

Scaled for Growth

A Diversified Portfolio



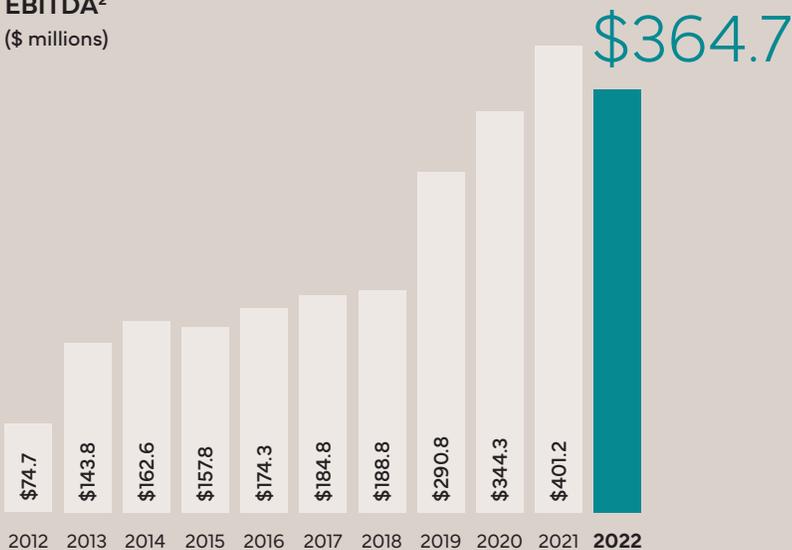
A Focus on Long-Term Growth

Leon’s Furniture Limited (“LFL Group”) has a long track record of investing capital to grow the business and reward shareholders. Our focus is on delivering sustainable returns while growing our market share.

Earnings Per Common Share¹



EBITDA² (\$ millions)



1. Adjusted Diluted Earnings Per Share (Non-IFRS measure)

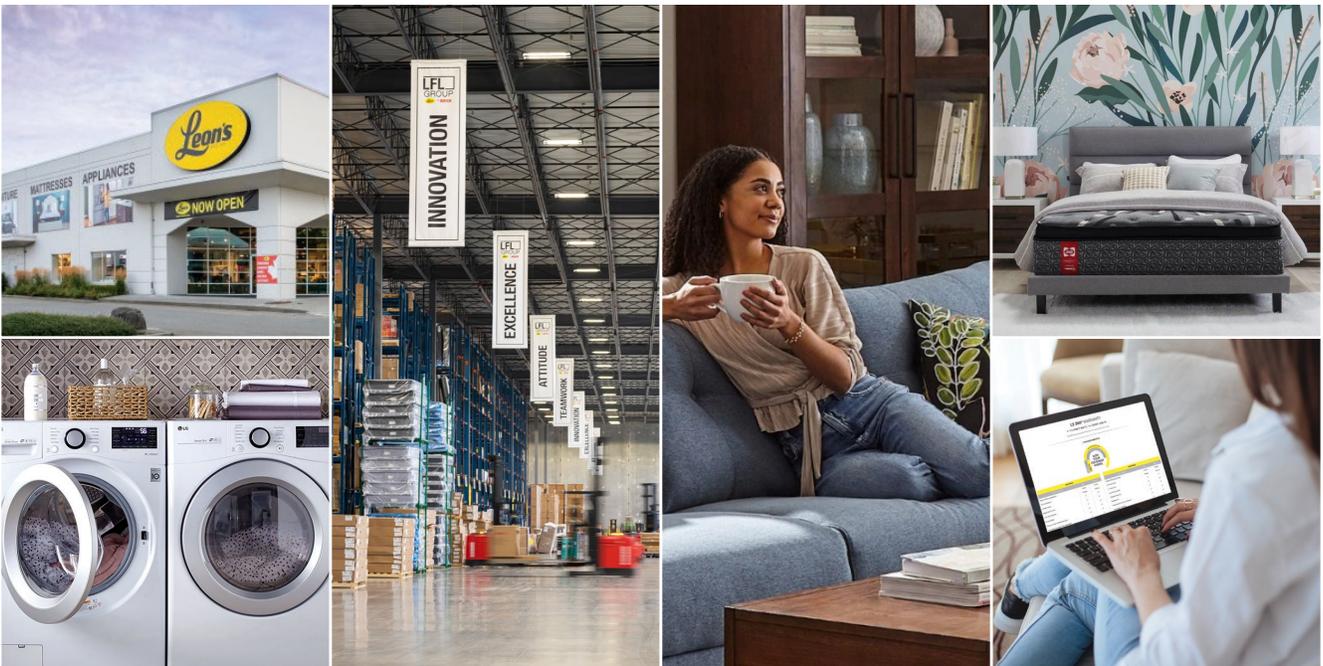
2. Adjusted earnings before interest, income taxes, depreciation and amortization, mark-to-market adjustment due to the changes in the fair value of the Company’s financial derivative instruments and any non-recurring charges to income (“Adjusted EBITDA”) is a non-IFRS financial measure used by the Company

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A Diversified Portfolio

LFL Group is well known for its retail banners including The Brick and Leon's, however our vision is to build on our retail success and grow the Company's portfolio of supporting businesses into success stories of their own.



A Vision for Growth

Michael J. Walsh

President & CEO
of LFL Group



We delivered solid results in 2022 in a challenging operating environment, once again demonstrating the strength and resilience of our business model.

The Year in Review

Top-line performance was relatively stable in 2022 in comparison to the significant growth we saw in the prior year. Total system-wide sales decreased by \$4.6 million to \$3.1 billion. We achieved another \$2.5 billion revenue year, maintaining record results despite our challenging economic environment.

With stores open all year, costs were higher than the previous year which included some closures due to COVID-19 restrictions. As a result, adjusted EBITDA declined by 9%. Importantly, we maintained adjusted diluted earnings per share of \$2.60 for the fiscal year 2022.

This performance should be viewed in the context of rapidly changing macro-level conditions. As the world continued to rebound from the pandemic, we faced ongoing supply chain issues, dramatic swings in shipping costs, and a rapid increase in inflation which in turn drove higher interest rates. Each of these factors had some impact on our ability to procure merchandise for our customers as well as their capacity to make large purchases.

"Our approach is to build long-term, sustainable value, and I believe we are on track."

10-year revenue growth

49%

10-year earnings per share growth

192%

10-year EBITDA growth

154%

I am very proud of the way our team navigated the challenges. The scale and coast-to-coast integration of our operations offered us several levers to mitigate the impact on the bottom line. As always, we held to our unwavering culture of cost control and efficiency. We carefully managed the flow of inventory and balanced promotion with profitability.

This approach enabled us to preserve gross margins at 44.1% in 2022, consistent with the previous year, while maintaining sales momentum. In that respect, LFL Group has fared better than a number of large retailers who are experiencing margin pressure in a competitive market.

Our market share continues to trend upwards. LFL Group is ranked first in Canada in the furniture and appliance categories and second in mattresses – with an exciting new partnership poised to grow our share of the direct-to-consumer mattress market.

Investing in Success

It is important to mention that our success is only possible because of the significant investments we have made in recent years. Consumer-facing innovations have included a first-class eCommerce capability, renewed retail concepts and several in-store technologies. Operationally, we have committed to an upgraded distribution network, new selling tools for our associates and a supply chain platform that allows us to optimize for changing circumstances. Naturally, none of these is more important than the investment we have made in our team of associates.

We cannot claim to have anticipated the upheaval that began in 2020, but we were certainly equipped to withstand it.

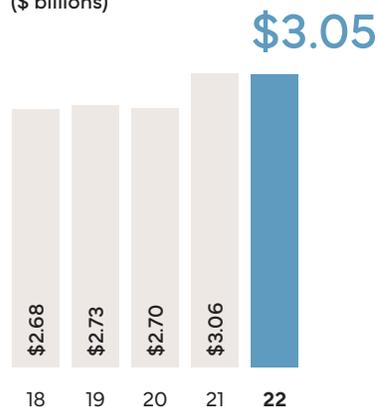
To fully evaluate our performance, it is helpful to review the trends since 2019, the last year to be unaffected by store closures, supply chains disruptions and other recent events. Over the past three years, our average annualized growth rate has been 6.5% on revenue and 3.1% on adjusted net income.

Our approach is to build long-term, sustainable value, and I believe we are on track.

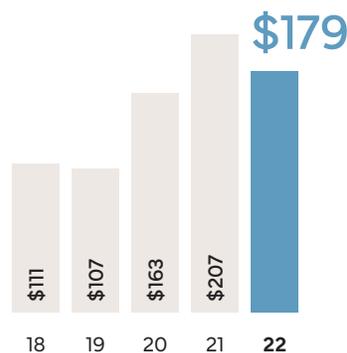
Over that same three-year period, LFL Group returned more than \$615 million to shareholders in the form of dividends, special dividends and share repurchases. Even after that extraordinary return of capital, we held over \$300 million of liquidity at the end of 2022, including \$226 million of cash and investments. Our Board will continue to prioritize the interests of investors in its capital allocation decisions, while also reinvesting in the business when the returns are attractive.

“We cannot claim to have anticipated the upheaval that began in 2020, but we were certainly equipped to withstand it.”

Total system-wide sales
(\$ billions)



Net income
(\$ millions)



Adjusted EBITDA
(\$ millions)





A Diversified Portfolio

LFL Group's approach to creating long-term value has resulted in a formidable company with a proven ability to adapt to change and thrive under any conditions. I believe our growth story is familiar to investors. In the past decade, we have quadrupled our store count and nearly tripled our earnings per share, with the 2013 acquisition of The Brick serving as a key catalyst.

What may be less well known is that there is much more to our Company than the 304 retail locations and online properties. In the course of building out that retail footprint, we have established supporting businesses and assets which have now reached a meaningful scale in their own right.

LFL Group owns an insurance provider, a warranty company, a wholesale business, the largest network of service technicians in Canada, a coast-to-coast distribution network and a significant real estate portfolio. Each of these businesses presents opportunities to unlock value or expand our addressable market. We have the capacity to service customers beyond our existing retail customer base, and in some cases, we are already doing so.

Our team has been increasingly focused on monetizing our size and scale and harnessing it to enter new market segments. One effective strategy has been partnerships. Our agreement with fintech provider Flexiti Financial enables us to make faster decisions on point of sale retail

financing and credit insurance, while also delivering benefits to LFL Group on other business they do in Canada. Similarly, our partnership with direct-to-consumer mattress company Resident goes beyond a traditional supplier relationship as we facilitate their entry into the Canadian market.

This year's annual report begins to pull back the curtains on the untapped potential of our portfolio of businesses. LFL Group is bigger than the sum of its parts and has an extensive runway for growth. We look forward to sharing more of our strategies in the months and years to come.

Outlook

We will remain focused on growing our market share, managing costs and responding quickly to any changes that impact our business. Our financial strength and proven ability to act decisively leave us well-positioned for continued success. Experience shows that times of volatility can create attractive investment opportunities.

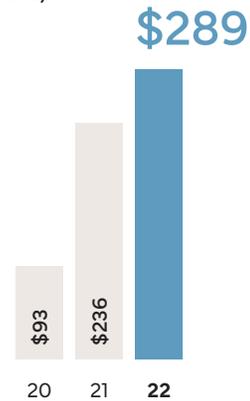
This was my first full year as CEO after being appointed half-way through 2021. I remain grateful for the tremendous efforts of our entire team starting from the retail stores and culminating at the corporate offices of LFL Group. Thanks are also due to our shareholders, suppliers and customers for their ongoing support.

"Michael J. Walsh"

Michael J. Walsh

President & Chief Executive Officer
LFL Group

Capital returned to shareholders
(\$ millions)



Leon's Furniture Limited Remembers

Dr. Joseph Leon

We recently marked the passing at age 92 of Dr. Joseph Leon, the last of the 11 children of Alban Leon who founded this company in 1909. Dr. Leon did not enter the family business and followed a noble calling serving patients in Welland, Ontario. Dr. Joe, as family, friends and associates called him, was an original Director when Leon's went public in 1969. His son, Joseph, continues to sit on our Board, alongside several other descendants of Alban who have spent decades at LFL Group. It is remarkable to have such continuity at a public company, and as the first non-Leon to helm the ship, I am grateful for their counsel.

- Michael J. Walsh



Our Portfolio of Businesses

People think about LFL Group as a retail company with several well-known banners, more than 300 stores and a strong eCommerce presence. That nationwide retail footprint does indeed drive the majority of our financial results.

In fact, LFL Group is a diversified portfolio of businesses, each of which generates financial returns and creates value for our shareholders. We originally established these businesses (such areas as distribution, warranty, insurance and after-sales service) to support our retail operations and customer base.

As the Company has grown, we have incubated these businesses and invested in the development of best-in-class capabilities.

The scale and critical mass we have achieved after years of investment in growth opens up exciting new options. Each of these businesses present strategic opportunities for us to grow the company and unlock value in the years to come.



Real Estate



Wholesale

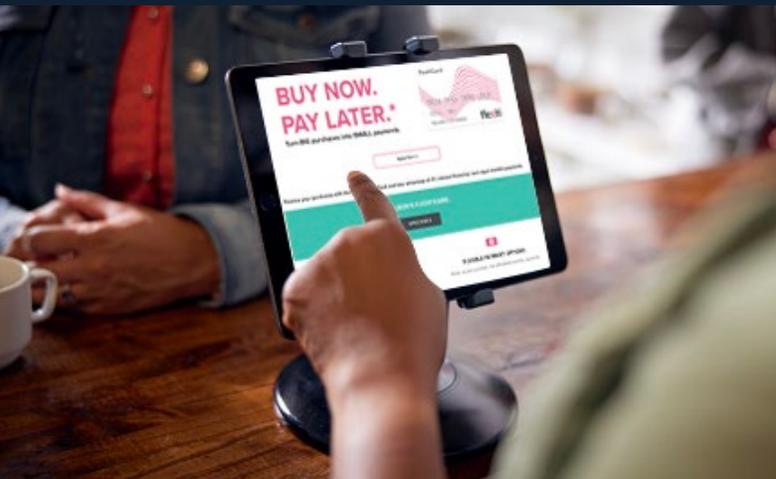
LFL Group is not just the largest Canadian retailer in our category, but among the top 10 in North America.



Warranty



After-Sales Service



Insurance



Distribution and Last Mile Delivery

Insurance

LFL Group’s subsidiaries Trans Global Insurance (TGI) and Trans Global Life Insurance (TGLI) offer insurance to protect our customers against unexpected situations. Any outstanding balances on their purchases are covered in the event of death, dismemberment, disability, critical illness and involuntary unemployment.

Credit insurance is an important aspect of our offering during these times of economic uncertainty. Customers can finance items they need for their homes with the reassurance that they are protected from hardships caused by unforeseen events.

This is a differentiator for LFL Group that helps us grow market share, as competitors who lack our scale do not offer comparable protections. Our investment in innovation enables us to approve at the time of check-out, both instore and online, ensuring a fast and seamless process for customers.



Number of insurance policies life-to-date

1m+

Percentage of revenue earned from third-party partners

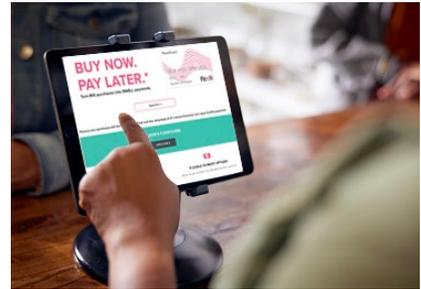
~50%

Store fronts selling TGI/TGLI insurance

7,000+

Insurance revenue in 2022

\$17m



The Insurance Opportunity

TGI and TGLI are becoming more significant players in the Canadian credit insurance market. As an underwriter, we have reached a critical size in our history that enables us to further expand the book of business while effectively managing risks.

One avenue for growth comes from our relationship with Flexiti Financial and its parent company, Curo Financial. Our technology helps us make timely decisions on customer financing and insurance at the point of sale. More broadly, our partnership agreement designates TGI and TGLI as the insurance providers on retail transactions completed by Flexiti Financial throughout its Canadian retail network – not just at LFL Group properties.



Warranty

We offer extended warranties to customers who value extra protection and cost certainty.

Extended warranties and product guarantees are offered on appliances, electronics, furniture and mattresses to provide coverage that extends beyond the manufacturer's warranty period by up to five years. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim. LFL Group teams are dispatched to provide those services.

Customers under warranty

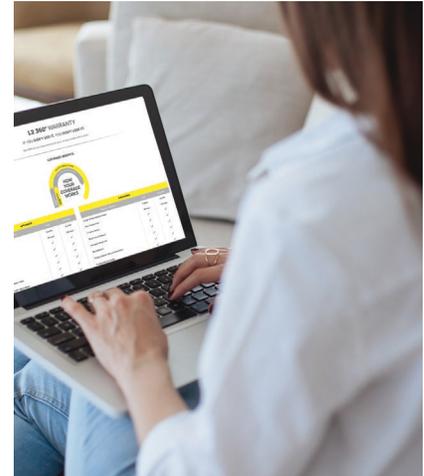
2m+

LFL Group customers who buy warranty

40%+

Achieved highest level of warranty sold in

2022



The Warranty Opportunity

As a market leader in these product categories, LFL Group is among the largest warranty providers in Canada. Our scale and operational experience make us a suitable potential partner for others in the space.



After-Sales Service

LFL Group has Canada’s largest network of service technicians. Our service division, Trans Global Service (“TGS”), provides household furniture, electronics and appliance installation and repair services to our customers, including warranty work. Our technicians are factory trained and TGS is authorized for many different manufacturers of appliance and electronics.

The successful resolution of service issues improves customer satisfaction and loyalty. We take pride in resolving matters quickly and effectively.



Coverage across Canada

90%+

Annual home visits

150k

Authorized manufacturers

40+

Team

275 TGS employees

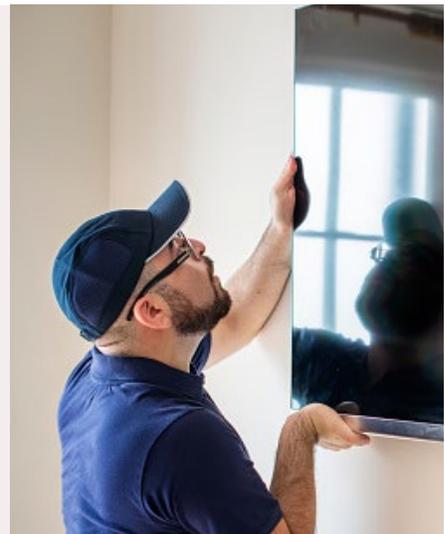
500 Contracted technicians

The After-Sales Service Opportunity

Trans Global Services acts as an authorized service provider to an increasing number of third parties. Many of our calls are made to customers who purchased their products elsewhere. We believe there is room to grow the amount of business we do with manufacturers and vendors who otherwise lack the scale to service the Canadian market.

The successful migration of our retail brands into the eCommerce space offers a potential roadmap to extend our traditional service capabilities to a new customer base.

At a macro level, after sales service in Canada is part of a broader category that can be summarized as home services.



The Wholesale Opportunity

The private label offering can be sold both in LFL Group-branded stores and through third-party channels. We will explore opportunities to expand our reach to take advantage of our growing wholesale capabilities.



Wholesale

From its humble origins as a seller of largely domestically-produced goods, LFL Group has evolved to become one of the top five importers in Canada.

As part of LFL Group's product sourcing strategy, our wholesale subsidiary, First Oceans Trading Corporation, has established overseas operations to deal directly with manufacturers. This approach enables us to design products, manage quality control,

simplify our supply chain and capture incremental margin while delivering good value to our customers.

Today, we design products ourselves based on our deep knowledge of consumer preferences and market trends. Through contract manufacturers around the world, we have developed private label product lines.



First Ocean contract manufacturers

55+

Total imported containers per year

15,000+

Real Estate

LFL Group owns a significant portion of the land on which our stores and other facilities reside. Our portfolio currently comprises more than 5 million square feet of owned space, with a further 9 million square feet of leased properties across Canada.

Ownership of these properties helps reduce the carrying costs of our retail locations, generating ongoing value for shareholders. We also benefit from the ability to repurpose or relocate selected sites in response to changing demographics and market conditions.

The Real Estate Opportunity

LFL Group's real estate assets are reported at historical cost, meaning the balance sheet does not reflect its market value in an environment that has seen meaningful long-term price appreciation. The value of the portfolio has the potential to be further enhanced through selective development activities.



Total book value

\$241m

Total square footage of real estate portfolio owned and leased

14m sq ft

Number of sites owned vs. leased

82%
vs. 18% – Leon's

8%
vs. 92% – The Brick



Distribution and Last Mile Delivery

LFL Group continues to strengthen its national distribution network by building facilities and implementing advanced technologies. We recently announced plans to develop another new distribution centre (DC) in Edmonton, Alberta. All distribution facilities are designed to support and serve both the Leon’s and Brick brands, including all banners of LFL Group and our eCommerce operations.

Recently Developed/Planned Distribution Centres

Year of Completion	Location	Size (square feet)
2017	Delta, British Columbia	432,000
2021	Dartmouth, Nova Scotia	168,000
2024 (planned)	Edmonton, Alberta	500,000 [†]

[†] Facility will include The Brick corporate offices at approximately 60,000 sq feet of office space

Effective coast-to-coast distribution capabilities are core to our offering as an omnichannel retailer. We stock nearly 400,000 unique items and make approximately 1.5 million deliveries each year. Our associates can provide customers with real-time insight into product availability and delivery times. Centralized oversight of the entire system enables us to carefully manage inventory to meet multiple objectives, including cost control.

Delivery stops annually

1.5m+

Total DC square footage (approx)

4m sq ft



The Distribution Opportunity

As a multi-banner, multichannel retailer, we design our distribution centres to seamlessly manage products for all our divisions and subsidiaries. A robust IT backend system and supply chain platform enables us to commingle hundreds of thousands of unique items without sacrificing efficiency.

This level of flexibility and scale has allowed us to provide distribution services to third parties. We store and ship inventory for several direct-to-consumer brands and anticipate growing this part of our business in the coming years. This ability in our distribution system makes it possible to partner with companies like Resident.

Partnering with Industry Leaders

LFL Group’s national footprint, operating infrastructure, recognized retail banners and related online properties makes us an attractive partner for a range of companies who wish to access to the Canadian marketplace.

We view partnering with third parties as an efficient way to monetize our scale and fast-track our growth. Our partnerships with Resident and Flexiti Financial are just two recent examples. We will continue to be creative in forming new alliances.

Resident

We recently formed an exclusive partnership with Resident, the largest direct-to-consumer mattress company in North America. We now offer its Nectar and DreamCloud mattress brands both online and in-store at Leon’s and The Brick.

This joint venture is exciting for both companies. LFL Group expands into the “mattress in a box” category with a proven product line that has sold more than 5.5 million units. Resident gains instant access to Canadian consumers with coast-to-coast distribution and showrooms as well as an eCommerce presence. We are investing together to market the brands and drive traffic to our stores.

It is LFL Group’s scale that makes such arrangements possible. A smaller retailer could have been perhaps one of several to carry Resident’s brands. Instead, the long-term benefits we expect to derive are similar to those of making an acquisition, while making use of the resources we already have available.



Flexiti Financial

We partnered with Flexiti Financial to streamline our point-of-sale processes and improve the shopping experience. Flexiti Financial’s technology enables us to make real-time decisions on product financing and insurance both in-store and online. Customers can complete their purchases quickly with full information about payments.

The scale of opportunity LFL Group represented for Flexiti Financial allowed us to establish a broader relationship that generates revenue for us. The partnership agreement designates LFL Group subsidiaries TGI and TGLI as the insurance providers on retail transactions completed by Flexiti Financial throughout its Canadian retail network – not just at LFL Group properties. There is potential to further deepen the relationship in the future.



Executive Leadership Team



(left to right):
Graeme Leon,
Constantine Pefanis,
Michael J. Walsh, and
David B. Freeman.

Graeme Leon
Divisional President
of Leon's

Graeme was promoted to President of Leon's Furniture Division in 2020. His 43 years of service with the Company have included roles as Vice President of Merchandising and National Store Operations Manager, both for the Leon's Furniture Division.

Graeme is retiring from his position as of March 22, 2023.

Constantine Pefanis
CFO of LFL Group

Costa has held various management positions within Leon's Furniture Limited since joining the Company as Corporate Finance Manager in May 2005. In 2016 he was appointed as the Director of Finance, Audit & IT, a position he held until his appointment in 2018 to the position of Chief Financial Officer of the LFL Group.

Michael J. Walsh
President and CEO of
LFL Group

Mike was promoted to the Chief Executive Officer effective July 1, 2021. He became President & COO in 2020 after serving for five years as President of Leon's Furniture Division. Mike is a seasoned executive with over 30 years of retail experience. Prior to joining the Company, he served as Vice President of Operations at Canadian Tire Corporation.

David B. Freeman
Divisional President
of The Brick

Dave is a long-serving Brick associate with more than 40 years of retail experience. Prior to his appointment as President of The Brick in 2016, Dave served in a variety of roles including Senior Vice President of Operations and Vice President of Sales.

Our ESG Commitment

LFL Group strives to be an integral part of communities across Canada. We care about the people who work for us, the customers who shop in our stores, the places where all of us live, and the planet our children will inherit.

As an example, our Brick division's recycling efforts conserved the equivalent of

26,453 yd³

of landfill airspace

54,380

mature trees

10.4m

kW-hours of electricity

18.5m

gallons of water



Minimizing Our Impact

We ship products from around the world to homes across Canada. We make every effort to ensure that the manufacturing, transportation and storage activities are carried out in a sustainable and energy-efficient manner.

Recycling

Our facilities are equipped with recycling equipment to ensure we divert waste and conserve other resources. For example, the Brick division's recycling efforts conserved the equivalent of 26,453 cubic yards of landfill airspace, 54,380 mature trees, 10.4 million kW-hours of electricity and 18.5 million gallons of water.

Supplier Audits

We conducted in-depth audits of our international supply chain to test for compliance with our contractual standards for labour and environmental practices. We are pleased to report that no suppliers stood in contravention of our agreements.

A Safe and Healthy Workplace

We follow all safety protocols and best practices to help keep our associates healthy. Through our human resources policies, we strive to ensure that equal opportunities exist for all our associates and that our benefits and remuneration packages are designed to properly motivate our workforce.



Giving Back to Our Communities

Throughout the years, LFL Group has proudly supported a variety of local and national health associations, children's charities, and foundations so they can continue to do the good work that they do for all of us across the country. This year we were proud to support Children's Miracle Network, The Hospital for Sick Children, Humber River Hospital Foundation, Homes for Heroes and various other worthy causes, in different initiatives such as Teddy Bear Toss, The Brick's New Year's Run, Champion Child Program, among others.

In 2022, we raised just over \$2.2 million for Children's Miracle Network, benefiting children's hospitals, medical research and community awareness. We are also proud to partner with the Homes for Heroes Foundation, whose mission is to integrate all our homeless military Veterans into the community through the provision of housing and support services across Canada.



Protecting the Interests of All Stakeholders

We have implemented governance policies to help ensure that we consider the needs of multiple stakeholder groups. The Board of Directors is comprised of a majority of independent directors, who periodically meet without management and non-independent members present. The Board has adopted a written Code of Conduct to guide the activities of all directors, officers and employees, and closely monitors compliance.

FIVE-YEAR REVIEW

Income Statistics

(\$ in thousands, except amounts per share)	2022	2021	2020	2019	2018
Revenue	\$2,517,659	\$ 2,512,670	\$ 2,220,180	\$ 2,283,411	\$ 2,241,437
Cost of Sales	1,408,226	1,404,446	1,236,258	1,284,826	1,264,561
Gross Profit	\$1,109,433	\$ 1,108,224	\$ 983,922	\$ 998,585	\$ 976,876
Operating Expenses	873,212	831,845	773,437	855,539	826,286
Income before income taxes	236,221	276,379	210,485	143,046	150,590
Provision for income taxes	56,792	69,221	47,235	36,117	39,560
Net Income	\$ 179,429	\$ 207,158	\$ 163,250	\$ 106,929	\$ 111,030
Common shares outstanding (weighted average '000s)	67,512	77,623	79,799	77,595	76,368
Earnings per common share	\$ 2.66	\$ 2.67	\$ 2.05	\$ 1.38	\$ 1.45
Percent annual change in sales	0.2%	13.2%	(2.8%)	1.9%	1.2%
Net income as a percentage of sales	7.1%	8.2%	7.4%	4.7%	5.0%
Dividend declared	\$ 43,238	\$ 146,092	\$ 69,977	\$ 43,445	\$ 39,716

Balance Sheet Statistics

(\$ in thousands, except amounts per share)	2022	2021	2020	2019	2018
Shareholders' equity	928,885	\$ 791,193	\$ 1,016,003	\$ 915,764	\$ 857,362
Total assets	2,193,643	2,453,133	2,418,589	2,146,461	1,723,572
Purchase of capital assets	26,798	14,896	43,493	32,931	19,650
Working capital ¹	241,677	(34,455)	161,286	100,206	198,445
Shareholders' equity per common share ²	13.76	14.01	13.03	11.80	11.23
Common share price range on the Toronto Stock Exchange					
High	\$ 22.84	\$ 26.30	\$ 21.68	\$ 17.29	\$ 19.50
Low	\$ 15.00	\$ 20.09	\$ 10.25	\$ 14.01	\$ 14.70

1. 2021 and 2018 exclude the amounts of \$90,000 and \$144,712, respectively, comprised of loans and borrowings due to the classification from non-current liabilities to current liabilities as at December 31.

2. For year-on-year comparability, 2021 excludes the substantial issuer bid and special dividends. 2020 excludes special dividends.

Revenue

(\$ in thousands)

18	\$2,241,437
19	\$2,283,411
20	\$2,220,180
21	\$2,512,670
22	\$2,517,659

Net Income

(\$ in thousands)

18	\$111,030
19	\$106,929
20	\$163,250
21	\$207,158
22	\$179,429

Shareholders' Equity

(\$ per share)

18	\$11.23
19	\$11.80
20	\$13.03
21	\$14.01
22	\$13.76

Management's Discussion and Analysis

For the year ended December 31, 2022

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1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at February 22, 2023 and is based on the consolidated financial position and operating results of Leon's Furniture Limited/Meubles Leon Ltée (the "Company") as of December 31, 2022 and for the years ended December 31, 2022 and 2021. It should be read in conjunction with the fiscal year 2022 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2022 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

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

Financial Statements Governance Practice

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The amounts expressed are in Canadian dollars ("C\$"). Per share amounts are calculated using the weighted average number of shares outstanding before and after considering the potential dilutive effects of the convertible debentures and the relevant management share purchase plans for the applicable period.

The Audit Committee of the Board of Directors of Leon's Furniture Limited reviewed the MD&A and the consolidated financial statements, and recommended that the Board of Directors approve them. Following review by the full Board, the fiscal year 2022 consolidated financial statements and MD&A were approved on February 22, 2023.

2. Business Overview

Leon's Furniture Limited is the largest network of home furniture, appliances, electronics, and mattress stores in Canada. Our retail banners include: Leon's; The Brick; Brick Outlet and The Brick Mattress Store. As well, The Brick's Midnorthern Appliance banner alongside with the Appliance Canada banner, makes the Company the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies. Finally, the Company operates six ecommerce sites: leons.ca, thebrick.com, furniture.ca, midnorthern.com, transglobalservices.com and appliancecanada.com.

The Company's repair service division, Trans Global Services ("TGS"), provides household furniture, electronics and appliance repair services to its customers. TGS has contracts to support several manufacturer's warranty service work in addition to servicing a number of individual programs offered by other dealers. This division also performs work for products sold with extended warranties and is an integral part of the retail offering. These extended warranties, underwritten by the Company's wholly-owned subsidiaries are offered on appliances, electronics and furniture to provide coverage that extends beyond the manufacturer's warranty period by up to five years. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim.

The Company's wholly-owned subsidiaries Trans Global Insurance Company ("TGI") and its sister company, Trans Global Life Insurance Company ("TGLI") also offer credit insurance on the customer's outstanding financing balances and third-party customer balances. This credit insurance coverage includes life, dismemberment, disability, critical illness, and involuntary unemployment. These credit insurance policies are underwritten by TGI and TGLI as they are licensed as insurance companies in all Canadian provinces and territories.

The Company has foreign operations in Asia and the Caribbean, through its wholly-owned subsidiaries First Oceans Trading Corporation and King & State Limited, respectively. These operations relate to the Company's import and quality control program for sourcing products from Asia for resale in Canada through its retail operations, and the retail banners that sell their extended warranties on appliances and electronics to their customers, respectively.

3. Results of Operations

Summary financial highlights for the three months ended December 31, 2022 and December 31, 2021

For the	Three months ended			
	December 31, 2022	December 31, 2021	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	804.4	820.5	(16.1)	(2.0%)
Franchise sales ⁽¹⁾	143.2	150.7	(7.5)	(5.0%)
Revenue	661.2	669.8	(8.6)	(1.3%)
Cost of sales	373.1	373.2	(0.1)	(0.0%)
Gross profit	288.1	296.7	(8.6)	(2.9%)
Gross profit margin as a percentage of revenue	43.57%	44.30%		
Selling, general and administrative expenses ⁽²⁾	223.1	218.6	4.5	2.1%
SG&A as a percentage of revenue	33.74%	32.64%		
Income before net finance costs and income tax expense	65.0	78.0	(13.0)	(16.7%)
Net finance costs	(6.0)	(2.9)	3.1	106.9%
Income before income taxes	59.0	75.1	(16.1)	(21.4%)
Income tax expense	14.4	18.1	(3.7)	(20.4%)
Adjusted net income ⁽¹⁾	44.6	57.0	(12.4)	(21.8%)
Adjusted net income as a percentage of revenue ⁽¹⁾	6.75%	8.51%		
After-tax mark-to-market gain on financial derivative instruments	1.4	0.5	0.9	180.0%
Net income	43.2	56.5	(13.3)	(23.5%)
Basic weighted average number of common shares	66,957,921	76,818,991		
Basic earnings per share	\$0.65	\$0.74	\$(0.09)	(12.2%)
Adjusted basic earnings per share ⁽¹⁾	\$0.67	\$0.74	\$(0.07)	(9.5%)
Diluted weighted average number of common shares	67,148,859	77,662,535		
Diluted earnings per share	\$0.65	\$0.73	\$(0.08)	(11.0%)
Adjusted diluted earnings per share ⁽¹⁾	\$0.67	\$0.74	\$(0.07)	(9.5%)
Common share dividends declared	\$0.16	\$0.16	\$0.00	0.0%
Convertible, non-voting shares dividends declared	\$0.32	\$0.32	\$0.00	0.0%

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

2. Selling, general and administrative expenses ("SG&A").

Same Store Sales ⁽¹⁾

For the	Three months ended			
	December 31, 2022	December 31, 2021	\$ Decrease	% Decrease
(C\$ in millions, except %)				
Same store sales ⁽¹⁾	646.0	652.4	(6.4)	(1.0%)

1. Supplementary financial measure. Refer to section 14 in this MD&A for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

For the three months ended December 31, 2022, revenue was \$661.2 million compared to \$669.8 million in the fourth quarter 2021. Revenue decreased \$8.6 million or 1.3% as compared to the prior year quarter. The current quarter compares favorably to the Company's historical results before the COVID pandemic began in the early part of the 2020 fiscal year. The Company is continuing to show increases across all product categories for the three months ended December 31, 2022, when compared to pre-pandemic results. Comparing to pre-pandemic quarter ended December 31, 2019, revenue has increased by \$39.8 million or 6.4%.

Same Store Sales ⁽¹⁾

Same store sales in the quarter decreased by 1.0% compared to the fourth quarter 2021.

Gross Profit

The gross profit margin of 43.57% in the quarter decreased by 73 basis points from the fourth quarter 2021. This decrease in gross margin percentage during the quarter was due to a concerted effort to significantly lower on-hand inventory levels. The change in inventory levels from the start of the fourth quarter to the end of the fourth quarter, saw the Company's on-hand inventory balance decrease by over \$91 million or a reduction of 18.1%. This reduction in the Company's inventory balances was important given that ocean freight costs were stabilizing and are beginning to return to pre-pandemic pricing levels.

Selling, General and Administrative Expenses ("SG&A")

The Company's SG&A as a percentage of revenue for the fourth quarter 2021 was 32.64% compared to 33.74% for the fourth quarter of 2022, an increase of 110 basis points over the fourth quarter 2021. The Company's SG&A as a percentage of revenue for the current quarter increased due to continued broad based inflation, the increased cost of retail financing due to the Bank of Canada interest rate increases and the increased costs of marketing in the quarter.

Adjusted Net Income ⁽²⁾ and Adjusted Diluted Earnings Per Share ⁽²⁾

Given the combined impact in the fourth quarter of a reduced gross margin percentage and slightly higher SG&A expenses, the adjusted net income in the current quarter totalled \$44.6 million, which represents a decrease of \$12.4 million over the prior year's quarter.

The adjusted diluted earnings per share in the fourth quarter was \$0.67 per share, a decrease of 9.5% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2022 was \$43.2 million, or \$0.65 per diluted earnings per share as compared to the net income of \$56.5 million in the prior year's quarter, or \$0.73 per diluted earnings per share.

1. Supplementary financial measure. Refer to section 14 in this MD&A for additional information.

2. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary financial highlights for the year ended December 31, 2022, 2021 and 2020

For the (C\$ in millions except %, share and per share amounts)	Year ended							
	2022	2021	\$ Increase (Decrease)	% Increase (Decrease)	2021	2020	\$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales ⁽¹⁾	3,053.0	3,057.6	(4.6)	(0.2%)	3,057.6	2,701.6	356.0	13.2%
Franchise sales ⁽¹⁾	535.3	544.9	(9.6)	(1.8%)	544.9	481.4	63.5	13.2%
Revenue	2,517.7	2,512.7	5.0	0.2%	2,512.7	2,220.2	292.5	13.2%
Cost of sales	1,408.2	1,404.4	3.8	0.3%	1,404.4	1,236.3	168.1	13.6%
Gross profit	1,109.4	1,108.2	1.2	0.1%	1,108.2	983.9	124.3	12.6%
Gross profit margin as a percentage of revenue	44.06%	44.10%			44.10%	44.32%		
Selling, general and administrative expenses ⁽²⁾⁽³⁾	854.7	819.1	35.6	4.3%	819.1	751.0	68.1	9.1%
SG&A as a percentage of revenue	33.95%	32.60%			32.60%	33.83%		
Income before net finance costs and income tax expense	254.7	289.1	(34.4)	(11.9%)	289.1	233.0	56.1	24.1%
Net finance costs	(21.5)	(15.0)	6.5	43.3%	(15.0)	(17.9)	(2.9)	(16.2%)
Income before income taxes	233.2	274.1	(40.9)	(14.9%)	274.1	215.1	59.0	27.4%
Income tax expense	56.0	68.7	(12.7)	(18.5%)	68.7	48.4	20.3	41.9%
Adjusted net income ⁽¹⁾	177.2	205.5	(28.3)	(13.8%)	205.5	166.7	38.8	23.3%
Adjusted net income as a percentage of revenue ⁽¹⁾	7.04%	8.18%			8.18%	7.51%		
After-tax mark-to-market gain on financial derivative instruments ⁽¹⁾	(2.2)	(1.7)	(0.5)	29.4%	(1.7)	3.4	(5.1)	(150.0%)
Net income	179.4	207.2	(27.8)	(13.4%)	207.2	163.3	43.9	26.9%
Basic weighted average number of common shares	67,512,284	77,623,382			77,623,382	79,798,908		
Basic earnings per share	\$2.66	\$2.67	\$(0.01)	(0.4%)	\$2.67	\$2.05	\$0.62	30.2%
Adjusted basic earnings per share ⁽¹⁾	\$2.62	\$2.65	\$(0.03)	(1.1%)	\$2.65	\$2.09	\$0.56	26.8%
Diluted weighted average number of common shares	68,164,937	79,062,376			79,062,376	82,113,879		
Diluted earnings per share	\$2.64	\$2.62	\$0.02	0.8%	\$2.62	\$1.99	\$0.63	31.7%
Adjusted diluted earnings per share ⁽¹⁾	\$2.60	\$2.60	\$0.00	0.0%	\$2.60	\$2.04	\$0.56	27.5%
Common share dividends declared	\$0.64	\$1.89	\$(1.25)	(66.1%)	\$1.89	\$0.88	\$1.01	114.8%
Convertible, non-voting shares dividends declared	\$0.32	\$0.32	\$0.00	0.0%	\$0.32	\$0.29	\$0.03	10.3%

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

2. Selling, general and administrative expenses ("SG&A").

3. SG&A as a percentage of revenue for the year ended December 31, 2020, includes the impact of the CEWS of \$31.6 million or 1.4% as a percentage of revenue in the year. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in the year amounted to 35.25%.

Same Store Sales ⁽¹⁾

For the (C\$ in millions, except %)	Year ended			
	December 31, 2022	December 31, 2021	\$ Decrease	% Decrease
Same store sales ⁽¹⁾	2,453.1	2,454.1	(1.0)	(0.0%)

1. Supplementary financial measure. Refer to section 14 in this MD&A for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

For the year ended December 31, 2022, revenue was \$2,517.7 million compared to \$2,512.7 million in the prior year, an increase of \$5.0 million or 0.2% as compared to the prior year. This increase was primarily due to strong performance in the mattress category. This year the Company has continued to produce record top-line results when comparing to pre-pandemic top-line results. Revenue has increased approximately \$234 million or 10.3% compared to the year ended December 31, 2019, which was due to sales growth across all product categories.

Same Store Sales ⁽¹⁾

Same store corporate sales remained comparable to the year ended December 31, 2021.

Gross Profit

The gross profit margin remained relatively comparable from 44.10% for the year ended December 31, 2021, to 44.06% in the year ended December 31, 2022. This decrease in gross margin percentage during the year was due to a concerted effort to significantly lower on-hand inventory levels, especially during the fourth quarter of the 2022 fiscal year. Additionally, this marginal decrease in gross profit percentage was also due to increases in cost of sales in the furniture product category due to the increased ocean freight and overland transportation costs of landing product in the earlier part of the 2022 fiscal year. When comparing the Company's pre-pandemic gross profit margin, it increased 33 basis points as compared to the same period in 2019. This resulted from the Company monitoring product costing to control the release and flow of offshore containers due to the abovementioned increased freight costs in the latter half of 2021 and the first half of 2022.

Selling, General and Administrative Expenses

The Company's SG&A as a percentage of revenue for the year ended December 31, 2022, increased to 33.95%, an increase of 134 basis points over the prior year of 32.60%. This increase can be primarily attributed to provincially mandated wage increases, the increased costs of providing customers with retail financing options at the point of sale both in-store and online, increases in sales commissions and marketing costs and rising occupancy expenses due to increases of natural gas prices net of any previously provided COVID mandated property tax and utility rebates.

Adjusted Net Income ⁽²⁾ and Adjusted Diluted Earnings Per Share ⁽²⁾

Adjusted net income for the year ended December 31, 2022 totalled \$177.2 million, a decrease of \$28.3 million or 13.8% over the prior year. In comparison to the year ended December 31, 2019, which the Company has denoted as its pre-pandemic baseline year, the Company's adjusted net income significantly increased by 65.9%, or \$70.4 million.

Adjusted diluted earnings per share for the Company remained the same at \$2.60 per share compared to the year ended December 31, 2021.

However, when looking at the historical performance of the Company on a pre-pandemic basis, the adjusted diluted earnings per share increased from \$1.30 for the year ended December 31, 2019, to \$2.60 in the current year, representing an increase of 100%.

Net Income and Diluted Earnings Per Share

Including the mark-to-market impact of the Company's financial derivatives, net income for the year ended December 31, 2022, was \$179.4 million, or \$2.64 per diluted earnings per share (net income of \$207.2 million, \$2.62 per diluted earnings per share in 2021).

1. Supplementary financial measure. Refer to section 14 in this MD&A for additional information.
2. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

4. Store Network

The Company has 304 retail stores in Canada at December 31, 2022. The following table illustrates the Company's store count continuity from December 31, 2021 to December 31, 2022 by retail banner:

Banner	Number of stores as at December 31, 2021	Opened	Closed	Number of stores as at December 31, 2022
Corporate Stores				
Leon's	54	–	(1)	53
Appliance Canada	5	–	–	5
The Brick ⁽¹⁾	118	–	(1)	117
The Brick Mattress Store	21	–	–	21
Brick Outlet	6	–	–	6
Corporate Subtotal	204	–	(2)	202
Franchise Stores				
Leon's	35	–	–	35
The Brick	67	1	(1)	67
Franchise Subtotal	102	1	(1)	102
Total Corporate & Franchise Stores	306	1	(3)	304

1. Includes the Midnorthern Appliance banner.

The Company continues to reposition store locations in markets that allow its divisions to expand their market share and support existing locations.

5. Summary of Consolidated Quarterly Results

The table below highlights the variability of quarterly results and the impact of seasonality on the Company's results. The Company's profitability is typically lower in the first half of the year, since retail sales are traditionally higher in the third and fourth quarters.

For the quarter ended	December 31		September 30		June 30		March 31	
(C\$ in millions except per share amounts)	2022	2021	2022	2021	2022	2021	2022	2021
Total system-wide sales ⁽¹⁾	804.4	820.5	801.0	825.5	784.6	714.4	662.9	697.1
Franchise sales ⁽¹⁾	143.2	150.7	138.8	142.3	137.6	125.9	115.7	126.0
Revenue	661.2	669.8	662.2	683.2	647.0	588.5	547.2	571.1
Net income	43.2	56.5	61.3	63.8	50.1	46.0	24.8	40.9
Adjusted net income ⁽¹⁾	44.6	57.0	59.2	60.6	47.5	46.6	25.8	41.2
Basic earnings per share	\$0.65	\$0.74	\$0.91	\$0.83	\$0.75	\$0.59	\$0.37	\$0.52
Diluted earnings per share	\$0.65	\$0.73	\$0.90	\$0.81	\$0.74	\$0.58	\$0.36	\$0.51
Adjusted basic earnings per share ⁽¹⁾	\$0.67	\$0.74	\$0.88	\$0.79	\$0.71	\$0.60	\$0.38	\$0.52
Adjusted diluted earnings per share ⁽¹⁾	\$0.67	\$0.74	\$0.87	\$0.77	\$0.70	\$0.58	\$0.38	\$0.51

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

6. Financial Position

As at

(C\$ in millions)	December 31, 2022	December 31, 2021
Total assets	2,193.6	2,453.1
Total non-current liabilities	654.5	462.2

Assets

Total assets at December 31, 2022 of \$2,193.6 million were \$259.5 million lower than the \$2,453.1 million reported at December 31, 2021. The movement was primarily driven by a decrease in cash and cash equivalents.

Non-Current Liabilities

Non-current liabilities of \$654.5 million were \$192.3 million higher than the \$462.2 million reported at December 31, 2021. This is primarily a result of the movement of long-term debt from current liabilities as well as an increase in the term loan of \$136.9 million. This increase in the Company's credit facility was due to the payment for repurchased shares from the Substantial Issuer Bid ("SIB"). Long-term debt and the SIB are discussed further in note 14 and note 16, respectively, of the consolidated financial statements.

Net Debt

The table below reflects the Company's net debt balances, excluding its lease liabilities and restricted marketable securities as at December 31, 2022.

As at

(C\$ in millions)	December 31, 2022	December 31, 2021	\$ Change
Term debt	234.4	90.0	144.4
Less: cash, cash equivalents, debt and equity instruments	226.0	490.0	(264.0)
Net debt balance ⁽¹⁾	(8.4)	400.0	(408.4)

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

At December 31, 2022, the Company's total net debt balance, excluding its lease liabilities, is \$8.4 million. The change in the net debt position is driven by the increase in the term loan of \$144.4 million as well as a reduction in cash due to the repurchase of common shares for a cost of \$200.0 million under a SIB that the Company completed at the beginning of the first quarter of 2022.

7. Liquidity and Capital Resources

Liquidity Risk Management

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 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 December 31, 2022, unrestricted liquidity was \$329.0 million comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

Consolidated Cash Flow Movements

The following table provides a summarized statement of cash flows for the three months and year ended December 31, 2022 and December 31, 2021:

For the	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	\$ Increase (Decrease)	December 31, 2022	December 31, 2021	\$ Increase (Decrease)
(C\$ in millions)						
Cash provided by operating activities before changes in operating working capital items	74.9	93.6	(18.7)	286.9	360.6	(73.7)
Changes in operating working capital items	17.9	(0.7)	18.6	(272.6)	(46.9)	(225.7)
Cash provided by operating activities	92.8	92.9	(0.1)	14.3	313.8	(299.5)
Cash used in (provided by) investing activities	(20.4)	39.7	(60.1)	(36.7)	16.2	(52.9)
Cash used in financing activities	(39.2)	(137.4)	98.2	(244.6)	(316.5)	71.9
Increase (decrease) in cash and cash equivalents	33.2	(4.8)	38.0	(267.0)	13.5	(280.5)

Cash Provided By Operating Activities

Cash from operating activities consist primarily of net income adjusted for certain non-cash items, including depreciation and amortization and the effect of changes in non-cash working capital items, primarily receivables, inventories, deferred acquisition costs, accounts payable and customers' deposits.

For the three months ended December 31, 2022, cash provided by operating activities decreased by \$0.1 million compared to the prior year's quarter. This movement is primarily driven by a decrease in inventories of \$118.5 million with an offset due to decreases in customers' deposits and trade payables of \$96.3 million and \$9.4 million, respectively.

For the year ended December 31, 2022, cash provided by operating activities decreased by \$299.5 million compared to the prior year. This movement is primarily driven by decreases in the movement of customers' deposits and trade and other payables of \$242.9 million and \$51.3 million, respectively. Additionally, there was an increase in income taxes paid of \$38.9 million. This was partially offset by decreases in inventories of \$48.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash Used In Investing Activities

Investing activities relate primarily to capital expenditures and the purchase and sale of debt and equity instruments.

For the three months ended December 31, 2022, cash provided by investing activities decreased by \$60.1 million compared to the prior year's quarter. This change is driven by decrease in the proceeds on the sale of debt and equity instruments of \$37.0 million as well as increases in the purchase of property, plant and equipment and debt and equity instruments of \$10.4 million and \$9.2 million, respectively.

For the year ended December 31, 2022, cash provided by investing activities decreased by \$52.9 million compared to the prior year. This change is driven by decrease in the proceeds on the sale of debt and equity instruments of \$41.4 million as well as increases in the purchase of property, plant and equipment of \$11.9 million.

Cash Used in Financing Activities

Financing activities consist primarily of cash used to pay dividends, long-term debt and lease liabilities.

For the three months ended December 31, 2022, cash used in financing activities decrease by \$98.2 million compared to the prior year's quarter. The movement is primarily driven by decrease in dividends paid of \$97.9 million, as the prior year included special dividend payments.

For the year ended December 31, 2022, cash used in financing activities decrease by \$71.9 million compared to the prior year. The movement is driven by an increase to the term loan of \$150.0 million as well as a decrease in dividends paid of \$125.3 million with which is offset by an increase in the repurchase of common shares of \$179.7 million.

Adequacy of Financial Resources

At December 31, 2022, the Company's current assets exceeded its current liabilities by \$241.7 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were \$226.4 million compared to \$490.4 million at December 31, 2021. At December 31, 2022, \$103 million is available to draw on under the Company's \$200 million revolving credit facility as the borrowing capacity has been reduced by ordinary letters of credit of \$7 million and utilizing \$90 million of the revolving credit facility. The Company believes that its existing financing resources together with cash flow provided from its current operations and its expanded revolving credit facility will provide a sound liquidity and working capital position throughout the next twelve months.

Contractual Obligations

As at December 31, 2022

(C\$ in millions)

Contractual obligations	Total	Payments Due by Period					
		2023	2024	2025	2026	2027	2028 & Beyond
Long-term debt	252.5	20.4	232.1	–	–	–	–
Lease liability	373.4	89.2	55.7	55.2	53.8	52.3	67.2
Total contractual obligations	625.9	109.6	287.8	55.2	53.8	52.3	67.2

8. Outlook

Given the Company's strong and continuously improving financial position, our principal objective is to increase our market share and profitability. We remain focused on our commitment to effectively manage our costs but to also continuously invest in digital innovation that we believe will drive more customers to both our online eCommerce sites and our 304 store locations across Canada.

9. Outstanding Common Shares

At December 31, 2022, there were 67,861,289 common shares issued and outstanding. During the year ended December 31, 2022, 4,295 series 2009 shares, 14,756 series 2012 shares, 22,118 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares were converted into common shares. For details on the Company's commitments related to its redeemable share liability please refer to note 15 of the consolidated financial statements.

During the year ended December 31, 2022, and including the common shares repurchased under the automatic share purchase plan ("ASPP"), the Company repurchased 1,893,500 shares of its common shares on the open market pursuant to the terms and conditions of Normal Course Issuer Bids and ASPP at a net cost of \$44.3 million. At December 31, 2022, the Company has cancelled all of these repurchased shares. At December 31, 2022, an obligation of \$2 million was recognized for the repurchase of common shares under the ASPP (at December 31, 2021 – \$45 million).

On November 25, 2021, the Company commenced a SIB, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company. During the year ended December 31, 2022, the Company purchased, for cancellation, 7,999,993 common shares at a net cost \$200.0 million. These shares were cancelled in January 2022.

10. Related Party Transactions

For the year ended December 31, 2022, we had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

11. Critical Assumptions

Use of Estimates and Judgments

Management has exercised judgment in the process of applying the Company's accounting policies. The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated balance sheet dates and the reported amounts of revenue and expenses during the reporting period. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

Consolidation and classification of joint arrangements

Assessing the Company's ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgment to determine whether the Company controls, jointly controls, or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e., consolidation, equity investment or proportional share).

The classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The application of different judgments when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Extended warranty revenue recognition

The Company offers extended warranties on certain merchandise. Management has applied judgment in determining the basis upon and period over which to recognize deferred warranty revenue.

Inventories

The Company estimates the net realizable value as the amount at which inventories are expected to be sold by taking into account fluctuations of retail prices due to prevailing market conditions. If required, inventories are written down to net realizable value when the cost of inventories is estimated to not be recoverable due to obsolescence, damage or declining sales prices.

Reserves for slow-moving and damaged inventory are deducted in the Company's valuation of inventories. Management has estimated the amount of reserve for slow-moving inventory based on the Company's historic retail experience.

Impairment of debt instruments

The Company exercises judgment in the determination of whether there are objective indicators of impairment with respect to its debt instruments. The Company's review is based on an expected credit loss ("ECL") approach that employs an analysis of historical data, economic indicators and any past or future events that may influence the recoverability of the debt instruments held.

Impairment of property, plant and equipment and right-of-use assets

The Company exercises judgment in the determination of cash-generating units ("CGUs") for purposes of assessing any impairment of property, plant and equipment, as well as in determining whether there are indicators of impairment present. Should indicators of impairment be present, management estimates the recoverable amount of the relevant CGU. This estimation requires assumptions about future cash flows, margins and discount rates.

Impairment of goodwill and intangible assets

The Company tests goodwill and indefinite-life intangible assets at least annually and reviews other long-lived intangible assets for any indication that the asset might be impaired. Significant judgments are required in determining the CGUs or groups of CGUs for purposes of assessing impairment. Significant judgments are also required in determining whether to allocate goodwill to CGUs or groups of CGUs. When performing impairment tests, the Company estimates the recoverable amount of the CGUs or groups of CGUs to which goodwill and indefinite life intangible assets have been allocated using a discounted cash flow model that requires assumptions about future cash flows, margins and discount rates.

Provisions

The Company exercises judgment in the determination of recognizing a provision. The Company recognizes a provision when it has a present legal or constructive obligation as a result of a past event and a reliable estimate of the obligation can be made. Significant judgments are required to be made in determining what the probable outflow of resources will be required to settle the obligation.

Leases

Management exercises judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease-by-lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if management are reasonably certain that the option will be renewed.

Materiality

In preparing this MD&A and the information contained herein, management considers the likelihood that a reasonable investor's decision would be influenced to buy or not buy, or to sell or hold securities of the Company if such information were omitted, misstated or obscured in any way. This concept of materiality is consistent with the notion of materiality applied to financial statements and contained in IFRS.

Recent Accounting Pronouncements

Adoption of new accounting standards

Amendments to 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 was 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 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 adoption of this standard will not have a material impact on the financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* ("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, 2024 and are to be applied retrospectively. The Company is currently analyzing the impact this amendment will have on its consolidated 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 adoption of this standard will not have a material impact on the financial statements.

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 adoption of this standard will not have a material impact on the financial statements.

Amendments to IAS 12, *Income Taxes*, ("IAS 12")

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The adoption of this standard will not have a material impact on the financial statements.

12. Risks and Uncertainties

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Company. Additional risks and uncertainties not presently known to Leon's, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Company could be materially adversely affected.

Readers of this MD&A are also encouraged to refer to Leon's Annual Information Form ("AIF") dated February 22, 2023, which provides information on the risk factors facing the Company. The February 22, 2023 AIF can be found online at www.sedar.com.

Sensitivity to General Economic Conditions

The household furniture, mattress, appliance and home electronics retailing industry in Canada has historically been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. The Company's sales are impacted by the health of the economy in Canada as a whole, and in the regional markets in which the Company operates.

The Company's sales and financial results are subject to numerous uncertainties. Weakness in sales or consumer confidence could result in an increasingly challenging operating environment.

Maintaining Profitability & Managing Growth

There can be no assurance that the Company's business and growth strategy will enable it to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including: (i) the Company's ability to continue to successfully execute its strategic initiatives, (ii) the level of competition in the household furniture, mattress, appliance and home electronics retailing industry in the markets in which the Company operates, (iii) the Company's ability to remain a low-cost retailer, including the effective management of its supply chain, (iv) the Company's ability to realize increased sales and greater levels of profitability through its retail stores, (v) the effectiveness of the Company's marketing programs, (vi) the Company's ability to successfully identify and respond to changes in fashion trends and consumer tastes in the household furniture, mattress, appliance and home electronics retailing industry, (vii) the Company's ability to maintain cost effective delivery of its products, (viii) the Company's ability to hire, train, manage and retain qualified retail store management and sales professionals, (ix) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits and better quality, and (x) general economic conditions and consumer confidence.

Financial Condition of Commercial Sales Customers & Franchisees

Through its commercial sales division, the Company sells products and extends credit to high-rise and condominium builders who purchase large quantities of products. The Company also sells products and extends credit to its franchisees. Negative changes in the financial condition of a significant commercial sales customer or a franchisee could impact on the Company's receivables and ultimately result in the Company having to take a bad-debt write-off in excess of allowance for bad debts. The occurrence of such an event could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Competition

The household furniture, mattress, appliance and home electronics retailing industry is highly competitive and highly fragmented. The Company faces competition in all regions in which its operations are located by existing stores that sell similar products and also by stores that may be opened in the future by existing or new competitors in such markets. The Company competes directly with many different types of retail stores that sell many of the products sold by the Company. Such competitors include: (i) department stores, (ii) specialty stores (such as specialty electronics, appliance, or mattress retailers), (iii) other national or regional chains offering household furniture, mattresses, appliances and home electronics, and (iv) other independent retailers, particularly those associated with larger buying groups. The highly competitive nature of the industry means the Company is constantly subject to the risk of losing market share to its competitors. As a result, the Company may not be able to maintain or to raise the prices of its products in response to competitive pressures. In addition, the entrance of additional competitors to the markets in which the Company operates, particularly large furniture, appliance or electronics retailers from the United States could increase the competitive pressure on the Company and have a material adverse effect on the Company's market share. The actions and strategies of the Company's current and potential competitors could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

13. Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") so that appropriate decisions can be made by them regarding public disclosure. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at December 31, 2022.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met. The CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2022 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

14. Non-IFRS and Supplementary Financial Measures

Non-IFRS Financial Measures

The Company uses financial measures that do not have standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. The Company calculates the non-IFRS financial measures by adjusting certain IFRS measures for specific items the Company believes are significant, but not reflective of underlying operations in the period, as detailed below:

Non-IFRS Measure	IFRS Measure
Adjusted net income	Net income
Adjusted income before income taxes	Income before income taxes
Adjusted earnings per share – basic	Earnings per share – basic
Adjusted earnings per share – diluted	Earnings per share – diluted
Adjusted EBITDA	Net income

Adjusted Net Income

Leon's calculates comparable measures by excluding the effect of changes in fair value of derivative instruments, related to the net effect of USD-denominated forward contracts. The Company uses derivative instruments to manage its financial risk in accordance with the Company's corporate treasury policy. Management believes excluding from income the effect of these mark-to-market valuations and changes thereto, until settlement, better aligns the intent and financial effect of these contracts with the underlying cash flows.

The following is a reconciliation of reported net income to adjusted net income, basic and diluted earnings per share to adjusted basic and diluted earnings per share:

For the	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(C\$ in millions except per share amounts)				
Net income	43.2	56.5	179.4	207.2
After-tax mark-to-market (gain)/loss on financial derivative instruments	1.4	0.5	(2.2)	(1.7)
Adjusted net income	44.6	57.0	177.2	205.5
Basic earnings per share	\$0.65	\$0.74	\$2.66	\$2.67
Diluted earnings per share	\$0.65	\$0.73	\$2.64	\$2.62
Adjusted basic earnings per share	\$0.67	\$0.74	\$2.62	\$2.65
Adjusted diluted earnings per share	\$0.67	\$0.74	\$2.60	\$2.60

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted EBITDA

Adjusted earnings before interest, income taxes, depreciation and amortization, mark-to-market adjustment due to the changes in the fair value of the Company's financial derivative instruments and any non-recurring charges to income ("Adjusted EBITDA") is a non-IFRS financial measure used by the Company. The Company considers adjusted EBITDA to be an effective measure of profitability on an operational basis and is commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Adjusted EBITDA is a non-IFRS financial measure used by the Company. The Company's Adjusted EBITDA may not be comparable to the Adjusted EBITDA measure of other companies, but in management's view appropriately reflects Leon's specific financial condition. This measure is not intended to replace net income, which, as determined in accordance with IFRS, is an indicator of operating performance.

The following is a reconciliation of reported net income to adjusted EBITDA:

For the	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(C\$ in millions)				
Net income	43.2	56.5	179.4	207.2
Income tax expense	13.9	17.9	56.8	69.2
Net finance costs	6.0	2.9	21.5	15.0
Depreciation and amortization	27.1	27.7	110.0	112.0
Mark-to-market (gain)/loss on financial derivative instruments	1.9	0.7	(3.0)	(2.2)
Adjusted EBITDA	92.1	105.7	364.7	401.2

Total System Wide Sales

Total system wide sales refer to the aggregation of revenue recognized in the Company's consolidated financial statements plus the franchise sales occurring at franchise stores to their customers which are not included in the revenue figure presented in the Company's consolidated financial statements. Total system wide sales is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure performance against prior period results. Therefore, total system wide sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers. We believe that disclosing this measure is meaningful to investors because it serves as an indicator of the strength of the Company's overall store network, which ultimately impacts financial performance.

Franchise Sales

Franchise sales figures refer to sales occurring at franchise stores to their customers which are not included in the revenue figures presented in the Company's consolidated financial statements, or in the same store sales figures in this MD&A. Franchise sales is not a measure recognized by IFRS, and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure performance against prior period results. Therefore, franchise sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers. Once again, we believe that disclosing this measure is meaningful to investors because it serves as an indicator of the strength of the Company's brands, which ultimately impacts financial performance.

Net Debt

Net debt is calculated as the principal amount of the term loan less cash, cash equivalents and debt and equity instruments. Net debt is a non-IFRS financial measure used by the Company. The Company considers net debt to be an effective measure of the overall debt position and borrowing capacity available to the Company.

Supplementary Financial Measures

The Company uses supplementary financial measures to disclose financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-IFRS financial measure as detailed above.

Same Store Sales

Same store sales are defined as sales generated by stores, both in store and through online transactions, that have been open for more than 12 months on a fiscal basis. Same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers, however this measure is commonly used in the retail industry. We believe that disclosing this measure is meaningful to investors because it enables them to better understand the level of growth of our business.

Consolidated Financial Statements

For the year ended December 31, 2022

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Consolidated Financial Statements

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Board of Directors.

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial statements are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Leon's Furniture Limited/Meubles Leon Ltée ("Leon's" or the "Company") maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant and reliable and that Leon's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and reviews these consolidated financial statements; considers the report of the external auditors; assesses the adequacy of the internal controls of the Company; examines the fees and expenses for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The Committee reports its findings to the Board of Directors for consideration when approving these consolidated financial statements for issuance to the shareholders. These consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young has full and free access to the Audit Committee.

"Michael J. Walsh"

"Constantine Pefanis"

Mike Walsh President and CEO

Constantine Pefanis CFO

Independent Auditor's Report

To the Shareholders of Leon's Furniture Limited/Meubles Leon Ltée

Opinion

We have audited the consolidated financial statements of Leon's Furniture Limited/Meubles Leon Ltée and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill and Indefinite Life intangibles related to The Brick acquisition	
<p>Goodwill and indefinite-life intangible assets arising from the 2013 acquisition of the Brick represent \$379 million and \$266 million, respectively as of December 31, 2022. The indefinite-life intangible assets are comprised of brand name and franchise agreements. As disclosed in Note 10 of the consolidated financial statements, the Group allocated these assets to the Brick division (a group of cash generating units ("CGUs")) and assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. When performing impairment tests, the Group estimates the recoverable amount of the group of CGUs to which goodwill and indefinite-life intangible assets have been allocated using a discounted cash flow model.</p> <p>Auditing management's annual goodwill and indefinite-life intangibles impairment test was complex, as considerable management judgment was required due to the significant measurement uncertainty related to determining the recoverable amount of the Brick division. Significant assumptions included revenue growth rate, earnings margins and pre-tax discount rate, which are affected by expectations about future market and economic conditions.</p>	<p>To test the estimated recoverable amount of the Brick division, our audit procedures included, among others, assessing valuation methodology and evaluating significant assumptions and the accuracy of underlying data used by management in its analysis. With the assistance of our valuation specialists, we evaluated the Group's model, and certain significant assumptions, including the pre-tax discount rate. We assessed the selection and application of the pre-tax discount rate by evaluating the inputs and mathematical accuracy of the calculation with the assistance of our valuation specialists.</p> <p>We assessed the historical accuracy of management's estimates on cash flow projections, revenue growth rate and earnings margins by comparing management's past projections to actual and historical performance. We also compared the revenue growth rate to current industry trends to assess the reasonableness of the revenue growth rate used by management in its analysis. We performed sensitivity analysis on significant assumptions, including the pre-tax discount rate, to evaluate changes in the recoverable amount of the Brick division that would result from changes in the assumptions.</p>

INDEPENDENT AUDITOR'S REPORT

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Toronto, Canada
February 22, 2023

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

As at (C\$ in thousands)	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	5	115,127	382,138
Restricted marketable securities		413	466
Debt securities		79,025	66,561
Equity securities		31,804	41,251
Trade receivables		180,482	160,093
Income taxes recoverable	20	8,227	2,242
Inventories	6	410,612	395,646
Deferred acquisition costs	7	12,347	11,294
Prepaid expenses and other assets		12,607	15,598
Derivative assets	22	1,268	–
Total current assets		851,912	1,075,289
Non-current assets			
Deferred acquisition costs	7	21,940	19,896
Loan receivable	15.1	20,348	10,039
Property, plant and equipment and right-of-use assets	8	608,465	657,809
Investment properties	9	14,470	14,850
Intangible assets	10	269,741	270,173
Goodwill	10	390,120	390,120
Deferred income tax assets	20	16,647	14,957
Total non-current assets		1,341,731	1,377,844
Total assets		2,193,643	2,453,133
Liabilities			
Current liabilities			
Trade and other payables	11	249,846	543,737
Provisions	12	26,494	24,649
Income taxes payable	20	2,407	32,523
Customers' deposits	17	175,847	362,099
Lease liabilities	13	74,389	74,920
Dividends payable	16	10,858	12,287
Deferred warranty plan revenue	17	62,894	57,787
Current portion of long-term debt	14	7,500	90,000
Derivative liabilities	22	–	1,742
Total current liabilities		610,235	1,199,744
Non-current liabilities			
Long-term debt	14	226,875	–
Lease liabilities	13	248,466	291,334
Deferred warranty plan revenue	17	108,527	99,840
Redeemable share liability	15.2	7	13
Deferred income tax liabilities	20	70,648	71,009
Total non-current liabilities		654,523	462,196
Total liabilities		1,264,758	1,661,940
Shareholders' equity			
Common shares	16	162,636	149,966
Retained earnings		762,899	627,243
Accumulated other comprehensive income		3,350	13,984
Total shareholders' equity		928,885	791,193
Total liabilities and shareholders' equity		2,193,643	2,453,133

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

On behalf of the Board:

“Mark J. Leon”

“Mary Ann Leon”

Mark J. Leon
Director

Mary Ann Leon
Director

Consolidated Statements of Income

For the (C\$ in thousands except share and per share amounts)	Notes	Year ended	
		December 31, 2022	December 31, 2021
Revenue	17	2,517,659	2,512,670
Cost of sales	6	1,408,226	1,404,446
Gross profit		1,109,433	1,108,224
Operating expenses			
Selling, general and administrative expenses		854,693	819,091
Operating profit		254,740	289,133
Finance costs	19	(26,015)	(20,752)
Finance income	19	4,486	5,767
Change in fair value of derivative instruments		3,010	2,231
Net income before income tax		236,221	276,379
Income tax expense	20	56,792	69,221
Net income for the year		179,429	207,158
Weighted average number of common shares outstanding			
Basic		67,512,284	77,623,382
Diluted		68,164,937	79,062,376
Earnings per share	21		
Basic		\$2.66	\$2.67
Diluted		\$2.64	\$2.62
Dividends declared per share			
Common		\$0.64	\$1.89
Convertible, non-voting		\$0.32	\$0.32

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

Consolidated Statements of Comprehensive Income

For the (C\$ in thousands)	Year ended	
	December 31, 2022	December 31, 2021
Net income for the year	179,429	207,158
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Loss on debt instruments arising during the year	(4,506)	(2,371)
Reclassification adjustment for gains on disposal of debt instruments	-	30
Items that will not be reclassified to profit or loss:		
Gain (loss) on equity instruments arising during the year	(6,801)	8,288
Income tax expense (recovery) on the above	673	(662)
Other comprehensive income (loss) for the year	(10,634)	5,285
Comprehensive income for the year	168,795	212,443

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

Consolidated Statements of Changes in Shareholders' Equity

(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 year	-	-	179,429	179,429
Other comprehensive loss for the year	-	(10,634)	-	(10,634)
Total comprehensive income (loss)	-	(10,634)	179,429	168,795
Transactions with shareholders				
Dividends declared	-	-	(43,238)	(43,238)
Management share purchase plan [note 15.2]	13,409	-	-	13,409
Share repurchase commitment [note 16]	3,625	-	39,375	43,000
Repurchase of common shares [note 16]	(4,364)	-	(39,910)	(44,274)
Total transactions with shareholders	12,670	-	(43,773)	(31,103)
As at December 31, 2022	162,636	3,350	762,899	928,885

(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 year	-	-	-	207,158	207,158
Other comprehensive income for the year	-	-	5,285	-	5,285
Total comprehensive income	-	-	5,285	207,158	212,443
Transactions with shareholders					
Dividends declared	-	-	-	(146,092)	(146,092)
Management share purchase plan [note 15.2]	-	11,971	-	-	11,971
Convertible debentures	(31)	408	-	-	377
Treasury shares [note 16]	-	(17,746)	-	(182,254)	(200,000)
Share repurchase commitment [note 16]	-	(3,318)	-	(35,682)	(39,000)
Repurchase of common shares [note 16]	-	(6,018)	-	(58,491)	(64,509)
Total transactions with shareholders	(31)	(14,703)	-	(422,519)	(437,253)
As at December 31, 2021	-	149,966	13,984	627,243	791,193

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

Consolidated Statements of Cash Flows

For the	Year ended		
(C\$ in thousands)	Notes	December 31, 2022	December 31, 2021
Operating activities			
Net income before income tax		236,221	276,379
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		108,497	110,202
Amortization of intangible assets		1,470	1,810
Amortization of deferred warranty plan revenue		(75,375)	(67,613)
Amortization of premium		281	317
Net finance costs		21,529	14,985
Loss (Gain) on sale of property, plant and equipment and investment properties		(34)	200
Fair value gain on loan receivable	15.1	(638)	(1,212)
Gain on sale of debt and equity instruments		-	(30)
		291,951	335,038
Change in operating working capital	26	(272,552)	(46,856)
Cash received on warranty plan sales		89,169	80,903
Income taxes paid		(94,271)	(55,332)
Cash provided by operating activities		14,297	313,753
Investing activities			
Purchase of property, plant and equipment	8	(26,798)	(14,896)
Purchase of intangible assets	10	(1,038)	(1,502)
Proceeds on sale of property, plant and equipment and investment properties		322	1,138
Purchase of debt and equity instruments		(36,816)	(41,631)
Proceeds on sale of debt and equity instruments		22,265	63,662
Repayment of loan receivable	15.1	1,604	3,894
Interest received		3,758	5,547
Cash provided by (used in) investing activities		(36,703)	16,212
Financing activities			
Payment of lease liabilities	13	(75,661)	(73,117)
Dividends paid		(44,667)	(169,968)
Decrease of employee loans-redeemable shares	15.2	611	11,971
Repurchase of common shares	16	(244,274)	(64,574)
Early redemption payment on outstanding debentures		-	(77)
Repayment of term loan		(5,625)	-
Issuance of term loan	14	150,000	-
Interest paid		(24,989)	(20,697)
Cash used in financing activities		(244,605)	(316,462)
Net increase (decrease) in cash and cash equivalents during the year		(267,011)	13,503
Cash and cash equivalents, beginning of year		382,138	368,635
Cash and cash equivalents, end of year		115,127	382,138

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

Statement of compliance

These consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors for issuance on February 22, 2023.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investments, debt and equity instruments, derivative instruments, the initial recognition of assets acquired and liabilities assumed in business combinations, which are measured at fair value.

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency and is also the functional currency of each of the Company's subsidiaries.

Use of estimates and judgments

Management has exercised judgment in the process of applying the Company's accounting policies. The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated statement of financial position dates and the reported amounts of revenue and expenses during the reporting period. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidation and classification of joint arrangements

Assessing the Company's ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgment to determine whether the Company controls, jointly controls, or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e., consolidation, equity investment or proportional share).

The classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The application of different judgments when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

Extended warranty revenue recognition

The Company offers extended warranties on certain merchandise. Management has applied judgment in determining the basis upon and period over which to recognize deferred warranty revenue.

Inventories

The Company estimates the net realizable value as the amount at which inventories are expected to be sold by taking into account fluctuations of retail prices due to prevailing market conditions. If required, inventories are written down to net realizable value when the cost of inventories is estimated to not be recoverable due to obsolescence, damage or declining sales prices.

Reserves for slow-moving and damaged inventory are deducted in the Company's valuation of inventories. Management has estimated the amount of reserve for slow-moving inventory based on the Company's historical retail experience.

Impairment of debt instruments

The Company exercises judgment in the determination of whether there are objective indicators of impairment with respect to its debt instruments. The Company's review is based on an expected credit loss ("ECL") approach that employs an analysis of historical data, economic indicators and any past or future events that may influence the recoverability of the debt instruments held.

Impairment of property, plant and equipment and right-of-use assets

The Company exercises judgment in the determination of cash-generating units ("CGUs") for purposes of assessing any impairment of property, plant and equipment, as well as in determining whether there are indicators of impairment present. Should indicators of impairment be present, management estimates the recoverable amount of the relevant CGU. This estimation requires assumptions about future cash flows, margins and discount rates.

Impairment of goodwill and intangible assets

The Company tests goodwill and indefinite-life intangible assets at least annually and reviews other long-lived intangible assets for any indication that the asset might be impaired. Significant judgments are required in determining the CGUs or groups of CGUs for purposes of assessing impairment. Significant judgments are also required in determining whether to allocate goodwill to CGUs or groups of CGUs. When performing impairment tests, the Company estimates the recoverable amount of the CGUs or groups of CGUs to which goodwill and indefinite-life intangible assets have been allocated using a discounted cash flow model that requires assumptions about future cash flows, margins and discount rates.

Provisions

The Company exercises judgment in the determination of recognizing a provision. The Company recognizes a provision when it has a present legal or constructive obligation as a result of a past event and a reliable estimate of the obligation can be made. Significant judgments are required to be made in determining what the probable outflow of resources will be required to settle the obligation.

Leases

Management exercises judgment in the process of applying IFRS 16, *Leases* ("IFRS 16") and determining the appropriate lease term on a lease-by-lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if management is reasonably certain that the option will be renewed.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. These accounting policies conform, in all material aspects, to IFRS.

Basis of consolidation

The financial statements consolidate the accounts of Leon's Furniture Limited and its wholly owned subsidiaries: Murlee Holdings Limited, Leon Holdings (1967) Limited, King and State Limited, Ablan Insurance Corporation, The Brick Ltd., The Brick Warehouse LP, The Brick GP Ltd., United Furniture Warehouse LP, United Furniture GP Ltd., First Oceans Trading Corporation, First Oceans Hong Kong Limited, First Oceans Shanghai Limited, Trans Global Warranty Corporation., Trans Global Life Insurance Company and Trans Global Insurance Company. Subsidiaries are all those entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and de-consolidated from the date that control ceases. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. All inter-company transactions and balances have been appropriately eliminated.

Business combinations

The Company applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value. Transaction costs that the Company incurs in connection with a business combination are expensed in the period in which they are incurred.

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 consolidated financial statements.

Foreign currency translation

Foreign currency transactions are translated into the respective functional currency of the Company's subsidiaries using the exchange rate at the dates of the transactions. Merchandise imported from the United States and Southeast Asia, paid for in U.S. dollars, is recorded at its equivalent Canadian dollar value upon receipt when control passes. U.S. dollar trade payables are translated at the year-end exchange rate. The Company is subject to gains and losses due to fluctuations in the U.S. dollar. Foreign exchange gains and losses resulting from translation of U.S. dollar accounts payable are included in the consolidated statements of income within cost of sales.

Any foreign exchange gains and losses on monetary debt and equity instruments are recognized in the consolidated statements of income, and other changes in the carrying amounts are recognized in other comprehensive income. For debt and equity instruments that are not monetary items, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange component.

Financial instruments

Fair value measurement

The Company measures certain financial instruments at fair value upon initial recognition, and at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset or liability that is accessible. The fair value of an asset or liability is measured using the assumptions that market participants would use, assuming that market participants act in their economic best interest.

Financial assets and liabilities

A financial asset or liability is recognized if the Company becomes a party to the contractual provisions of the asset or liability. A financial asset or liability is recognized initially (at settlement date) at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statements of income.

After initial recognition, financial assets are measured at amortized cost or fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss ("FVTPL") or recognized in other comprehensive income ("FVOCI").

The Company classifies its financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement. Classifications that the Company has used for financial assets include:

- a) FVOCI – non-derivative financial assets that are either designated in this category or not classified in any other category and include marketable securities, which consist primarily of quoted bonds, equities and debentures. These assets are measured at fair value with the changes in FVOCI, and specifically for equity instruments, with no reclassification of gains or losses to profit and loss on derecognition;
- b) Amortized cost – non-derivative financial assets with fixed or determinable payments. This includes trade receivables, and these are recorded at amortized cost with gains and losses recognized in profit or loss in the period that the asset is no longer recognized or becomes impaired; and
- c) FVTPL – financial assets which are classified as FVTPL.

Classifications that the Company has used for financial liabilities include:

- a) Amortized cost – non-derivative financial liabilities, including long-term debt, measured at amortized cost with gains and losses recognized in profit or loss in the period that the liability is no longer recognized; and
- b) FVTPL – financial liabilities which are classified as FVTPL.

Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all of the risks and rewards of ownership of the asset. Financial liabilities are derecognized once it is extinguished (i.e., when the obligation in the contract is either discharged or cancelled or expires).

Impairment of financial assets

In accordance with IFRS 9, *Financial Instruments* ("IFRS 9"), the Company applies the "expected credit loss" model. The impairment model applies to debt instruments measured at amortized cost or at FVOCI, as well as trade receivables, lease receivables, contracts assets (as defined in IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")), and loan commitments and financial guarantee contracts that are not at FVTPL. It requires a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired and subsequent changes in expected credit losses at each reporting date reflecting the change in credit risk. The Company applies the simplified approach for trade receivables and calculates expected credit losses based on lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Derivative instruments

Financial derivative instruments in the form of interest rate swaps and foreign exchange forwards are recorded at fair value on the consolidated statements of financial position. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair value of the derivative instruments are recorded in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term market investments with a remaining term to maturity of less than 90 days from the date of purchase.

Trade receivables

Trade receivables are amounts due for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. The Company receives vendor rebates on certain products based on the volume of purchases made during specified periods. The rebates are deducted from the inventory value of goods received and are recognized as a reduction of cost of sales upon sale of the goods. Incentives received for a direct reimbursement of costs incurred to sell the vendor's products, such as marketing and advertising funds, are recorded as a reduction of those related costs in the consolidated statements of income, provided certain conditions are met.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Historical cost includes expenditures that are directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be measured reliably. When significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Normal repair and maintenance expenditures are expensed as incurred.

Land and construction in progress are not depreciated. Depreciation on other assets is provided over the estimated useful lives of the assets using the following annual rates:

Buildings	30 to 50 years
Equipment	3 to 30 years
Vehicles	5 to 20 years
Building improvements	Over the remaining lease term

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of items of property, plant and equipment are reviewed annually by the Company and adjusted, if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of selling, general and administration expenses in the consolidated statements of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Leases

The Company as lessee

The Company determines whether a contract is or contains a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the lessor makes the leased asset available for use by the Company. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are subject to impairment.

(ii) Lease liabilities

The Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease. The lease payments include fixed payments (including in-substance fixed payments), variable payments that depend on an index or a rate, renewal options that are reasonably certain to be exercised less any lease incentives receivable. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event that triggers the payment occurs. In addition, the carrying amount of lease payments is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments. The Company has elected to apply the practical expedient to not separate the lease component and its associated non-lease component.

Management exercises judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease-by-lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if management is reasonably certain that the option will be renewed.

As most of the Company's operating lease contracts do not provide the implicit interest rate, nor can the implicit interest rate be readily determined, the Company uses its incremental borrowing rate as the discount rate for determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate that the Company would pay to borrow an amount necessary to obtain an asset of a similar value to the right-of-use asset on a collateralized basis over a similar term.

(iii) Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets (e.g., laptop computers). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company as a lessor

At the inception of the lease, the Company classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease. Rental income from operating leases is recognized on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investment properties

Assets that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by either the Company or any of its subsidiaries, are classified as investment properties. Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are carried at cost and depreciated over the estimated useful lives of the properties:

Buildings	30 to 50 years
Building improvements	Over the remaining lease term

Land held by the Company and classified as investment property is not depreciated.

Subsequent expenditures on investment properties are capitalized to the properties' carrying amount only when it is probable that future economic benefits associated with the expenditures will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment.

Goodwill and intangible assets

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair value. Goodwill is assigned at the date of the business acquisition. The Company assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the business combination for the purpose of impairment testing. A group of CGUs represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives as follows:

Customer relationships	8 years
Non-compete agreement	8 years
Computer software	3 to 7 years

Impairment of non-financial assets

The Company considers at each reporting date whether there is an indication that an asset may be impaired. If impairment indicators are found to be present, or when annual impairment testing for an asset is required, the non-financial assets are assessed for impairment.

Impairment losses are recognized immediately in income to the extent an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill and indefinite-life intangible assets are tested annually in the fourth quarter of the year, or when circumstances indicate that the carrying value may be impaired. The assessment of recoverable amount for goodwill and indefinite-life intangible assets involves assumptions about future conditions for the economy, capital markets, and specifically, the retail sector. As such, the assessment is subject to a significant degree of measurement uncertainty.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the Company, store-related CGUs are defined as individual stores or regional groups of stores within a geographic market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Company's corporate assets that do not generate separate cash inflows, the recoverable amount is determined for the CGU to which the corporate asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU; otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGUs on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and the reversal is recognized in income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income taxes

The Company computes an income tax expense. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant taxation authorities, which occur subsequent to the issuance of the annual consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based on existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, income would be affected in a subsequent period.

Income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the consolidated statements of income, except to the extent it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in equity. Levies other than income taxes, such as taxes on real estate, are included in occupancy expenses.

Current income tax

Current income tax expense is based on the results of the year as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position dates and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less.

Provisions

Provisions are recognized only in those circumstances where the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unpaid insurance claims

The provision for unpaid claims includes adjustment expenses and an estimate of the future settlement of claims, both reported and unreported, that have occurred on or before the reporting date on the insurance contracts the Company has underwritten. The provision is actuarially determined on an annual basis using assumptions of loss emergence, payment rates, interest, and expected expenses associated with the adjustment and payment of such claims. The provision includes appropriate charges for risk and uncertainty and is measured on a discounted basis. As this provision is an estimate, the amount of actual claims may differ from the recorded amount. The provisions are derecognized when the obligation to pay a claim no longer exists.

Unpaid warranty claims

Warranty repairs related to warranty plans sold separately are recorded as claims expense at the time the customer reports a claim. For these warranties, a provision for unpaid warranty claims is established for unpaid reported claims.

The Company also provides a standard warranty for certain products. For these warranties, a provision for warranty claims is recognized when the underlying products are sold. The amount of the provision is estimated using historical experience and may differ from actual claims paid.

Product returns

The Company has a return policy allowing customers to return merchandise if not satisfied within certain timeframes. The provision for product returns is based on sales recognized prior to the year-end. The amount of the provision is estimated using historical experience and actual experience subsequent to the year-end and may differ from the actual returns made.

Long-term debt

Long-term debt is classified as current when the Company expects to settle the debt in its normal operating cycle or the debt is due to be settled within 12 months after the date of the consolidated statement of financial position.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of income tax, from the proceeds.

Revenue

Revenue recognition

IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

In addition to the above general principles, the Company applies the following specific revenue recognition policies:

Sale of goods and related services

Revenue from the sale of goods and related services is recognized either when the customer picks up the merchandise ordered or when merchandise is delivered to the customer's home and the performance obligation has been satisfied. Any payments received in advance of delivery are deferred and recorded as customers' deposits. Revenue is shown net of sales tax.

The Company records a provision for sales returns and price guarantees based on historical experience and actual experience each quarter.

Franchise operations

Leon's franchisees operate principally as independent owners. The Company charges each franchisee a royalty fee based on a percentage of the franchisee's gross revenue. The Company supplies inventory for amounts representing landed cost plus a mark-up. The royalty income and sales to franchisees are recorded by the Company on a monthly basis once the sale occurs and the performance obligations have been satisfied.

Insurance contracts and revenue

The Company issues insurance contracts through its subsidiaries: Trans Global Insurance Company ("TGI") and Trans Global Life Insurance Company ("TGLI").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company provides credit insurance on balances that arise from customers' use of their private label financing card. The Company provides group coverage for losses as discussed in Note 23, thereby providing protection to many customers who do not carry other similar insurance policies.

Insurance contracts are accounted for under IFRS 4 *Insurance Contracts*. Insurance contracts are contracts under where the Company has accepted significant risk, other than financial risk, from another party (the "policyholders") by agreeing to compensate the policyholders on the occurrence of a specified uncertain future event (the "insured event") adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Premiums on insurance contracts are recognized as revenue over the term of the policies in accordance with the pattern of insurance service provided under the contract.

Deferred insurance revenue

At each reporting period date, the insurance revenue received by the Company in regard to the unexpired portion of policies in force is deferred as unearned insurance revenue. Any amount of unearned insurance revenue is included in the consolidated statements of financial position within deferred warranty plan revenue.

The Company performs a deferred insurance revenue adequacy test on an annual basis to determine whether the carrying amount of the deferred insurance revenue needs to be adjusted (or the carrying amount of deferred acquisition costs adjusted), based upon a review of the expected future cash flows. If these estimates show that the carrying amount of the deferred insurance revenue (less related deferred acquisition costs) is inadequate, the deficiency is recognized in net income by setting up a provision for insurance revenue deficiency.

Deferred insurance revenue is calculated based on assumptions of loss emergence, payment rates, interest, and expected expenses associated with the adjustment and payment of claims. Deferred insurance revenue is derecognized when the obligation to pay a claim expires, is discharged or is cancelled in accordance with the pattern of insurance service provided under the contract.

Deferred warranty plan revenue

Warranties, underwritten by the Company's wholly owned subsidiaries, are offered on furniture, appliance and electronic products sold by the Company and franchisees to provide coverage that extends beyond the manufacturer's warranty period by up to five years. Warranties are sold to customers when they make their original purchase and take effect immediately. The warranty contracts provide both repair and replacement services depending upon the nature of the warranty claim.

The Company's extended warranty plan revenues are deferred at the time of sale and are recognized as revenue over the weighted average term of the warranty plan on a straight-line basis.

Deferred acquisition costs

Acquisition costs comprises commissions, premium taxes and other expenses that relate directly to the writing or renewing of warranty and insurance contracts, and are considered costs to obtain the contract. These costs are deferred only to the extent that they are expected to be recovered from unearned premiums and are amortized over the period in which the revenue from the policies is earned. All other acquisition costs are recognized as an expense when incurred.

Costs incurred on warranty plan sales, including sales commissions and premium taxes, are recorded as deferred acquisition costs. These costs are amortized to income in the same pattern as revenue from warranty plan sales is recognized.

Changes in the expected pattern of consumption are accounted for by changing the amortization period and are treated as a change in an accounting estimate. Deferred acquisition costs are derecognized when the related contracts are either settled or disposed of.

Sale of gift cards

Revenue from the sale of gift cards is recognized when the gift cards are redeemed (the customer purchases merchandise). Revenue from unredeemed gift cards is deferred and included in trade and other payables.

Rental income on investment properties

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term and is presented within revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Store pre-opening costs

Store pre-opening costs are expensed as incurred.

Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Earnings per share

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the "if converted" method. The dividends declared on the redeemable share liability under the Company's Management Share Purchase Plan (the "Plan") are included in net income for the year. The redeemable shares convertible under the Plan are included in the calculation of diluted number of common shares to the extent the redemption price was less than the average annual market price of the Company's common shares.

Joint arrangements

Under IFRS 11, *Joint Arrangements* ("IFRS 11"), a joint arrangement is a contractual arrangement wherein two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement when the strategic, financial and operating decisions relating to the arrangement require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. Refer to Note 2 for significant judgments affecting the classification of joint arrangements as either joint operations or joint ventures. The parties to a joint operation have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas joint ventures have rights to the net assets of the arrangement. In accordance with IFRS 11, the Company accounts for joint operations by recognizing its share of any assets held jointly and any liabilities incurred jointly, along with its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly. Joint ventures are accounted for using the equity method of accounting in accordance with IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Under the equity method of accounting, the Company's investments in joint ventures and associates are carried at cost and adjusted for post-acquisition changes in the net assets of the investment. Profit or loss reflects the Company's share of the results of these investments. Distributions received from an investee reduce the carrying amount of the investment. The consolidated statements of comprehensive income also include the Company's share of any amounts recognized by joint ventures and associates in OCI. Where there has been a change recognized directly in the equity of the joint venture or associate, the Company recognizes its share of that change in equity. The financial statements of the joint ventures and associates are generally prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the joint venture and/or associate. Adjustments are made in the consolidated financial statements to eliminate the Company's share of unrealized gains and losses on transactions between the Company and its joint ventures and associates. Transactions with joint operations where the Company contributes or sells assets to a joint operation, the Company recognizes only that portion of the gain or loss that is attributable to the interests of the other parties. Where the Company purchases assets from a joint operation, the Company does not recognize its share of the profit or loss of the joint operation from the transaction until it resells the assets to an independent party. The Company adjusts joint operation financial statement amounts, if required, to reflect consistent accounting policies.

Associates

Entities in which the Company has significant influence, and which are neither subsidiaries, nor joint arrangements, are accounted for using the equity method of accounting in accordance with IAS 28. This method of accounting is described in the previous section, Joint Arrangements. The Company discontinues the use of the equity method from the date on which it ceases to have significant influence, and from that date accounts for the investment in accordance with IFRS 9, (its initial costs are the carrying amount of the associate on that date), provided the investment does not then qualify as a subsidiary or a joint arrangement.

Government grants

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in prepaid expenses and other assets on the consolidated statements of financial position. The Company recognizes government grants in the consolidated statements of income in the same period as the expenses for which the grant is intended to compensate. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in profit or loss in the period in which it becomes receivable.

4. Adoption of Accounting Standards and Amendments

Adoption of new accounting standards

Amendments to 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 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 adoption of this standard will not have a material impact on the financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* ("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, 2024 and are to be applied retrospectively. The Company is currently analyzing the impact this amendment will have on its consolidated 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 adoption of this standard will not have a material impact on the financial statements.

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 adoption of this standard will not have a material impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amendments to IAS 12, *Income Taxes* ("IAS 12")

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The adoption of this standard will not have a material impact on the financial statements.

5. Cash and Cash Equivalents

As at

(C\$ in thousands)

	December 31, 2022	December 31, 2021
Cash and cash equivalents	115,127	382,138

6. Inventories

The amount of inventory recognized as an expense for the year ended December 31, 2022 was \$1,363,358 (2021 – \$1,350,292), which is presented within cost of sales in the consolidated statements of income.

There were \$1,746 in inventory write-downs recognized for the year ended December 31, 2022 (year ended December 31, 2021 – \$473). As at December 31, 2022, the inventory markdown provision totalled \$7,573 (as at December 31, 2021 – \$5,827).

7. Deferred Acquisition Costs

(C\$ in thousands)

	December 31, 2022	December 31, 2021
Balance as at January 1	31,190	28,339
Costs of new policies sold	14,781	13,816
Policy sales costs recognized	(11,684)	(10,965)
Balance as at December 31	34,287	31,190
Reported as:		
Current	12,347	11,294
Non-current	21,940	19,896
Balance as at December 31	34,287	31,190

8. 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	9,265	973	8,069	4,399	5,894	30,516	154	59,270
Disposals	-	-	(4,386)	(581)	(3,816)	(23,269)	-	(32,052)
Balance as at								
December 31, 2022	113,377	288,528	187,814	65,664	251,517	581,316	2,292	1,490,508
Accumulated depreciation								
Balance as at								
December 31, 2021	-	167,599	141,121	41,082	210,034	244,762	883	805,481
Depreciation	-	7,271	7,947	5,468	9,478	77,635	318	108,117
Disposals	-	-	(4,194)	(560)	(3,742)	(23,059)	-	(31,555)
Balance as at								
December 31, 2022	-	174,870	144,874	45,990	215,770	299,338	1,201	882,043
Net book value as at								
December 31, 2022	113,377	113,658	42,940	19,674	35,747	281,978	1,091	608,465

(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 December 31, 2022, are assets not being amortized with a net book value of approximately \$3,119 (as at December 31, 2021 – \$493) being construction in progress. Also included are fully depreciated assets still in use with a cost of \$328,386 (as at December 31, 2021 – \$304,310). Depreciation of property, plant and equipment is included within selling, general and administration expenses on the consolidated statements of income.

9. Investment Properties

(C\$ in thousands)	Land	Buildings	Buildings improvements	Total
Cost				
Balance as at December 31, 2021	10,646	15,396	953	26,995
Balance as at December 31, 2022	10,646	15,396	953	26,995
Accumulated depreciation				
Balance as at December 31, 2021	–	11,594	551	12,145
Depreciation	–	330	50	380
Balance as at December 31, 2022	–	11,924	601	12,525
Net book value as at December 31, 2022	10,646	3,472	352	14,470

(C\$ in thousands)	Land	Buildings	Buildings 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 December 31, 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 22 for definition of levels). This was compiled internally by management based on available market evidence.

10. Intangible Assets and Goodwill

(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	–	–	1,038	1,038
Disposals	–	–	(4,778)	(4,778)
Balance as at December 31, 2022	7,000	268,500	18,348	293,848
Accumulated amortization				
Balance as at December 31, 2021	7,000	2,500	17,915	27,415
Amortization	–	–	1,470	1,470
Disposals	–	–	(4,778)	(4,778)
Balance as at December 31, 2022	7,000	2,500	14,607	24,107
Net book value as at December 31, 2022	–	266,000	3,741	269,741

(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 consolidated statements of income. The following table presents the details of the Company's indefinite-life intangible assets:

As at (C\$ in thousands)	December 31, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at (C\$ in thousands)	December 31, 2022	December 31, 2021
Computer software	3,741	4,173
Total	3,741	4,173

For the purpose of the annual impairment testing, goodwill is allocated to the following CGU groups, which are the groups expected to benefit from the synergies of the business combinations and to which the goodwill is monitored by the Company:

As at (C\$ in thousands)	December 31, 2022	December 31, 2021
Appliance Canada (included within Leon's division)	11,282	11,282
Brick division	378,838	378,838
Total	390,120	390,120

Impairment tests

The Company performed impairment tests of goodwill, brand and franchise agreements intangible as at December 31, 2022 and 2021 in accordance with the accounting policy as described in Note 3. The recoverable amount of the CGUs was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates stated below. The key assumptions used for the value-in-use calculation as at December 31, 2022 and 2021 were as follows:

As at	December 31, 2022	December 31, 2021
Growth rate	2.0%	2.0%
Pre-tax discount rate	10.0%	10.5%

The impairment tests performed resulted in no impairment of the goodwill and indefinite life intangible assets as at December 31, 2022 and December 31, 2021.

11. Trade and Other Payables

As at (C\$ in thousands)	December 31, 2022	December 31, 2021
Trade payables	141,199	145,300
Other payables	108,647	398,437
Total	249,846	543,737

Included in the other payables balance above as at December 31, 2022, is an amount payable of \$nil to purchase, for cancellation, the common shares of the Company under a substantial issuer bid ("SIB"), (year ended December 31, 2021 – \$200,000), as well as an obligation to repurchase shares of \$2,000 under an automatic share purchase plan ("ASPP"), (year ended December 31, 2021 – \$45,000). The SIB and ASPP are further discussed in Note 16.

12. Provisions

(C\$ in thousands)	Unpaid insurance claims	Unpaid warranty claims	Product returns	Full circle	Other	Total
Balance as at January 1, 2022	606	2,000	1,935	18,162	1,946	24,649
Provisions made during the year	197	–	57	5,690	2,435	8,379
Provisions used during the year	(250)	(2,000)	–	(3,103)	(835)	(6,188)
Unused provisions reversed	–	–	(346)	–	–	(346)
Balance as at December 31, 2022	553	–	1,646	20,749	3,546	26,494

Unpaid insurance claims

The provision for unpaid insurance claims represents the estimated amounts necessary to settle all outstanding claims, as well as claims that are incurred but not reported, as of the reporting date. Unpaid claims are determined using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The establishment of the provision for unpaid claims, measured on a discounted basis, relies on the judgment and estimates of the Company based on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made.

Unpaid warranty claims

The provision for unpaid warranty claims represents the estimated amounts necessary to settle unpaid reported claims for warranty plans sold and all outstanding claims for certain products where the Company provides a standard warranty. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. The provisions are increased or decreased as additional information affecting the estimates becomes known during the course of claims settlement. All changes in estimates are recorded in cost of sales in the current year.

Product returns

The provision for product returns represents the Company's estimate of amounts the Company expects to incur regarding its product return policies. The estimate is based on sales recognized prior to the end of the reporting period, historical information, management judgment and actual experience subsequent to the end of the reporting period.

Full circle

The provision for full circle represents the Company's estimate of amounts the Company expects to incur regarding its full circle protection plan. The Company's full circle protection plan allows customers that did not make a claim during the term of their warranty the opportunity to obtain merchandise credit in an amount equal to the price paid for the plan. The provision recognized represents the estimated amounts necessary to settle future full circle redemption amounts subject to the terms of the plan, historical information and management judgment.

13. 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 that are included when management is reasonably certain they will be exercised. Management uses significant judgment in determining whether these extensions are reasonably certain to be exercised.

Lease liabilities

Carrying amounts of lease liabilities are as follows:

(C\$ in thousands)	December 31, 2022	December 31, 2021
Balance as at January 1	366,254	400,703
Additions	32,472	38,744
Disposals	(210)	(76)
Interest	17,739	19,693
Payments	(93,400)	(92,810)
Balance as at December 31	322,855	366,254
Reported as:		
Current	74,389	74,920
Non-current	248,466	291,334
Total	322,855	366,254

For the year ended December 31, 2022, the Company recognized rent expenses from short-term leases, leases of low-value assets and variable lease payments of \$2,278, \$1,581, and \$37,087, respectively (year ended December 31, 2021 – \$1,469, \$2,120, and \$36,227, respectively).

Company as a lessor

Lease revenue receivable

The Company has entered into operating leases on its investment property portfolio consisting of certain land and building properties. These leases generally have terms between 5 and 15 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

(C\$ in thousands)	Total
No later than 1 year	1,664
Later than 1 year and no later than 5 years	5,503
Later than 5 years	4,340
Total	11,507

14. Long-term Debt

Bank indebtedness

On January 31, 2013, a Senior Secured Credit Agreement ("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 amount borrowed under this amendment must be repaid in full by May 31, 2024. The third amendment increased the Company's revolving credit facility from \$175,000 to \$200,000. Under this agreement, the Company has drawn \$90,000 under the credit revolving facility (2021 – \$nil).

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 credit facility is repayable in quarterly amounts of 1.25%, of the initial amount drawn down, which commenced 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 5.59% that was renewed on December 31, 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 December 31, 2022, the Company is in full compliance of these financial and non-financial covenants.

15. Management Share Purchase Plan

15.1 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 receivable of \$2,315. The common shares issued of \$15,506 are shown within common shares on the 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 consolidated statements of financial position.

During the year ended December 31, 2022, the Company recognized compensation expense of \$275, in relation to these plans (year ended December 31, 2021 – \$231). Dividends paid to MSPP holders, for the year ended December 31, 2022, of \$742 were credited against the loan receivable (year ended December 31, 2021 – \$2,171). The loan receivable is recognized at fair value and during the year ended December 31, 2022, finance income of \$566 was recognized by the Company (year ended December 31, 2021 – \$1,702).

During the year ended December 31, 2022, 47,479 of the 2018 series of shares were sold and none were forfeited (year ended December 31, 2021 – 79,296 and 33,333, respectively). The total share proceeds of \$862 were credited against the loan receivable (year ended December 31, 2021 – \$1,723). The Company recognized a net finance expense of \$72 and a compensation expense of \$nil (year ended December 31, 2021 – \$490 and \$52, respectively).

As at December 31, 2022, 747,676 of the 2018 series and 903,013 of the 2022 series of common shares were outstanding (December 31, 2021 – 839,998 and nil, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.2 Redeemable share liability

As at

(C\$ in thousands)

December 31, 2022 December 31, 2021

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)	695	878
287,973 series 2013 shares (December 31, 2021 – 310,091)	3,280	3,532
175,186 series 2014 shares (December 31, 2021 – 178,990)	2,637	2,693
266,451 series 2015 shares (December 31, 2021 – 272,934)	3,586	3,674
Less employee share purchase loans	(10,191)	(10,802)
Total	7	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 shares series 2009 and series 2012 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 shares 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 shares are redeemable at the option of the holder for a period of one business day following the date of issue of such shares. The Company has the option to redeem the series 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 \$251 (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 year ended December 31, 2022, 4,295 series 2009 shares, 14,756 series 2012 shares, 22,118 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (year ended December 31, 2021 – 189,792 series 2009 shares, 36,443 series 2012 shares, 356,649 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, \$183, \$252, \$57 and \$87, respectively (year ended December 31, 2021 – \$1,680, \$452, \$4,062, \$3,006 and \$2,771, respectively).

During the year ended December 31, 2022, the Company did not cancel any shares from any of the series of shares (year ended December 31, 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.

16. Common Shares

As at

(C\$ in thousands)

December 31, 2022 December 31, 2021

Authorized – Unlimited common shares

Issued

67,861,289 common shares (2021 – 76,800,313)	162,636	149,966
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During the year ended December 31, 2022, 4,295 series 2009 shares, 14,756 series 2012 shares, 22,118 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares (year ended December 31, 2021 – 189,792 series 2009 shares, 36,443 series 2012 shares, 356,649 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, \$183, \$252, \$57 and \$87, respectively (year ended December 31, 2021 – \$1,680, \$452, \$4,062, \$3,006 and \$2,771, respectively).

During the year ended December 31, 2022, the Company implemented a management share purchase plan. This resulted in an addition of 903,013 common shares at an amount of \$12,791 (year ended December 31, 2021 – \$nil).

Substantial issuer bid

On November 25, 2021, the Company commenced a 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. These shares were cancelled in January 2022, which had a value of \$200,000, of which \$17,746 represents a reduction in share capital and the remaining \$182,254 was charged to retained earnings. There were no other SIB transactions during 2022.

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 automated 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 year ended December 31, 2022, the Company repurchased and cancelled 1,594,300 common shares under the ASPP for a total cost of \$39,384, of which \$3,562 represents a reduction in share capital and the remaining \$35,822 was charged to retained earnings. As at December 31, 2022, an obligation for the repurchase of shares of \$2,000 (as at December 31, 2021 – \$45,000) was recognized under the ASPP, of which \$295 (2021 – \$3,902) represents a reduction in share capital and the remaining \$1,705 (2021 – \$41,080) was charged to retained earnings.

During the year ended December 31, 2022, and excluding the common shares repurchased under the ASPP, the Company repurchased 299,200 shares (year ended December 31, 2021 – 2,247,410 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 (year ended December 31, 2021 – \$50,822). The repurchase of common shares resulted in a reduction of share capital in the amount of \$669 (year ended December 31, 2021 – \$4,708). The excess net cost over the average carrying value of the shares of \$4,221 (year ended December 31, 2021 – \$46,114) has been recorded as a reduction in retained earnings. As at December 31, 2022, the Company has cancelled all of these repurchased shares (year ended December 31, 2021 – 2,247,410 of the repurchased shares were cancelled).

As at December 31, 2022 and 2021, dividends payable were \$10,858 (\$0.16 per share) and \$12,287 (\$0.16 per share), respectively.

17. Revenue

(a) Disaggregation of revenue

For the	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Sales of goods by corporate stores	2,405,713	2,408,443
Income from franchise operations	34,736	35,306
Extended warranty revenue	58,572	56,141
Insurance sales revenue	17,076	11,197
Rental income from investment property	1,562	1,583
Total	2,517,659	2,512,670

(b) Customers' deposits

For the	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Opening balance as at January 1	362,099	305,460
Revenue recognized that was included in the customers' deposit balance at the beginning of the year	(322,682)	(269,439)

(c) Deferred warranty plan revenue

For the	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Opening balance as at January 1	157,627	144,337
Revenue recognized that was included in the deferred warranty balance at the beginning of the year	(75,375)	(67,613)
Recognition of deferred warranty during the year	89,169	80,903
Total	171,421	157,627
Reported as:		
Current	62,894	57,787
Non-current	108,527	99,840
Total	171,421	157,627

18. Expenses by Nature

For the (C\$ in thousands)	Year ended	
	December 31, 2022	December 31, 2021
Salaries and benefits	425,579	420,068
Depreciation of property, plant and equipment, right-of-use assets and investment properties	108,497	110,202
Amortization of intangible assets	1,470	1,810
Occupancy expenses	100,030	93,734

19. Net Finance Costs

For the (C\$ in thousands)	Year ended	
	December 31, 2022	December 31, 2021
Interest expense on lease obligations	17,739	19,693
Interest expense on term credit facilities and revolving credit facilities	8,276	1,045
Interest expense on convertible debentures	-	14
Finance income	(4,486)	(5,767)
Total	21,529	14,985

20. Income Tax Expense

(a) The major components of income tax expense for the years ended December 31 are as follows:

For the (C\$ in thousands)	Year ended	
	December 31, 2022	December 31, 2021
Consolidated statements of income		
Current income tax expense:		
Based on taxable income of the current year	58,644	73,787
Deferred income tax expense:		
Origination and reversal of temporary differences	(1,852)	(4,566)
Income tax expense reported in the consolidated statements of income	56,792	69,221

(b) Reconciliation of the effective tax rates are as follows:

For the (C\$ in thousands, except %)	Year ended			
	December 31, 2022		December 31, 2021	
Income before income taxes	236,221		276,379	
Income tax expense based on statutory tax rate	61,725	26.13%	71,388	25.83%
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:				
Non-deductible items	244	0.10%	534	0.19%
Remeasurement of deferred income tax asset for rate changes	147	0.06%	(196)	(0.07%)
Income exempt from tax	(128)	(0.05%)	(159)	(0.06%)
Prior year adjustments	(1,183)	(0.50%)	1,169	0.42%
Other	(4,013)	(1.70%)	(3,515)	(1.27%)
Income tax expense reported in the consolidated statements of income	56,792	24.04%	69,221	25.05%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Deferred income tax balances and reconciliation are as follows:

(i) *Deferred income tax relates to the following:*

As at (C\$ in thousands)	December 31, 2022	December 31, 2021
Deferred income tax assets (liabilities)		
Deferred tax income assets	16,647	14,957
Deferred tax income liabilities	(70,648)	(71,009)
Total deferred income tax assets (liabilities)	(54,001)	(56,052)

(ii) *Deferred income tax movements are as follows:*

As at	December 31, 2022			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Balance, end of year
Deferred warranty plan	(98)	-	-	(98)
Deferred financing fees	(33)	-	(6)	(39)
Deferred acquisition costs	(323)	-	2	(321)
Property, plant and equipment	(79,909)	-	12,032	(67,877)
Intangible assets	(76,474)	-	12	(76,462)
Lease liabilities	75,130	-	(11,275)	63,855
Other	25,135	199	1,870	27,204
Mark to market	520	-	(783)	(263)
Net deferred income tax expense – statements of income	(56,052)	199	1,852	(54,001)
Net deferred income tax expense (benefit) – equity	-	-	-	-
Total deferred income tax expense (benefit)	(56,052)	199	1,852	(54,001)

As at	December 31, 2021			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Balance, end of year
Deferred warranty plan	(98)	-	-	(98)
Deferred financing fees	11	-	(44)	(33)
Deferred acquisition costs	(319)	-	(4)	(323)
Property, plant and equipment	(91,101)	-	11,192	(79,909)
Intangible assets	(76,572)	-	98	(76,474)
Lease liabilities	85,177	-	(10,047)	75,130
Other	21,215	(49)	3,969	25,135
Mark to market	1,119	-	(599)	520
Net deferred income tax expense – statements of income	(60,568)	(49)	4,565	(56,052)
Movement in convertible debenture	(1)	-	1	-
Net deferred income tax expense (benefit) – equity	(1)	-	1	-
Total deferred income tax expense (benefit)	(60,569)	(49)	4,566	(56,052)

21. 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	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands except share and per share amounts)		
Net income for the period for basic earnings per share	179,429	207,158
Net income for the period for diluted earnings per share	179,619	207,367
Weighted average number of common shares outstanding	67,512,284	77,623,382
Dilutive effect	652,653	1,438,994
Dilutive weighted average number of common shares outstanding	68,164,937	79,062,376
Basic earnings per share	\$2.66	\$2.67
Diluted earnings per share	\$2.64	\$2.62

22. Financial Instruments

Classification of financial instruments and fair value

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

As at	December 31, 2022			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
Cash and cash equivalents	Amortized cost	115,127	115,127	Level 1
Trade receivables	Amortized cost	180,482	180,482	Level 2
Restricted marketable securities	FVOCI	413	413	Level 1
Equity securities	FVOCI	31,804	31,804	Level 1
Debt securities	FVOCI	78,925	78,925	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	20,348	20,348	Level 2
Derivative assets	FVTPL	1,268	1,268	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	249,846	249,846	Level 2
Long-term debt	Amortized cost	234,375	234,375	Level 2
Redeemable share liability	Amortized cost	7	7	Level 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 securities	FVOCI	37,941	37,941	Level 1
Equity securities	FVOCI	3,310	3,310	Level 3
Debt securities	FVOCI	66,461	66,461	Level 1
Debt securities	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 December 31, 2022 includes financial assets of \$226,269, \$202,198 and \$nil for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$484,228 and \$nil for Levels 1, 2 and 3, respectively.

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

The carrying amounts of the Company's long-term debt approximate their fair values since they bear interest at rates comparable to market rates at the end of the reporting period.

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

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

The Company maintains financial derivatives which comprise of foreign exchange forwards, with maturities that do not exceed past November 2024. As at December 31, 2022, the fair value of derivative assets is \$1,268 (as at December 31, 2021 – \$1,742 derivative liabilities).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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).

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). Risk management is carried out by the Company by identifying and evaluating the financial risks inherent within its operations. The Company's overall risk management activities seek to minimize potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to counterparty credit risk by transacting only with highly rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity. The Company's financial instrument portfolio is spread across financial institutions, provincial and federal governments and, to a lesser extent, corporate issuers that are dual rated and have a credit rating in the "A" category or better.

The following table summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset, net of any allowances for impairment.

As at	Carrying amount	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Cash and cash equivalents	115,127	382,138
Restricted marketable securities	413	466
Debt securities	79,025	66,561
Trade receivables	180,482	160,093
Total	375,047	609,258

Generally, the carrying amount on the consolidated statements of financial position of the Company's financial assets exposed to credit risk represents the Company's maximum exposure to credit risk. No additional credit risk disclosure is provided, unless the maximum potential loss exposure to credit risk for certain financial assets differs significantly from their carrying amount. The Company's main credit risk exposure is from its trade receivables. For the Company, trade receivables are comprised principally of amounts related to its commercial sales, to its franchise operations, and to vendor rebate programs.

For commercial trade and other receivables, credit risk is mitigated through customer agreements specifying payment terms and credit limits. For franchise trade receivables, personal guarantees are obtained. As well, liens are placed against the goods and the Company may repossess goods for non-payment. Credit risk is also limited due to the large number of customers and their dispersion across geographic areas and market sectors (i.e., retail, commercial and franchise). Accordingly, the Company believes it has no significant concentrations of credit risk related to trade receivables. The Company's trade receivables totalled \$180,482 as at December 31, 2022, (2021 – \$160,093). The amount of trade receivables that the Company has determined to be past due (which is defined as a balance that is more than 90 days past due) is \$9,371 as at December 31, 2022 (2021 – \$8,285). IFRS 9 requires that a forward-looking ECL model is followed. The guidance allows for a simplified approach for assets, including trade receivables, that do not contain a significant financing component. This does not require the tracking of changes in credit risk, but requires recognition of lifetime ECLs at all times. The Company's ECL based on the total receivables, past due invoices, historical data and future analysis was \$1,292 as at December 31, 2022 (2021 – \$1,118).

IFRS 9 provides a low credit risk simplified approach for certain financial instruments if they are deemed to be a low credit risk. Based on the Company's portfolio, historical trends and future looking analyst predictions, it was concluded that the low credit risk simplification could be used, as debt investments have a low risk of default and the Company has a strong capacity to meet its contractual cash flow obligations in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The majority of the Company's retail sales are funded through cash, traditional credit cards and private label credit cards carried on a non-recourse basis by third parties. Accordingly, fluctuations in the availability and cost of credit may have an impact on the Company's retail sales and profitability.

The Company manages credit risk for its cash and cash equivalents by maintaining bank accounts with major Canadian banks and investing only in highly rated Canadian and U.S. securities that are traded on active markets and are capable of prompt liquidation.

Liquidity risk

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 December 31, 2022, unrestricted liquidity was \$328,982, comprising cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

The following tables summarize the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

(C\$ in thousands)	Carrying amount	Contractual cash flows	Payments due by period					
			2023	2024	2025	2026	2027	2028 & Beyond
As at December 31, 2022								
Trade and other payables	249,846	249,846	249,846	-	-	-	-	-
Lease liabilities	322,855	373,395	89,185	55,693	55,179	53,773	52,315	67,250
Long-term debt	234,375	252,578	20,439	232,139	-	-	-	-
Redeemable share liability	7	7	-	-	-	-	-	7
Total	807,083	875,826	359,470	287,832	55,179	53,773	52,315	67,257

(C\$ in thousands)	Carrying amount	Contractual cash flows	Payments due by period					
			2022	2023	2024	2025	2026	2027 & Beyond
As at December 31, 2021								
Trade and other payables	543,737	543,737	543,737	-	-	-	-	-
Lease liabilities	366,254	427,561	91,715	64,095	62,259	61,745	60,146	87,601
Long-term debt	90,000	90,883	90,883	-	-	-	-	-
Redeemable share liability	13	13	-	-	-	-	-	13
Total	1,000,004	1,062,194	726,335	64,095	62,259	61,745	60,146	87,614

The contractual cash flows have been included in the tables above based on the contractual arrangements that exist at the reporting date and do not factor in any assumptions for early repayment. The amount and timing of actual payments may be materially different. Contractual cash flows presented in the above maturity analysis table for lease liabilities and long-term debt include principal repayments, interest payments, and other related cash payments. As the carrying amounts of these liabilities are measured at amortized cost, the future contractual cash flows do not agree to the carrying amounts.

The Company's credit facilities are further discussed in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to cash flow risk on the term credit facility and the revolving credit facility, and to fair value risk on the lease liabilities due to fluctuations in interest rates. Fair value risk related to the lease liabilities impacts disclosure only as these items are carried at amortized cost on the consolidated statements of financial position.

As well, the Company's revenues depend, in part, on supplying financing alternatives to its customers through third-party credit providers. The terms of these financing alternatives are affected by changes in interest rates. Therefore, interest rate fluctuations may impact the Company's financing costs for retail sales financed using these alternatives, and may also impact the Company's revenues where customers' buying decisions are impacted by their ability or desire to use these financing alternatives.

(i) Interest rate sensitivity analysis

The Company's net income is sensitive to the impact of a change in interest rates on the average indebtedness under the term credit facility and the revolving credit facility during the year. For the year ended December 31, 2022, the Company's average indebtedness under long-term debt was \$162,000 (2021 – \$90,000). Accordingly, a change during the year ended December 31, 2022 of a one percentage point increase or decrease in the applicable interest rate would have impacted the Company's net income by approximately \$1,734 (2021 – \$666).

(b) Currency risk

The Company is exposed to foreign currency fluctuations since certain merchandise is paid for in U.S. dollars. This risk is offset to the extent that foreign currency costs are included in product costs when setting retail prices. Accordingly, the Company does not believe it has significant foreign currency risk with respect to its inventory purchases made in U.S. dollars.

(c) Other price risk

The Company is exposed to fluctuations in the market prices of its portfolio of debt securities. Changes in the fair value of these financial assets are recorded, net of income taxes, in accumulated other comprehensive income as it relates to unrecognized gains and losses. The risk is managed by the Company and its investment managers by ensuring a conservative asset allocation.

23. Insurance Contract Risk

Certain subsidiaries of the Company are responsible for the insurance business and monitoring and managing the financial risks related to the Company's insurance operations. This is done through internal risk assessment reporting and by compliance with regulatory requirements. TGLI provides group insurance coverage for life, accident and sickness covering personal credit card debt; and group coverage for life, accident and sickness covering other personal short-term debt. TGI provides group coverage for loss of income and property covering personal credit card debt; group coverage for loss of income and property covering other personal short-term debt; and four and five-year term commercial property coverage. The principal risks faced under insurance contracts are that (i) the actual claims and benefit payments or the timing thereof, differ from expectations. This risk is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims; (ii) the risk of loss arising from expense experience being different than expected; and (iii) the risk arising due to policyholder experiences (lapses) being different than expected. The Company's objective with respect to this risk is to ensure that sufficient reserves are available to cover these liabilities.

The overall risk of the insurance operations is managed by diversifying across a large portfolio of insurance contracts and establishing maximum benefit limits per claim types that the policy holder is entitled to. The Company, therefore, has a defined maximum exposure which enables it to effectively manage the overall risk.

24. Capital 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 debt and equity securities, lease liabilities, term credit facility and borrowing capacity available under the revolving credit facilities (note 14). As at December 31, 2022, \$103,026 is available to draw on under our \$200,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of \$6,974 (December 31, 2021 – \$127,008) and utilizing \$90,000 of the revolving credit facility.

As at

(C\$ in thousands)	December 31, 2022	December 31, 2021
Current portion of lease liabilities	74,389	74,920
Current portion of long-term debt	7,500	90,000
Lease liabilities	248,466	291,334
Long-term debt	226,875	–
Total shareholders' equity	928,885	791,193
Total capital under management	1,486,115	1,247,447

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.

Restriction on the distribution of capital from Trans Global Insurance Company and Trans Global Life Insurance Company

For purposes of regulatory requirements for TGI and TGLI, capital is considered to be equivalent to their respective statement of financial position equity. Regulatory requirements stipulate that TGI must maintain minimum capital of at least \$3,000 and TGLI must maintain minimum capital of at least \$5,000.

In addition, the Company is subject to the regulatory capital requirements defined by The Office of the Superintendent of Insurance of Alberta and the Insurance Act of Alberta (the "Insurance Act"). Notwithstanding that a company may meet the supervisory target standard, The Office of the Superintendent of Insurance of Alberta may direct a company to increase its capital under the Insurance Act. As at December 31, 2022, TGI's Minimum Capital Test ratio was 456% (December 31, 2021 – 646%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

For TGLI, the Life Insurance Capital Adequacy Test ("LICAT") replaced the Minimum Continuing Capital and Surplus Requirements ("MCCSR") effective January 1, 2018. As at December 31, 2022, TGLI's LICAT ratio was 367% (December 31, 2021 – MCCSR 491%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

25. Commitments and Contingencies

- Pursuant to a reinsurance agreement relating to the extended warranty sales, the Company has pledged debt instruments amounting to \$413 (2021 – \$466).
- In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

26. Consolidated Statements of Cash Flows

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

For the	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Trade receivables	(20,388)	(29,511)
Inventories	(14,966)	(63,574)
Prepaid expenses and other assets	4,508	(4,503)
Trade and other payables	(51,192)	137
Customers' deposits	(186,252)	56,639
Derivative assets and liabilities	(3,010)	(2,234)
Provisions	1,845	(959)
Deferred acquisition costs	(3,097)	(2,851)
Total	(272,552)	(46,856)

(b) Changes in liabilities arising from financing activities comprise the following:

(C\$ in thousands)	Leases	Long-term debt
Balance as at January 1, 2022	366,254	90,000
Cash changes:		
Long-term debt issuance	-	150,000
Lease obligation repayment	(93,400)	-
Long-term debt repayment	-	(5,625)
Non-cash changes:		
Additions	32,472	-
Disposals	(210)	-
Interest	17,739	-
Balance as at December 31, 2022	322,855	234,375

(C\$ in thousands)	Convertible Debentures (including equity component)	Leases	Long-term debt
Balance as at January 1, 2021	472	400,703	90,000
Cash changes:			
Lease obligation repayment	-	(92,810)	-
Early redemption payment on outstanding debentures	(77)	-	-
Non-cash changes:			
Additions	-	38,744	-
Disposals	-	(76)	-
Conversions of debenture	(395)	-	-
Interest	-	19,693	-
Balance as at December 31, 2021	-	366,254	90,000

27. Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

The Company has a 50% ownership interest in a joint operation "Beedie/Leon's Delta-Link Joint Venture." This joint operation developed land into a 432,000 square foot distribution centre which the Company occupies in Delta, British Columbia.

Key management compensation

Key management includes the five senior executives of the Company. The compensation expense paid to key management for employee services during each year is shown below:

For the	Year ended	
	December 31, 2022	December 31, 2021
(C\$ in thousands)		
Salaries and other employee benefits	6,376	8,225

28. Comparative Financial Information

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2022 consolidated financial statements.

Corporate & Shareholder Information

BOARD OF DIRECTORS

Mark J. Leon
Toronto, ON

Terrence T. Leon
Toronto, ON

Edward F. Leon
King City, ON

Joseph M. Leon II
Ridgeway, ON

Alan J. Lenczner
Founding Partner in
Lenczner Slaght
Toronto, ON

Mary Ann Leon
Financial Executive
Toronto, ON

Frank Gagliano
Vice Chairman,
St. Joseph Communications,
Toronto, ON

Hon. Lisa Raïtt
Vice Chair, CIBC Global
Investment Banking
Milton, ON

OFFICERS

Mark J. Leon
Chairman of the Board

Terrence T. Leon
Vice Chairman

Michael J. Walsh
President and CEO

Constantine Pefanis
CFO

John A. Cooney
Vice President, Legal and
Corporate Secretary

CORPORATE OFFICE

45 Gordon Mackay Road
Toronto, Ontario M9N 3X3
(416) 243-7880

AUDITORS

Ernst & Young LLP Toronto

REGISTRAR AND TRANSFER AGENT

TSX Trust Company (Canada)

LISTING

Leon's Furniture Limited
common shares are listed
on the Toronto Stock Exchange
Ticker Symbol is LNF

ANNUAL MEETING

Thursday, May 11, 2023, 2:00pm
Vantage Venues,
150 King Street West
Toronto, Ontario
M5H 1J9

Whether they choose to shop in-store or online, Canadians know and trust our brands for their furniture, appliances, electronics, and mattresses.

LEON'S

 @leonsfurniture
 leonsfurniture
 leonsfurniture

THE BRICK

 @brickwarehouse
 TheBrick
 thebrick

FURNITURE.CA

 @furniture.ca
 furnituredotca

APPLIANCE CANADA

 @appliancecanada
 ApplianceCanada