



LEON'S FURNITURE LIMITED

**Interim Condensed Consolidated Financial Statements**

For the period ended June 30, 2022

## Table of Contents

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### **Unaudited Interim Condensed Consolidated Financial Statements**

Interim Consolidated Statements of Financial Position	1
Interim Consolidated Statements of Income	2
Interim Consolidated Statements of Comprehensive Income	3
Interim Consolidated Statements of Changes in Shareholders' Equity	4
Interim Consolidated Statements of Cash Flows	5

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

Note 1 Reporting Entity	6
Note 2 Basis of Presentation	6
Note 3 Summary of Significant Accounting Policies	6
Note 4 Capital Risk Management	8
Note 5 Inventories	8
Note 6 Property, Plant and Equipment and Right-Of-Use Assets	9
Note 7 Investment Properties	10
Note 8 Intangible Assets	11
Note 9 Leases	12
Note 10 Long-term Debt	13
Note 11 Management Share Purchase Plan	13
Note 12 Common Shares	15
Note 13 Revenue	16
Note 14 Income Tax Expense	16
Note 15 Earnings Per Share	17
Note 16 Financial Instruments	17
Note 17 Interim Consolidated Statements of Cash Flows	19
Note 18 Comparative Financial Information	19

Interim Consolidated Statements of Financial Position (unaudited)

As at (C\$ in thousands)	Notes	June 30, 2022	December 31, 2021	June 30, 2021
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		81,399	382,138	242,326
Restricted marketable securities		467	466	472
Debt securities		69,806	66,561	85,888
Equity securities		31,766	41,251	53,032
Trade receivables		154,794	160,093	124,135
Income taxes recoverable		9,932	2,242	2,644
Inventories	5	490,434	395,646	386,806
Deferred acquisition costs		11,745	11,294	10,827
Prepaid expenses and other assets		23,593	15,598	19,672
Derivative assets		352	-	-
<b>Total current assets</b>		<b>874,288</b>	<b>1,075,289</b>	<b>925,802</b>
<b>Non-current assets</b>				
Deferred acquisition costs		20,473	19,896	18,209
Loan receivable	11	9,404	10,039	12,211
Property, plant and equipment and right-of-use assets	6	625,774	657,809	683,647
Investment properties	7	14,658	14,850	15,047
Intangible assets	8	269,861	270,173	270,426
Goodwill		390,120	390,120	390,120
Deferred income tax assets		16,078	14,957	14,947
<b>Total non-current assets</b>		<b>1,346,368</b>	<b>1,377,844</b>	<b>1,404,607</b>
<b>Total assets</b>		<b>2,220,656</b>	<b>2,453,133</b>	<b>2,330,409</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		297,178	543,737	283,336
Provisions		23,519	24,649	26,659
Income taxes payable		322	32,523	18,016
Customers' deposits		242,948	362,099	253,175
Lease liabilities	9	74,224	74,920	74,546
Dividends payable		10,760	12,287	12,486
Deferred warranty plan revenue		59,974	57,787	55,770
Current portion of long-term debt	10	7,269	90,000	90,000
Derivative liabilities		-	1,742	5,318
<b>Total current liabilities</b>		<b>716,194</b>	<b>1,199,744</b>	<b>819,306</b>
<b>Non-current liabilities</b>				
Long-term debt	10	230,856	-	-
Lease liabilities	9	269,773	291,334	311,092
Deferred warranty plan revenue		102,480	99,840	91,008
Redeemable share liability	11	13	13	13
Deferred income tax liabilities		69,855	71,009	72,979
<b>Total non-current liabilities</b>		<b>672,977</b>	<b>462,196</b>	<b>475,092</b>
<b>Total liabilities</b>		<b>1,389,171</b>	<b>1,661,940</b>	<b>1,294,398</b>
<b>Shareholders' equity</b>				
Common shares	12	149,055	149,966	161,795
Retained earnings		675,965	627,243	861,582
Accumulated other comprehensive income		6,465	13,984	12,634
<b>Total shareholders' equity</b>		<b>831,485</b>	<b>791,193</b>	<b>1,036,011</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,220,656</b>	<b>2,453,133</b>	<b>2,330,409</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		Six months ended	
(C\$ in thousands except share and per share amounts)	Notes	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Revenue</b>	<b>13</b>	<b>647,039</b>	588,543	<b>1,194,259</b>	1,159,670
Cost of sales	5	<b>363,502</b>	328,946	<b>677,069</b>	649,985
<b>Gross profit</b>		<b>283,537</b>	259,597	<b>517,190</b>	509,685
<b>Operating expenses</b>					
Selling, general and administrative expenses		<b>215,168</b>	192,940	<b>411,127</b>	384,152
<b>Operating profit</b>		<b>68,369</b>	66,657	<b>106,063</b>	125,533
Finance costs		<b>(6,056)</b>	(5,312)	<b>(11,501)</b>	(10,740)
Finance income		<b>847</b>	1,262	<b>1,811</b>	2,762
Change in fair value of derivative instruments		<b>3,474</b>	(868)	<b>2,095</b>	(1,344)
<b>Net income before income tax</b>		<b>66,634</b>	61,739	<b>98,468</b>	116,211
Income tax expense	14	<b>16,515</b>	15,739	<b>23,591</b>	29,340
<b>Net income for the period</b>		<b>50,119</b>	46,000	<b>74,877</b>	86,871
<b>Weighted average number of common shares outstanding</b>					
Basic		<b>67,223,964</b>	78,132,709	<b>67,490,025</b>	78,335,472
Diluted		<b>68,037,315</b>	79,890,784	<b>68,305,545</b>	80,116,998
<b>Earnings per share</b>	<b>15</b>				
Basic		<b>\$0.75</b>	\$0.59	<b>\$1.11</b>	\$1.11
Diluted		<b>\$0.74</b>	\$0.58	<b>\$1.10</b>	\$1.08
<b>Dividends declared per share</b>					
Common		<b>\$0.16</b>	\$0.16	<b>\$0.32</b>	\$0.32

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		Six months ended	
(C\$ in thousands)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Net income for the period</b>	<b>50,119</b>	46,000	<b>74,877</b>	86,871
<b>Other comprehensive income (loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Loss on debt instruments arising during the period	(1,520)	(170)	(4,215)	(1,266)
Items that will not be reclassified to profit or loss:				
Gain (loss) on equity instruments arising during the period	(3,495)	2,614	(3,813)	5,715
Income tax expense (recovery) on the above	410	(210)	509	(514)
Other comprehensive income (loss) for the period	(4,605)	2,234	(7,519)	3,935
<b>Comprehensive income for the period</b>	<b>45,514</b>	48,234	<b>67,358</b>	90,806

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, 2021</b>	<b>149,966</b>	<b>13,984</b>	<b>627,243</b>	<b>791,193</b>
<b>Comprehensive income (loss)</b>				
Net income for the period	-	-	74,877	74,877
Other comprehensive loss for the period	-	(7,519)	-	(7,519)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>(7,519)</b>	<b>74,877</b>	<b>67,358</b>
<b>Transactions with shareholders</b>				
Dividends declared	-	-	(21,522)	(21,522)
Management share purchase plan [note 11]	411	-	-	411
Treasury shares [note 12]	(13)	-	(84)	(97)
Share repurchase commitment [note 12]	2,862	-	34,138	37,000
Repurchase of common shares [note 12]	(4,171)	-	(38,687)	(42,858)
<b>Total transactions with shareholders</b>	<b>(911)</b>	<b>-</b>	<b>(26,155)</b>	<b>(27,066)</b>
<b>As at June 30, 2022</b>	<b>149,055</b>	<b>6,465</b>	<b>675,965</b>	<b>831,485</b>

(C\$ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income	Retained earnings	Total
<b>As at December 31, 2020</b>	31	164,669	8,699	842,604	1,016,003
<b>Comprehensive income</b>					
Net income for the period	-	-	-	86,871	86,871
Other comprehensive income for the period	-	-	3,935	-	3,935
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3,935</b>	<b>86,871</b>	<b>90,806</b>
<b>Transactions with shareholders</b>					
Dividends declared	-	-	-	(25,046)	(25,046)
Management share purchase plan [note 11]	-	1,093	-	-	1,093
Convertible debentures	(31)	408	-	-	377
Treasury shares [note 12]	-	(2,372)	-	(22,708)	(25,080)
Share repurchase commitment [note 12]	-	(265)	-	(4,135)	(4,400)
Repurchase of common shares [note 12]	-	(1,738)	-	(16,004)	(17,742)
<b>Total transactions with shareholders</b>	<b>(31)</b>	<b>(2,874)</b>	<b>-</b>	<b>(67,893)</b>	<b>(70,798)</b>
<b>As at June 30, 2021</b>	<b>-</b>	<b>161,795</b>	<b>12,634</b>	<b>861,582</b>	<b>1,036,011</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		Six months ended	
(C\$ in thousands)	Notes	June 30, 2022	June 30, 2021
<b>Operating activities</b>			
Net income before income tax		98,468	116,211
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		54,479	55,473
Amortization of intangible assets		902	972
Amortization of deferred warranty plan revenue		(35,143)	(33,964)
Amortization of premium		161	99
Net finance costs		9,690	7,978
(Gain) loss on sale of property, plant and equipment and investment properties		(21)	276
Fair value gain on loan receivable	11	(177)	(371)
Loss on sale of debt and equity instruments		-	72
		<b>128,359</b>	<b>146,746</b>
Change in operating working capital	17	(230,840)	(158,252)
Cash received on warranty plan sales		39,970	36,406
Income taxes paid		(65,249)	(28,232)
Cash used in operating activities		<b>(127,760)</b>	<b>(3,332)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	6	(6,795)	(3,257)
Purchase of intangible assets	8	(590)	(917)
Proceeds on sale of property, plant and equipment and investment properties		43	714
Purchase of debt and equity instruments		(16,003)	(27,875)
Proceeds on sale of debt and equity instruments		14,053	17,409
Repayment of loan receivable	11	813	882
Interest received		1,541	2,639
Cash used in investing activities		<b>(6,938)</b>	<b>(10,405)</b>
<b>Financing activities</b>			
Payment of lease liabilities	9	(37,736)	(36,330)
Dividends paid		(23,050)	(48,724)
Decrease of employee loans-redeemable shares	11	411	1,093
Repurchase of common shares	12	(242,908)	(17,811)
Early redemption payment on outstanding debentures		-	(77)
Repayment of term loan		(1,875)	-
Issuance of term loan	10	150,000	-
Interest paid		(10,883)	(10,723)
Cash used in financing activities		<b>(166,041)</b>	<b>(112,572)</b>
<b>Net decrease in cash and cash equivalents during the period</b>		<b>(300,739)</b>	<b>(126,309)</b>
Cash and cash equivalents, beginning of period		<b>382,138</b>	<b>368,635</b>
<b>Cash and cash equivalents, end of period</b>		<b>81,399</b>	<b>242,326</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.

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 August 10, 2022.

### 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, 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

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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 June 30, 2022, \$98,708 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 \$11,292 (December 31, 2021 - \$47,992) and utilizing \$90,000 of the revolving credit facility. The majority of the letters of credit issued are to post collateral in relation to Canada Border Services Agency tariffs.

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 June 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

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The amount of inventory recognized as an expense for the three and six months ended June 30, 2022 was \$350,872 (three months ended June 30, 2021 - \$312,229) and \$656,695 (six-month period ended June 30, 2021 - \$620,631), respectively, which is presented within cost of sales in the unaudited interim condensed consolidated statements of income.

During the three and six months ended June 30, 2022, there were \$94 and \$153, respectively, in inventory write-downs (three and six months ended June 30, 2021 - \$333 and \$188 inventory write-downs, respectively). As at June 30, 2022, the inventory markdown provision totaled \$5,980 (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
<b>Cost</b>								
Balance as at December 31, 2021	104,112	287,555	184,131	61,846	249,439	574,069	2,138	1,463,290
Additions	-	-	4,462	2,577	1,390	13,691	154	22,274
Disposals	-	-	(350)	(146)	(494)	-	(47)	(1,037)
<b>Balance as at June 30, 2022</b>	<b>104,112</b>	<b>287,555</b>	<b>188,243</b>	<b>64,277</b>	<b>250,335</b>	<b>587,760</b>	<b>2,245</b>	<b>1,484,527</b>
<b>Accumulated depreciation</b>								
Balance as at December 31, 2021	-	167,599	141,121	41,082	210,034	244,762	883	805,481
Depreciation	-	3,693	3,855	2,805	4,561	39,217	156	54,287
Disposals	-	-	(328)	(146)	(494)	-	(47)	(1,015)
<b>Balance as at June 30, 2022</b>	<b>-</b>	<b>171,292</b>	<b>144,648</b>	<b>43,741</b>	<b>214,101</b>	<b>283,979</b>	<b>992</b>	<b>858,753</b>
<b>Net book value as at June 30, 2022</b>	<b>104,112</b>	<b>116,263</b>	<b>43,595</b>	<b>20,536</b>	<b>36,234</b>	<b>303,781</b>	<b>1,253</b>	<b>625,774</b>

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
<b>Cost</b>								
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)
<b>Balance as at December 31, 2021</b>	<b>104,112</b>	<b>287,555</b>	<b>184,131</b>	<b>61,846</b>	<b>249,439</b>	<b>574,069</b>	<b>2,138</b>	<b>1,463,290</b>
<b>Accumulated depreciation</b>								
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)
<b>Balance as at December 31, 2021</b>	<b>-</b>	<b>167,599</b>	<b>141,121</b>	<b>41,082</b>	<b>210,034</b>	<b>244,762</b>	<b>883</b>	<b>805,481</b>
<b>Net book value as at December 31, 2021</b>	<b>104,112</b>	<b>119,956</b>	<b>43,010</b>	<b>20,764</b>	<b>39,405</b>	<b>329,307</b>	<b>1,255</b>	<b>657,809</b>

Included in the above balances as at June 30, 2022, are assets not being amortized with a net book value of approximately \$2,465 (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
<b>Cost</b>				
Balance as at December 31, 2021	10,646	15,396	953	26,995
<b>Balance as at June 30, 2022</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, 2021	-	11,594	551	12,145
Depreciation	-	167	25	192
<b>Balance as at June 30, 2022</b>	<b>-</b>	<b>11,761</b>	<b>576</b>	<b>12,337</b>
<b>Net book value as at June 30, 2022</b>	<b>10,646</b>	<b>3,635</b>	<b>377</b>	<b>14,658</b>

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

The estimated fair value of the investment properties portfolio as at June 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
<b>Cost</b>				
Balance as at December 31, 2021	7,000	268,500	22,088	297,588
Additions	-	-	590	590
Disposals	-	-	(2,912)	(2,912)
<b>Balance as at June 30, 2022</b>	<b>7,000</b>	<b>268,500</b>	<b>19,766</b>	<b>295,266</b>
<b>Accumulated amortization</b>				
Balance as at December 31, 2021	7,000	2,500	17,915	27,415
Amortization	-	-	902	902
Disposals	-	-	(2,912)	(2,912)
<b>Balance as at June 30, 2022</b>	<b>7,000</b>	<b>2,500</b>	<b>15,905</b>	<b>25,405</b>
<b>Net book value as at June 30, 2022</b>	<b>-</b>	<b>266,000</b>	<b>3,861</b>	<b>269,861</b>

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

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

As at (C\$ in thousands)	June 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
<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**

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
<b>Balance as at December 31, 2021</b>	<b>366,254</b>
Additions	15,479
Interest	9,081
Payments	(46,817)
<b>Balance as at June 30, 2022</b>	<b>343,997</b>
<b>Reported as:</b>	
Current	74,224
Non-current	269,773
<b>Total</b>	<b>343,997</b>

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

## 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 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 29-day Bankers' Acceptance with a cost of borrowing of 3.08% that was renewed on June 30, 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 June 30, 2022, 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 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 three-month period ended June 30, 2022, the Company recognized compensation expense of \$56 (three-month period ended June 30, 2021 - \$56). Dividends paid to MSPP holders, for the three-month period ended June 30, 2022, of \$125 were credited against the loan receivable (three-month period ended June 30, 2021 - \$186). The loan receivable is recognized at fair value and during the three-month period ended June 30, 2022, finance income of \$92 was recognized by the Company (three-month period ended June 30, 2021 - \$129).

During the six-month period ended June 30, 2022, the Company recognized compensation expense of \$112 (six-month period ended June 30, 2021 - \$112). Dividends paid to MSPP holders, for the six-month period ended June 30, 2022, of \$213 were credited against the loan receivable (six-month period ended June 30, 2021 - \$372). The loan receivable is recognized at fair value and during the six-month period ended June 30, 2022, finance income of \$188 was recognized by the Company (six-month period ended June 30, 2021 - \$257).

## Leon's Furniture Limited

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

During the six-month period ended June 30, 2022, share sale proceeds of \$600 were credited against the loan receivable. Finance costs of \$11 were recognized by the Company as the loan receivable is recognized at fair value. During the six-month period ended June 30, 2022, there were no forfeitures of the 2018 series of common shares under the 2018 MSPP. During the six-month period ended June 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	June 30, 2022	December 31, 2021
(C\$ in thousands)		
<b>Authorized</b>		
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		
<b>Issued and fully paid</b>		
0 series 2009 shares (December 31, 2021 - 4,295)	-	38
60,339 series 2012 shares (December 31, 2021 - 70,728)	748	878
301,391 series 2013 shares (December 31, 2021 - 310,091)	3,433	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	(10,391)	(10,802)
<b>Total</b>	<b>13</b>	<b>13</b>

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.

During the six-month period ended June 30, 2022, 4,295 series 2009 shares, 10,389 series 2012 shares, 8,700 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (six-month period ended June 30, 2021 - 50,604 series 2009 shares, 5,956 series 2012 shares, 28,307 series 2013 shares, 7,292 series 2014 shares and 10,306 series 2015 shares) were converted into common shares with a stated value of approximately \$38, \$130, \$99, \$57 and \$87, respectively (six-month period ended June 30, 2021 - \$448, \$74, \$322, \$110 and \$139, respectively).

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

## Leon's Furniture Limited

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

### 12. Common Shares

As at	June 30, 2022	December 31, 2021
(C\$ in thousands)		
<b>Authorized - Unlimited common shares</b>		
<b>Issued</b>		
67,027,491 common shares (2021 - 76,800,313)	<b>149,055</b>	149,966

During the six-month period ended June 30, 2022, 4,295 series 2009 shares, 10,389 series 2012 shares, 8,700 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (six-month period ended June 30, 2021 - 50,604 series 2009 shares, 5,956 series 2012 shares, 28,307 series 2013 shares, 7,292 series 2014 shares and 10,306 series 2015 shares) were converted into common shares with a stated value of approximately \$38, \$130, \$99, \$57 and \$87, respectively (six-month period ended June 30, 2021 - \$448, \$74, \$322, \$110 and \$139, 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 June 30, 2022, the Company has cancelled all of these shares.

#### Normal course issuer bid

On September 13, 2021, 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 3,869,268 common shares representing 4.99% of the total number of its 77,540,442 issued and outstanding common shares as at September 6, 2021. The average daily trading volume for the six months ended August 31, 2021 was 13,357. Therefore, other than block purchase exemptions, daily purchases will be limited to 3,339 common shares. The bid commenced on September 15, 2021 and will terminate on the earliest of the purchase of 3,869,268 common shares, the issuer providing a notice of termination, and September 14, 2022. 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 27, 2021, 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 six-month period ended June 30, 2022, the Company repurchased and cancelled 1,546,300 common shares (six-month period ended June 30, 2021 - 365,060 common shares) under the ASPP for a total cost of \$38,617 (six-month period ended June 30, 2021 - \$7,809), of which \$3,456 (six-month period ended June 30, 2021 - \$767) represents a reduction in share capital and the remaining \$35,161 (six-month period ended June 30, 2021 - \$7,042) was charged to retained earnings. As at June 30, 2022, an obligation of \$8,000 was recognized for the repurchase of common shares under the ASPP (as at June 30, 2021 - \$10,400).

During the six-month period ended June 30, 2022, and excluding the common shares repurchased under the ASPP, the Company repurchased 266,200 shares (six-month period ended June 30, 2021 - 1,589,310 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 \$4,338 (six-month period ended June 30, 2021 - \$35,013). The repurchase of common shares resulted in a reduction of share capital in the amount of \$596 (six-month period ended June 30, 2021 - \$3,343). The excess net cost over the average carrying value of the shares of \$3,742 (six-month period ended June 30, 2021 - \$31,670) has been recorded as a reduction in retained earnings. As at June 30, 2022, the Company has cancelled 260,200 of these repurchased shares and the remaining amount of 6,000 were held as Treasury shares, which have a value of \$97 and were subsequently cancelled in July 2022 (six-month period ended June 30, 2021 - 462,210 of the repurchased shares were cancelled).

## Leon's Furniture Limited

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

The dividends paid in the three-month period ended June 30, 2022 and June 30, 2021, were \$10,763 (\$0.16 per share) and \$12,560 (\$0.16 per share), respectively.

The dividends paid in the six-month period ended June 30, 2022 and June 30, 2021, were \$23,050 (\$0.32 per share) and \$48,724 (\$0.62 per share), respectively.

## 13. Revenue

### Disaggregation of Revenue

For the (C\$ in thousands)	Three months ended	
	June 30, 2022	June 30, 2021
Sales of goods by corporate stores	620,077	563,304
Income from franchise operations	8,684	8,305
Extended warranty revenue	14,461	13,959
Insurance sales revenue	3,417	2,634
Rental income from investment property	400	341
<b>Total</b>	<b>647,039</b>	<b>588,543</b>

For the (C\$ in thousands)	Six months ended	
	June 30, 2022	June 30, 2021
Sales of goods by corporate stores	1,142,519	1,108,874
Income from franchise operations	15,839	16,222
Extended warranty revenue	28,668	28,259
Insurance sales revenue	6,444	5,584
Rental income from investment property	789	731
<b>Total</b>	<b>1,194,259</b>	<b>1,159,670</b>

## 14. Income Tax Expense

For the (C\$ in thousands)	Three months ended	
	June 30, 2022	June 30, 2021
Current income tax expense	16,594	17,132
Deferred income tax recovery	(79)	(1,393)
<b>Total</b>	<b>16,515</b>	<b>15,739</b>

For the (C\$ in thousands)	Six months ended	
	June 30, 2022	June 30, 2021
Current income tax expense	24,340	31,908
Deferred income tax recovery	(749)	(2,568)
<b>Total</b>	<b>23,591</b>	<b>29,340</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 six-month period ended June 30, 2022 and June 30, 2021 were 24.0% and 25.2%, respectively.

## Leon's Furniture Limited

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

### 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:

<b>For the</b>	<b>Three months ended</b>	
(C\$ in thousands except share and per share amounts)	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Net income for the period for basic earnings per share	50,119	46,000
Net income for the period for diluted earnings per share	50,119	46,000
Weighted average number of common shares outstanding	67,223,964	78,132,709
Dilutive effect	813,351	1,758,075
Dilutive weighted average number of common shares outstanding	68,037,315	79,890,784
Basic earnings per share	\$0.75	\$0.59
Diluted earnings per share	\$0.74	\$0.58

<b>For the</b>	<b>Six months ended</b>	
(C\$ in thousands except share and per share amounts)	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Net income for the period for basic earnings per share	74,877	86,871
Net income for the period for diluted earnings per share	74,877	86,881
Weighted average number of common shares outstanding	67,490,025	78,335,472
Dilutive effect	815,520	1,781,526
Dilutive weighted average number of common shares outstanding	68,305,545	80,116,998
Basic earnings per share	\$1.11	\$1.11
Diluted earnings per share	\$1.10	\$1.08

### 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 June 30, 2022, unrestricted liquidity was \$278,369 comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

## Leon's Furniture Limited

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

### 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	June 30, 2022			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	81,399	81,399	Level 1
Trade receivables	Amortized cost	154,794	154,794	Level 2
Restricted marketable securities	FVOCI	467	467	Level 1
Equity instruments	FVOCI	28,456	28,456	Level 1
Equity instruments	FVOCI	3,310	3,310	Level 3
Debt instruments	FVOCI	69,706	69,706	Level 1
Debt instruments	FVTPL	100	100	Level 2
Loan receivable	FVTPL	9,404	9,404	Level 2
Derivative assets	FVTPL	352	352	Level 2
<b>Financial liabilities</b>				
Trade and other payables	Amortized cost	297,178	297,178	Level 2
Long-term debt	Amortized cost	238,125	238,125	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
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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 June 30, 2022 includes financial assets of \$180,028, \$164,650 and \$3,310 for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$535,316 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.

## Leon's Furniture Limited

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

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 June 30, 2022, a \$352 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	Six months ended	
	June 30, 2022	June 30, 2021
(C\$ in thousands)		
Trade receivables	5,299	6,447
Inventories	(94,788)	(54,734)
Prepaid expenses and other assets	(7,995)	(8,577)
Trade and other payables	(9,953)	(50,799)
Customers' deposits	(119,151)	(52,285)
Derivative assets	(352)	-
Derivative liabilities	(1,742)	1,342
Provisions	(1,130)	1,051
Deferred acquisition costs	(1,028)	(697)
<b>Total</b>	<b>(230,840)</b>	<b>(158,252)</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 second quarter of 2022 interim condensed consolidated financial statements.