30, 2022 was \$346,842 (three months ended September 30, 2021 - \$369,481) and \$1,003,537 (nine-month period ended September 30, 2021 - \$990,112), respectively, 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, 2022, there were \$730 and \$883, respectively, in inventory write-downs (three and nine months ended September 30, 2021 - \$1,182 and \$1,370 inventory write-downs, respectively). As at September 30, 2022, the inventory markdown provision totaled \$6,710 (as at December 31, 2021 - \$5,827).

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
Cost								
Balance as at December 31, 2021	104,112	287,555	184,131	61,846	249,439	574,069	2,138	1,463,290
Additions	-	319	6,680	2,994	2,459	27,274	154	39,880
Disposals	-	-	(392)	(501)	(2,989)	(9,445)	(47)	(13,374)
Balance as at September 30, 2022	104,112	287,874	190,419	64,339	248,909	591,898	2,245	1,489,796
Accumulated depreciation								
Balance as at December 31, 2021	-	167,599	141,121	41,082	210,034	244,762	883	805,481
Depreciation	-	5,578	5,925	4,179	7,040	58,370	237	81,329
Disposals	-	-	(343)	(481)	(2,987)	(9,235)	(47)	(13,093)
Balance as at September 30, 2022	-	173,177	146,703	44,780	214,087	293,897	1,073	873,717
Net book value as at September 30, 2022	104,112	114,697	43,716	19,559	34,822	298,001	1,172	616,079

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
Cost								
Balance as at December 31, 2020	104,124	286,531	180,040	60,759	245,092	541,536	1,494	1,419,576
Additions	-	1,024	6,855	2,091	7,365	35,585	644	53,564
Disposals	(12)	-	(2,764)	(1,004)	(3,018)	(3,052)	-	(9,850)
Balance as at December 31, 2021	104,112	287,555	184,131	61,846	249,439	574,069	2,138	1,463,290
Accumulated depreciation								
Balance as at December 31, 2020	-	160,349	136,163	35,997	204,509	167,522	613	705,153
Depreciation	-	7,250	7,530	6,003	8,524	80,216	270	109,793
Disposals	-	-	(2,572)	(918)	(2,999)	(2,976)	-	(9,465)
Balance as at December 31, 2021	-	167,599	141,121	41,082	210,034	244,762	883	805,481
Net book value as at December 31, 2021	104,112	119,956	43,010	20,764	39,405	329,307	1,255	657,809

Included in the above balances as at September 30, 2022, are assets not being amortized with a net book value of approximately \$910 (as at December 31, 2021 - \$493), 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
Cost				
Balance as at December 31, 2021	10,646	15,396	953	26,995
Balance as at September 30, 2022	10,646	15,396	953	26,995
Accumulated depreciation				
Balance as at December 31, 2021	-	11,594	551	12,145
Depreciation	-	252	38	290
Balance as at September 30, 2022	-	11,846	589	12,435
Net book value as at September 30, 2022	10,646	3,550	364	14,560

(C\$ in thousands)	Land	Buildings	Building improvements	Total
Cost				
Balance as at December 31, 2020	10,946	17,333	1,111	29,390
Disposals	(300)	(1,937)	(158)	(2,395)
Balance as at December 31, 2021	10,646	15,396	953	26,995
Accumulated depreciation				
Balance as at December 31, 2020	-	12,586	592	13,178
Depreciation	-	353	56	409
Disposals	-	(1,345)	(97)	(1,442)
Balance as at December 31, 2021	-	11,594	551	12,145
Net book value as at December 31, 2021	10,646	3,802	402	14,850

The estimated fair value of the investment properties portfolio as at September 30, 2022, was approximately \$42,000 (as at December 31, 2021 - \$42,000). 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
Cost				
Balance as at December 31, 2021	7,000	268,500	22,088	297,588
Additions	-	-	576	576
Disposals	-	-	(2,912)	(2,912)
Balance as at September 30, 2022	7,000	268,500	19,752	295,252
Accumulated amortization				
Balance as at December 31, 2021	7,000	2,500	17,915	27,415
Amortization	-	-	1,236	1,236
Disposals	-	-	(2,912)	(2,912)
Balance as at September 30, 2022	7,000	2,500	16,239	25,739
Net book value as at September 30, 2022	-	266,000	3,513	269,513

(C\$ in thousands)	Customer relationships	Brand name and franchise agreements	Computer software	Total
Cost				
Balance as at December 31, 2020	7,000	268,500	20,586	296,086
Additions	-	-	1,502	1,502
Balance as at December 31, 2021	7,000	268,500	22,088	297,588
Accumulated amortization				
Balance as at December 31, 2020	6,843	2,500	16,262	25,605
Amortization	157	-	1,653	1,810
Balance as at December 31, 2021	7,000	2,500	17,915	27,415
Net book value as at December 31, 2021	-	266,000	4,173	270,173

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, 2022	December 31, 2021
The Brick brand name (allocated to Brick division)	245,000	245,000
The Brick franchise agreements (allocated to Brick division)	21,000	21,000
Total	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.

Leon's Furniture Limited

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

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 judgement in determining whether these extensions are reasonably certain to be exercised.

Lease liabilities

Carrying amounts of lease liabilities are as follows:

(C\$ in thousands)	Total
Balance as at December 31, 2021	366,254
Additions	29,090
Disposals	(210)
Interest	13,481
Payments	(69,899)
Balance as at September 30, 2022	338,716
Reported as:	
Current	74,202
Non-current	264,514
Total	338,716

(C\$ in thousands)	Total
Balance as at December 31, 2020	400,703
Additions	38,744
Disposals	(76)
Interest	19,693
Payments	(92,810)
Balance as at December 31, 2021	366,254
Reported as:	
Current	74,920
Non-current	291,334
Total	366,254

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10. Long-term Debt

Bank indebtedness

On January 31, 2013, a SSCA was obtained to fund the acquisition of The Brick. The Company completed an amendment to the original SSCA on November 25, 2016. After giving effect to the amendment, the total credit facility was reduced from \$500,000 to \$300,000 with the term credit facility being reduced from \$400,000 to \$250,000 and the revolving credit facility being reduced from \$100,000 to \$50,000. The revolving credit facility continues to include a swing-line of \$20,000. The Company completed a second amendment on May 31, 2019.

On February 17, 2022, the Company completed a third amendment to its SSCA. Under this amendment, the Company increased its term loan to \$150,000 and increased its total credit facilities from \$265,000 to \$350,000. The amounts borrowed under this amendment must be repaid in full by May 31, 2024. This third amendment increased the Company's revolving credit facility from \$175,000 to \$200,000. Under this amendment, the Company has drawn \$90,000 under the revolving credit facility.

Bank indebtedness bears interest based on Canadian prime, London Interbank Offered Rate ("LIBOR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. Transaction costs in the amount of \$120 were deferred and will be amortized over the life of the agreement in relation to the third amendment of the SSCA. 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 loan is repayable in quarterly amounts of 1.25% commencing June 30, 2022, with the remainder due on maturity. Currently, the Company has entered into a 32-day Bankers' Acceptance with a cost of borrowing of 4.61% that was renewed on September 29, 2022.

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, 2022, the Company was in full compliance of these financial and non-financial covenants.

11. Management Share Purchase Plan

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 the third quarter of 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.

During the three-month period ended September 30, 2022, the Company recognized compensation expense of \$69 (three-month period ended September 30, 2021 - \$57). Dividends paid to MSPP holders, for the three-month period ended September 30, 2022, of \$265 were credited against the loan receivable (three-month period ended September 30, 2021 - \$187). The loan receivable is recognized at fair value and during the three-month period ended September 30, 2022, finance income of \$138 was recognized by the Company (three-month period ended September 30, 2021 - \$128).

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During the nine-month period ended September 30, 2022, the Company recognized compensation expense of \$181 (nine-month period ended September 30, 2021 - \$169). Dividends paid to MSPP holders, for the nine-month period ended September 30, 2022, of \$478 were credited against the loan receivable (nine-month period ended September 30, 2021 - \$559). The loan receivable is recognized at fair value and during the nine-month period ended September 30, 2022, finance income of \$326 was recognized by the Company (nine-month period ended September 30, 2021 - \$385).

During the nine-month period ended September 30, 2022, share sale proceeds of \$862 were credited against the loan receivable. Finance income of \$52 was recognized by the Company as the loan receivable is recognized at fair value. During the nine-month period ended September 30, 2022, there were no forfeitures of the 2018 series of common shares under the 2018 MSPP. During the nine-month period ended September 30, 2021, 33,333 of the 2018 series of common shares were forfeited under the 2018 MSPP. The Company recognized compensation expense of \$52 in relation to this forfeiture. The share sale proceeds of \$510 were credited against the loan receivable. Finance income of \$114 was recognized by the Company as the loan receivable is recognized at fair value.

Redeemable share liability

As at	September 30, 2022	December 31, 2021
(C\$ in thousands)		
Authorized		
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		
880,000 convertible, non-voting, series 2015 shares		
Issued and fully paid		
0 series 2009 shares (December 31, 2021 - 4,295)	Nil	38
55,972 series 2012 shares (December 31, 2021 - 70,728)	694	878
289,027 series 2013 shares (December 31, 2021 - 310,091)	3,292	3,532
175,186 series 2014 shares (December 31, 2021 - 178,990)	2,636	2,693
266,451 series 2015 shares (December 31, 2021 - 272,934)	3,587	3,674
Less employee share purchase loans	(10,196)	(10,802)
Total	13	13

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2009, 2012, 2013, 2014 and 2015 to allow them to acquire convertible, non-voting series 2009 shares, 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 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 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 2009, 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 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 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 \$8.85 per series 2009 share, \$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 2009, 2012, 2013, 2014 and 2015 shares of approximately \$270 (2021 - \$529) 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, 2022, 4,295 series 2009 shares, 14,756 series 2012 shares, 21,064 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (nine-month period ended September 30, 2021 - 184,225 series 2009 shares, 35,593 series 2012 shares, 354,595 series 2013 shares, 199,704 series 2014 shares and 205,905 series 2015 shares) were converted into common shares with a stated value of approximately \$38, \$184, \$240, \$57 and \$87, respectively (nine-month period ended September 30, 2021 - \$1,631, \$442, \$4,039, \$3,005 and \$2,771, respectively).

During the nine-month period ended September 30, 2022, the Company did not cancel any shares from any of the series of shares (nine-month period ended September 30, 2021 - 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.

12. Common Shares

As at	September 30, 2022	December 31, 2021
(C\$ in thousands)		
Authorized - Unlimited common shares		
Issued		
67,860,235 common shares (2021 - 76,800,313)	162,697	149,966

During the nine-month period ended September 30, 2022, 4,295 series 2009 shares, 14,756 series 2012 shares, 21,064 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (nine-month period ended September 30, 2021 - 184,225 series 2009 shares, 35,593 series 2012 shares, 354,595 series 2013 shares, 199,704 series 2014 shares and 205,905 series 2015 shares) were converted into common shares with a stated value of approximately \$38, \$184, \$240, \$57 and \$87, respectively (nine-month period ended September 30, 2021 - \$1,631, \$442, \$4,039, \$3,005 and \$2,771, respectively).

Substantial issuer bid

On November 25, 2021, the Company commenced a substantial issuer bid ("SIB"), by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company ("Offer"). The Offer expired on December 30, 2021. For the duration of the SIB, the Company suspended share repurchases under the current normal course issuer bid, but resumed after the expiration of the SIB. The Company purchased for cancellation 7,999,993 common shares at a purchase price of \$25 per common share, for aggregate consideration of \$200,000, being the maximum purchase price payable under the Offer. The common shares purchased under the Offer represented approximately 10.4% of the issued and outstanding common shares at the time the Offer was completed. As at September 30, 2022, the Company has cancelled all of these shares.

Normal course issuer bid

On September 13, 2022, the Company received TSX approval of its notice of intention to renew its common share repurchase programme. The Company intends to repurchase for cancellation a maximum of 3,341,165 common shares representing 4.99% of the total number of its 66,957,222 issued and outstanding common shares as at September 2, 2022. The average daily trading volume for the six months ended August 31, 2022 was 31,219. Therefore, other than block purchase exemptions, daily purchases will be limited to 7,804 common shares. The bid commenced on September 15, 2022 and will terminate on the earliest of the purchase of 3,341,165 common shares, the issuer providing a notice of termination, and September 14, 2023. Purchases will be executed through the facilities of the TSX at market price under the normal course issuer bid rules of the TSX.

On September 30, 2022, the Company entered into an automatic share purchase plan ("ASPP") with the Company's broker in order to facilitate the repurchase of its common shares under the normal course issuer bid during self-imposed blackout periods. During the nine-month period ended September 30, 2022, the Company repurchased and cancelled 1,594,300 common shares (nine-month period ended September 30, 2021 - 480,730 common shares) under the ASPP for a total cost of \$39,384 (nine-month period ended September 30, 2021 - \$10,405), of which \$3,562 (nine-month period ended September 30, 2021 - \$1,007) represents a reduction in share capital and the remaining \$35,822 (nine-month period ended September 30, 2021 - \$9,398) was charged to retained earnings. As at September 30, 2022, an obligation was of \$1,500 was recognized for the repurchase of common shares under the ASPP (as at September 30, 2021 - \$12,500).

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During the nine-month period ended September 30, 2022, and excluding the common shares repurchased under the ASPP, the Company repurchased 299,200 shares (nine-month period ended September 30, 2021 - 2,247,410 common shares) of its common shares on the open market pursuant to the terms and conditions of normal course issuer bid at a net cost of \$4,890 (nine-month period ended September 30, 2021 - \$50,822). The repurchase of common shares resulted in a reduction of share capital in the amount of \$669 (nine-month period ended September 30, 2021 - \$4,708). The excess net cost over the average carrying value of the shares of \$4,221 (nine-month period ended September 30, 2021 - \$46,114) has been recorded as a reduction in retained earnings. As at September 30, 2022, the Company has cancelled all of these repurchased shares (nine-month period ended September 30, 2021 - 2,146,210 of the repurchased shares were cancelled).

The dividends paid in the three-month period ended September 30, 2022 and September 30, 2021, were \$10,760 (\$0.16 per share) and \$12,486 (\$0.16 per share), respectively.

The dividends paid in the nine-month period ended September 30, 2022 and September 30, 2021, were \$33,810 (\$0.48 per share) and \$61,209 (\$0.78 per share), respectively.

13. Revenue

Disaggregation of Revenue

For the (C\$ in thousands)	Three months ended	
	September 30, 2022	September 30, 2021
Sales of goods by corporate stores	633,986	656,546
Income from franchise operations	8,383	9,681
Extended warranty revenue	14,739	13,839
Insurance sales revenue	4,717	2,689
Rental income from investment property	374	440
Total	662,199	683,195

For the (C\$ in thousands)	Nine months ended	
	September 30, 2022	September 30, 2021
Sales of goods by corporate stores	1,776,505	1,765,422
Income from franchise operations	24,222	25,903
Extended warranty revenue	43,407	42,097
Insurance sales revenue	11,161	8,273
Rental income from investment property	1,163	1,170
Total	1,856,458	1,842,865

14. Income Tax Expense

For the (C\$ in thousands)	Three months ended	
	September 30, 2022	September 30, 2021
Current income tax expense	19,487	21,938
Deferred income tax expense (recovery)	(228)	27
Total	19,259	21,965

For the (C\$ in thousands)	Nine months ended	
	September 30, 2022	September 30, 2021
Current income tax expense	43,827	53,846
Deferred income tax recovery	(977)	(2,541)
Total	42,850	51,305

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, 2022 and September 30, 2021 were 23.9% and 25.4%, respectively.

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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, 2022	September 30, 2021
Net income for the period for basic earnings per share	61,323	63,822
Net income for the period for diluted earnings per share	61,323	63,822
Weighted average number of common shares outstanding	67,207,530	77,026,816
Dilutive effect	793,946	1,359,274
Dilutive weighted average number of common shares outstanding	68,001,476	78,386,090
Basic earnings per share	\$0.91	\$0.83
Diluted earnings per share	\$0.90	\$0.81

For the	Nine months ended	
(C\$ in thousands except share and per share amounts)	September 30, 2022	September 30, 2021
Net income for the period for basic earnings per share	136,200	150,693
Net income for the period for diluted earnings per share	136,200	150,703
Weighted average number of common shares outstanding	67,393,971	77,894,459
Dilutive effect	808,250	1,639,659
Dilutive weighted average number of common shares outstanding	68,202,221	79,534,118
Basic earnings per share	\$2.02	\$1.93
Diluted earnings per share	\$2.00	\$1.89

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, 2022, unrestricted liquidity was \$294,670 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, 2022			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
Cash and cash equivalents	Amortized cost	81,963	81,963	Level 1
Trade receivables	Amortized cost	162,992	162,992	Level 2
Restricted marketable securities	FVOCI	463	463	Level 1
Equity instruments	FVOCI	29,341	29,341	Level 1
Equity instruments	FVOCI	3,310	3,310	Level 3
Debt instruments	FVOCI	74,590	74,590	Level 1
Debt instruments	FVTPL	100	100	Level 2
Loan receivable	FVTPL	20,352	20,352	Level 2
Derivative assets	FVTPL	3,126	3,126	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	295,407	295,407	Level 2
Long-term debt	Amortized cost	236,250	236,250	Level 2
Redeemable share liability	Amortized cost	13	13	Level 2

As at	December 31, 2021			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
Cash and cash equivalents	Amortized cost	382,138	382,138	Level 1
Trade receivables	Amortized cost	160,093	160,093	Level 2
Restricted marketable securities	FVOCI	466	466	Level 1
Equity instruments	FVOCI	37,941	37,941	Level 1
Equity instruments	FVOCI	3,310	3,310	Level 3
Debt instruments	FVOCI	66,461	66,461	Level 1
Debt instruments	FVTPL	100	100	Level 2
Loan receivable	FVTPL	10,039	10,039	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	543,737	543,737	Level 2
Long-term debt	Amortized cost	90,000	90,000	Level 2
Redeemable share liability	Amortized cost	13	13	Level 2
Derivative liabilities	FVTPL	1,742	1,742	Level 2

The fair value hierarchy of financial instruments measured at fair value as at September 30, 2022 includes financial assets of \$186,357, \$186,570 and \$3,310 for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$531,670 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 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 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.

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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 other financial derivatives, which comprises foreign exchange forwards, with maturities that do not exceed past December 2023. As at September 30, 2022, a \$3,126 unrealized gain was recorded in derivative assets (December 31, 2021 - \$1,742 unrealized loss).

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	Nine months ended	
	September 30, 2022	September 30, 2021
(C\$ in thousands)		
Trade receivables	(2,899)	(18,511)
Inventories	(106,011)	(36,079)
Prepaid expenses and other assets	(3,696)	(5,088)
Trade and other payables	(5,177)	36,747
Customers' deposits	(167,021)	(20,425)
Derivative assets and liabilities	(4,868)	(2,911)
Provisions	1,358	1,914
Deferred acquisition costs	(2,140)	(1,807)
Total	(290,454)	(46,160)

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 2022 interim condensed consolidated financial statements.