



LEON'S FURNITURE LIMITED

**Interim Condensed Consolidated Financial Statements**

For the period ended March 31, 2025

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Interim Consolidated Statements of Financial Position (unaudited)

As at (C\$ in thousands)	Notes	March 31, 2025	December 31, 2024	March 31, 2024
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		139,058	191,238	42,371
Restricted marketable securities		-	-	422
Debt securities		106,845	99,139	81,008
Equity securities		36,029	35,030	31,493
Trade receivables		139,170	185,975	176,290
Income taxes recoverable		7,455	1,458	10,636
Inventories	5	423,985	395,491	412,902
Deferred acquisition costs		13,959	13,721	13,542
Prepaid expenses and other assets		15,932	12,617	21,794
Derivative assets		1,172	1,545	961
<b>Total current assets</b>		<b>883,605</b>	<b>936,214</b>	<b>791,419</b>
<b>Non-current assets</b>				
Deferred acquisition costs		22,396	22,778	22,262
Loan receivable	11	15,490	15,546	19,377
Property, plant and equipment and right-of-use assets	6	665,637	674,676	647,833
Investment properties	7	13,622	13,724	13,995
Intangible assets	8	270,453	270,689	271,187
Goodwill		390,120	390,120	390,120
Deferred income tax assets		16,848	16,939	17,301
<b>Total non-current assets</b>		<b>1,394,566</b>	<b>1,404,472</b>	<b>1,382,075</b>
<b>Total assets</b>		<b>2,278,171</b>	<b>2,340,686</b>	<b>2,173,494</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		267,880	298,226	248,921
Current portion of provisions		7,932	8,237	9,855
Income taxes payable		1,576	1,493	404
Customers' deposits		145,015	177,233	135,333
Current portion of lease liabilities	9	79,512	79,690	76,838
Dividends payable		13,641	13,639	12,249
Current portion of deferred warranty plan and insurance revenue		71,288	70,508	69,269
Current portion of long-term debt	10	7,500	7,500	7,500
<b>Total current liabilities</b>		<b>594,344</b>	<b>656,526</b>	<b>560,369</b>
<b>Non-current liabilities</b>				
Long-term debt	10	72,500	72,500	102,500
Lease liabilities	9	256,025	265,860	273,610
Deferred warranty plan and insurance revenue		111,124	112,987	109,345
Provisions		25,727	24,351	20,460
Deferred income tax liabilities		65,953	67,312	68,086
<b>Total non-current liabilities</b>		<b>531,329</b>	<b>543,010</b>	<b>574,001</b>
<b>Total liabilities</b>		<b>1,125,673</b>	<b>1,199,536</b>	<b>1,134,370</b>
<b>Shareholders' equity</b>				
Common shares	12	167,647	167,231	166,170
Retained earnings		970,206	960,471	865,164
Accumulated other comprehensive income		14,645	13,448	7,790
<b>Total shareholders' equity</b>		<b>1,152,498</b>	<b>1,141,150</b>	<b>1,039,124</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,278,171</b>	<b>2,340,686</b>	<b>2,173,494</b>

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

Leon's Furniture Limited

Interim Consolidated Statements of Income (unaudited)

For the		Three months ended	
(C\$ in thousands except share and per share amounts)	Notes	March 31, 2025	March 31, 2024
<b>Revenue</b>	<b>13</b>	<b>579,511</b>	562,254
Cost of sales	5	<b>321,143</b>	315,510
<b>Gross profit</b>		<b>258,368</b>	246,744
Selling, general and administrative expenses		<b>225,377</b>	221,117
Other income		<b>(1,044)</b>	(3,226)
Net finance costs		<b>2,647</b>	4,577
<b>Net income before income tax</b>		<b>31,388</b>	24,276
Income tax expense	14	<b>7,568</b>	5,460
<b>Net income for the period</b>		<b>23,820</b>	18,816
<b>Weighted average number of common shares outstanding</b>	<b>15</b>		
Basic		<b>68,206,225</b>	68,051,318
Diluted		<b>68,646,568</b>	68,646,657
<b>Earnings per share</b>	<b>15</b>		
Basic		<b>\$0.35</b>	\$0.28
Diluted		<b>\$0.35</b>	\$0.27
<b>Dividends declared per share</b>			
Common		<b>\$0.20</b>	\$0.18

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

Interim Consolidated Statements of Comprehensive Income (unaudited)

For the	Three months ended	
(C\$ in thousands)	March 31, 2025	March 31, 2024
<b>Net income for the period</b>	<b>23,820</b>	18,816
<b>Other comprehensive income (loss)</b>		
Item that may be reclassified subsequently to profit or loss:		
Gain (loss) on debt instruments arising during the period	<b>1,212</b>	(434)
Item that will not be reclassified to profit or loss:		
Gain on equity instruments arising during the period	<b>14</b>	1,539
Income tax expense on the above	<b>(29)</b>	(73)
Other comprehensive income for the period	<b>1,197</b>	1,032
<b>Comprehensive income for the period</b>	<b>25,017</b>	19,848

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

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

(C\$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
<b>As at December 31, 2024</b>	<b>167,231</b>	<b>13,448</b>	<b>960,471</b>	<b>1,141,150</b>
<b>Comprehensive income</b>				
Net income for the period	-	-	23,820	23,820
Other comprehensive income for the period	-	1,197	-	1,197
<b>Total comprehensive income</b>	<b>-</b>	<b>1,197</b>	<b>23,820</b>	<b>25,017</b>
<b>Transactions with shareholders</b>				
Dividends declared	-	-	(13,641)	(13,641)
Management share purchase plan [note 11]	472	-	-	472
Share repurchase commitment [note 12]	(56)	-	(444)	(500)
<b>Total transactions with shareholders</b>	<b>416</b>	<b>-</b>	<b>(14,085)</b>	<b>(13,669)</b>
<b>As at March 31, 2025</b>	<b>167,647</b>	<b>14,645</b>	<b>970,206</b>	<b>1,152,498</b>

(C\$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
<b>As at December 31, 2023</b>	<b>164,875</b>	<b>6,758</b>	<b>856,891</b>	<b>1,028,524</b>
<b>Comprehensive income</b>				
Net income for the period	-	-	18,816	18,816
Other comprehensive income for the period	-	1,032	-	1,032
<b>Total comprehensive income</b>	<b>-</b>	<b>1,032</b>	<b>18,816</b>	<b>19,848</b>
<b>Transactions with shareholders</b>				
Dividends declared	-	-	(12,249)	(12,249)
Management share purchase plan [note 11]	1,001	-	-	1,001
Share repurchase commitment [note 12]	294	-	1,706	2,000
<b>Total transactions with shareholders</b>	<b>1,295</b>	<b>-</b>	<b>(10,543)</b>	<b>(9,248)</b>
<b>As at March 31, 2024</b>	<b>166,170</b>	<b>7,790</b>	<b>865,164</b>	<b>1,039,124</b>

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

## Interim Consolidated Statements of Cash Flows (unaudited)

For the		Three months ended	
(C\$ in thousands)	Notes	March 31, 2025	March 31, 2024
<b>Operating activities</b>			
Net income before income tax		31,388	24,276
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		27,039	26,913
Amortization of intangible assets		245	329
Amortization of deferred warranty plan revenue	13	(17,726)	(16,555)
Amortization of deferred insurance revenue	13	(6,675)	(5,936)
Amortization of premium		(48)	(11)
Net finance costs		2,647	4,577
Gain on sale of property, plant and equipment and investment properties		(85)	(35)
Gain on settlement		(1,416)	-
Loss / (gain) on derivatives		373	(3,226)
Gain on management share purchase plan		(101)	(281)
		<b>35,641</b>	<b>30,051</b>
Change in operating working capital	17	(45,676)	(40,450)
Cash received on warranty plan sales		16,641	15,700
Cash received on insurance sales		6,675	6,001
Income taxes paid		(14,778)	(12,603)
Cash used in operating activities		(1,497)	(1,301)
<b>Investing activities</b>			
Purchase of property, plant and equipment	6	(7,732)	(6,986)
Purchase of intangible assets	8	(9)	(303)
Proceeds on sale of property, plant and equipment and investment properties		92	48
Purchase of debt and equity instruments		(8,526)	(10,481)
Proceeds on sale of debt and equity instruments		1,094	3,492
Repayment of loan receivable		251	573
Interest received		2,504	1,464
Cash used in investing activities		(12,326)	(12,193)
<b>Financing activities</b>			
Payment of lease liabilities	9	(20,186)	(19,392)
Dividends paid		(13,639)	(12,246)
Decrease of employee loans-redeemable shares		472	1,001
Issuance of long-term debt	10	-	10,000
Interest paid		(5,004)	(6,242)
Cash used in financing activities		(38,357)	(26,879)
<b>Net decrease in cash and cash equivalents during the period</b>		<b>(52,180)</b>	<b>(40,373)</b>
Cash and cash equivalents, beginning of period		191,238	82,744
<b>Cash and cash equivalents, end of period</b>		<b>139,058</b>	<b>42,371</b>

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

## Leon's Furniture Limited

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

### 1. Reporting Entity

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Leon's Furniture Limited ("Leon's" or the "Company") was incorporated by the Articles of Incorporation under the Business Corporations Act on February 28, 1969. Leon's is a retailer of home furnishings, mattresses, appliances and electronics across Canada. Leon's is a public company listed on the Toronto Stock Exchange (TSX - LNF) and is incorporated and domiciled in Canada. The address of the Company's head office and registered office is 45 Gordon Mackay Road, Toronto, Ontario, M9N 3X3.

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

### 2. Basis of Presentation

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The interim condensed consolidated financial statements of the Company are prepared in accordance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and note disclosure normally included in the annual financial statements prepared in accordance with IFRS<sup>®</sup> Accounting Standards, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The interim condensed consolidated financial statements of the Company include the financial results of Leon's Furniture Limited and its wholly owned subsidiaries.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on Thursday, May 8, 2025.

### 3. Summary of Significant Accounting Policies

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Except for the adoption of the new, revised or amended accounting standards noted below, these interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Leon's for the year ended December 31, 2024. The disclosure contained in these interim condensed consolidated financial statements does not include all requirements in IAS 1, *Presentation of Financial Statements* ("IAS 1"). Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

#### Segment reporting

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

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

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

#### Adoption of new accounting standards

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

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

## Leon's Furniture Limited

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

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

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

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

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

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

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

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

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

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

## 4. Capital Risk Management

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The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; and
- utilize working capital to negotiate favourable supplier agreements both in respect of early payment discounts and overall payment terms.

The capital structure currently includes working capital, debt and equity securities, lease liabilities, term credit facility and borrowing capacity available under the revolving credit facilities (note 10). As at March 31, 2025, \$187,742 is available to draw on under the Company's \$200,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of \$8,508 (December 31, 2024 - \$8,508) and utilizing \$3,750 of the revolving credit facility.

Under the Senior Secured Credit Agreement ("SSCA"), the financial and non-financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreement. The Company was in compliance with these covenants as at March 31, 2025.

## Leon's Furniture Limited

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

The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. Based on the Company's borrowing capacity available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Company incurs major unanticipated expenses, it may be required to seek additional capital.

The Company is not subject to any externally imposed capital requirements, other than with respect to its insurance subsidiaries. Refer to note 25 in the fiscal year 2024 consolidated financial statements.

## 5. Inventories

The amount of inventory recognized as an expense for the three months ended March 31, 2025 was \$305,107 (three months ended March 31, 2024 - \$299,413) which is presented within cost of sales in the unaudited interim condensed consolidated statements of income.

During the three months ended March 31, 2025, there were \$712 in inventory write downs (three months ended March 31, 2024 - \$125 inventory write down reversals).

As at March 31, 2025, the inventory markdown provision totaled \$8,065 (as at December 31, 2024 - \$7,353).

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

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
<b>Cost</b>								
Balance as at December 31, 2024	111,341	347,157	204,494	77,663	253,213	751,957	2,128	1,747,953
Additions	-	3,886	1,504	1,257	2,003	7,201	2,097	17,948
Disposals	-	-	(325)	(451)	(1,176)	-	(867)	(2,819)
<b>Balance as at March 31, 2025</b>	<b>111,341</b>	<b>351,043</b>	<b>205,673</b>	<b>78,469</b>	<b>254,040</b>	<b>759,158</b>	<b>3,358</b>	<b>1,763,082</b>
<b>Accumulated depreciation</b>								
Balance as at December 31, 2024	-	191,411	153,471	53,769	224,118	448,823	1,685	1,073,277
Depreciation	-	2,420	1,984	1,159	1,907	19,359	108	26,937
Disposals	-	-	(313)	(451)	(1,176)	-	(829)	(2,769)
<b>Balance as at March 31, 2025</b>	<b>-</b>	<b>193,831</b>	<b>155,142</b>	<b>54,477</b>	<b>224,849</b>	<b>468,182</b>	<b>964</b>	<b>1,097,445</b>
<b>Net book value as at March 31, 2025</b>	<b>111,341</b>	<b>157,212</b>	<b>50,531</b>	<b>23,992</b>	<b>29,191</b>	<b>290,976</b>	<b>2,394</b>	<b>665,637</b>

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
<b>Cost</b>								
Balance as at December 31, 2023	111,304	313,658	190,520	71,809	249,576	686,196	2,232	1,625,295
Additions	220	33,499	14,537	7,103	5,632	67,824	-	128,815
Disposals	(183)	-	(563)	(1,249)	(1,995)	(2,063)	(104)	(6,157)
<b>Balance as at December 31, 2024</b>	<b>111,341</b>	<b>347,157</b>	<b>204,494</b>	<b>77,663</b>	<b>253,213</b>	<b>751,957</b>	<b>2,128</b>	<b>1,747,953</b>
<b>Accumulated depreciation</b>								
Balance as at December 31, 2023	-	182,831	146,326	50,269	218,537	374,103	1,465	973,531
Depreciation	-	8,580	7,687	4,640	7,572	76,262	324	105,065
Disposals	-	-	(542)	(1,140)	(1,991)	(1,542)	(104)	(5,319)
<b>Balance as at December 31, 2024</b>	<b>-</b>	<b>191,411</b>	<b>153,471</b>	<b>53,769</b>	<b>224,118</b>	<b>448,823</b>	<b>1,685</b>	<b>1,073,277</b>
<b>Net book value as at December 31, 2024</b>	<b>111,341</b>	<b>155,746</b>	<b>51,023</b>	<b>23,894</b>	<b>29,095</b>	<b>303,134</b>	<b>443</b>	<b>674,676</b>

## Leon's Furniture Limited

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

Included in the above balances as at March 31, 2025, are assets not being amortized with a net book value of approximately \$4,010 (as at December 31, 2024 - \$12,467), being construction in progress. Depreciation of property, plant and equipment is included within selling, general and administrative expenses on the unaudited interim consolidated statements of income.

## 7. Investment Properties

(C\$ in thousands)	Land	Buildings	Building improvements	Total
<b>Cost</b>				
Balance as at December 31, 2024	10,646	15,396	964	27,006
<b>Balance as at March 31, 2025</b>	<b>10,646</b>	<b>15,396</b>	<b>964</b>	<b>27,006</b>
<b>Accumulated depreciation</b>				
Balance as at December 31, 2024	-	12,585	697	13,282
Depreciation	-	90	12	102
<b>Balance as at March 31, 2025</b>	<b>-</b>	<b>12,675</b>	<b>709</b>	<b>13,384</b>
<b>Net book value as at March 31, 2025</b>	<b>10,646</b>	<b>2,721</b>	<b>255</b>	<b>13,622</b>

(C\$ in thousands)	Land	Buildings	Building improvements	Total
<b>Cost</b>				
Balance as at December 31, 2023	10,646	15,396	953	26,995
Additions	-	-	11	11
<b>Balance as at December 31, 2024</b>	<b>10,646</b>	<b>15,396</b>	<b>964</b>	<b>27,006</b>
<b>Accumulated depreciation</b>				
Balance as at December 31, 2023	-	12,254	651	12,905
Depreciation	-	331	46	377
<b>Balance as at December 31, 2024</b>	<b>-</b>	<b>12,585</b>	<b>697</b>	<b>13,282</b>
<b>Net book value as at December 31, 2024</b>	<b>10,646</b>	<b>2,811</b>	<b>267</b>	<b>13,724</b>

The estimated fair value of the investment properties portfolio as at March 31, 2025, was approximately \$40,400 (as at December 31, 2024 - \$40,400). This recurring fair value disclosure is categorized within Level 3 of the fair value hierarchy (note 16 for definition of levels). This was compiled internally by management based on available market evidence.

## Leon's Furniture Limited

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

### 8. Intangible Assets

(C\$ in thousands)	Customer relationships, brand name and franchise agreements	Computer software	Total
<b>Cost</b>			
Balance as at December 31, 2024	275,500	20,218	295,718
Additions	-	9	9
<b>Balance as at March 31, 2025</b>	<b>275,500</b>	<b>20,227</b>	<b>295,727</b>
<b>Accumulated amortization</b>			
Balance as at December 31, 2024	9,500	15,529	25,029
Amortization	-	245	245
<b>Balance as at March 31, 2025</b>	<b>9,500</b>	<b>15,774</b>	<b>25,274</b>
<b>Net book value as at March 31, 2025</b>	<b>266,000</b>	<b>4,453</b>	<b>270,453</b>

(C\$ in thousands)	Customer relationships, brand name and franchise agreements	Computer software	Total
<b>Cost</b>			
Balance as at December 31, 2023	275,500	20,872	296,372
Additions	-	673	673
Disposals	-	(1,327)	(1,327)
<b>Balance as at December 31, 2024</b>	<b>275,500</b>	<b>20,218</b>	<b>295,718</b>
<b>Accumulated amortization</b>			
Balance as at December 31, 2023	9,500	15,659	25,159
Amortization	-	1,197	1,197
Disposals	-	(1,327)	(1,327)
<b>Balance as at December 31, 2024</b>	<b>9,500</b>	<b>15,529</b>	<b>25,029</b>
<b>Net book value as at December 31, 2024</b>	<b>266,000</b>	<b>4,689</b>	<b>270,689</b>

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

As at (C\$ in thousands)	March 31, 2025	December 31, 2024
The Brick brand name (allocated to The Brick division)	245,000	245,000
The Brick franchise agreements (allocated to The Brick division)	21,000	21,000
<b>Total</b>	<b>266,000</b>	266,000

The Company currently has no plans to change The Brick store banners and expects these assets to generate cash flows over an indefinite future period. Therefore, these intangible assets are considered to have indefinite useful lives for accounting purposes. The Brick franchise agreements have expiry dates with options to renew. The Company's intention is to renew these agreements at each renewal date indefinitely. The Company expects the franchise agreements and franchise locations will generate cash flows over an indefinite future period. Therefore, these assets are also considered to have indefinite useful lives.

**Leon's Furniture Limited**

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

**9. Leases**

**Company as a lessee**

**Leasing arrangements**

The Company leases various items of real estate property, vehicles and equipment used in its operations. The lease terms are generally between 5 and 15 years. There are some leases with renewal options, which are included when management is reasonably certain they will be exercised. Management uses significant 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)	March 31, 2025	December 31, 2024
<b>Balance, beginning of period</b>	<b>345,550</b>	353,925
Additions	10,217	69,694
Disposals	(44)	(577)
Interest	4,470	17,070
Payments	(24,656)	(94,562)
<b>Balance, end of period</b>	<b>335,537</b>	345,550
<b>Reported as:</b>		
Current	79,512	79,690
Non-current	256,025	265,860
<b>Total</b>	<b>335,537</b>	345,550

## Leon's Furniture Limited

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

### 10. Long-term Debt

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#### Bank indebtedness

On June 28, 2024, the Company completed an amending agreement number two to its existing Senior Secured Credit Agreement ("SSCA"). Under this amendment, the Company's total credit facility was adjusted to \$286,250. Out of the total amount, \$86,250 was related to its term loan and the remaining \$200,000 is attributable to the Company's revolving credit facility. The amount borrowed under this amendment must be repaid in full by May 31, 2026. The Company has drawn \$3,750 under the revolving credit facility and has \$76,250 outstanding for its term loan as at March 31, 2025. In addition, the Company adopted the Canadian Overnight Repo Rate Average ("CORRA") as the new base reference rate, given the discontinuation of the Canadian Dollar Offered Rate ("CDOR").

Bank indebtedness bears interest based on Canadian prime rate, Secured Overnight Financing Rate ("SOFR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. The term credit facility is repayable in the amount of \$7,500 per annum, with the remainder due on maturity. Currently, the Company has entered into a 30-day Bankers' Acceptance with a cost of borrowing of 3.87% that was renewed on March 31, 2025.

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 March 31, 2025, the Company was in full compliance of these financial and non-financial covenants. The company expects to continue to be in compliance with these covenants.

### 11. Management Share Purchase Plan

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#### Employee benefit plan

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

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

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

## Leon's Furniture Limited

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### Loan receivable

As at

(C\$ in thousands)	March 31, 2025	December 31, 2024
<b>Balance, beginning of period</b>	15,546	19,669
Fair value adjustment	196	1,616
Forfeiture	-	(997)
Dividends paid	(252)	(1,002)
Loan repayment	-	(3,740)
<b>Balance, end of period</b>	<b>15,490</b>	<b>15,546</b>

### Deferred compensation expense

	March 31, 2025	December 31, 2024
<b>Balance, beginning of period</b>	1,972	2,435
Compensation expense	(94)	(463)
<b>Balance, end of period</b>	<b>1,878</b>	<b>1,972</b>

### Redeemable share liability

As at

(C\$ in thousands)	March 31, 2025	December 31, 2024
<b>Authorized</b>		
306,500 convertible, non-voting, series 2012 shares		
1,485,000 convertible, non-voting, series 2013 shares		
740,000 convertible, non-voting, series 2014 shares		
880,000 convertible, non-voting, series 2015 shares		
<b>Issued and fully paid</b>		
17,836 series 2012 shares (December 31, 2024 - 43,929)	221	545
157,230 series 2013 shares (December 31, 2024 - 162,357)	1,791	1,849
94,191 series 2014 shares (December 31, 2024 - 96,498)	1,418	1,453
148,291 series 2015 shares (December 31, 2024 - 152,362)	1,996	2,051
Less employee share purchase loans	(5,419)	(5,891)
<b>Total</b>	<b>7</b>	<b>7</b>

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2012, 2013, 2014 and 2015 to allow them to acquire convertible, series 2012 shares, series 2013 shares, series 2014 shares and series 2015 shares, respectively, of the Company. These loans are repayable through the application against the loans of any dividends on the shares with any remaining balance repayable on the date the shares are converted to common shares. Each issued and fully paid for series 2012 share may be converted into one common share at any time after the fifth anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. Each issued and fully paid for series 2013, series 2014 and series 2015 share may be converted into one common share at any time after the third anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. The series 2012, series 2013, series 2014 and series 2015 are redeemable at the option of the holder for a period of one business day following the date of issue of such shares. The Company has the option to redeem the series 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The Company has the option to redeem the series 2013, series 2014 and series 2015 shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The redemption price is equal to the original issue price of the shares adjusted for subsequent subdivisions of shares plus accrued and unpaid dividends. The purchase prices of the shares are \$12.41 per series 2012 share, \$11.39 per series 2013 share, \$15.05 per series 2014 share and \$13.46 per series 2015 share. Dividends paid to holders of series 2012, 2013, 2014 and 2015 shares of approximately \$164 (2024 - \$197) have been used to reduce the respective shareholder loans. The preferred dividends are paid once a year during the first quarter.

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During the three-month period ended March 31, 2025, 26,093 series 2012 shares, 5,127 series 2013 shares, 2,307 series 2014 shares and 4,071 series 2015 shares (three-month period ended March 31, 2024 - 1,184 series 2012 shares, 12,766 series 2013 shares, 36,389 series 2014 shares and 21,771 series 2015 shares) were converted into common shares with a stated value of approximately \$324, \$58, \$35 and \$55, respectively (three-month period ended March 31, 2024 - \$14, \$146, \$548 and \$293 respectively).

During the three-month period ended March 31, 2025, the Company did not cancel any shares from any of the series of shares (three-month period ended March 31, 2024 - no shares were cancelled in any of the series of shares).

Employee share purchase loans have been netted against the redeemable share liability, as the Company has the legally enforceable right of set-off and the positive intent to settle on a net basis. This balance is included under trade and other payables on the interim consolidated statements of financial position.

## 12. Common Shares

As at	March 31, 2025	December 31, 2024
(C\$ in thousands)		
<b>Authorized - Unlimited common shares</b>		
<b>Issued</b>		
68,229,323 common shares (2024 - 68,191,725)	167,647	167,231

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

### Normal course issuer bid

On March 21, 2025, the Company received Toronto Stock Exchange (TSX) approval of its notice of intention to renew its common share repurchase program. The Company intends to repurchase for cancellation a maximum of 3,403,405 Common Shares representing 4.99% of the total number of its 68,204,514 issued and outstanding Common Shares as at March 12, 2025. The average daily trading volume for the six months ending February 28, 2025, was 21,980 Common Shares. Therefore, other than block purchase exemptions, daily purchases will be limited to 5,495 common shares on the Toronto Stock Exchange. The bid will commence on March 21, 2025, and terminate on the earliest of the purchase of 3,403,405 Common Shares, the issuer providing a notice of termination, and March 20, 2026. Purchases will be executed through the facilities of the TSX at market price under the normal course issuer bid rules of the TSX.

On March 28, 2025, the Company entered into an automatic share purchase plan ("ASPP") with the Company's broker in order to facilitate the repurchase of its common shares under the normal course issuer bid during self-imposed blackout periods, commencing April 1, 2025. As at March 31, 2025, there was a \$500 obligation recognized for the repurchase of common shares under the ASPP (as at March 31, 2024 - \$nil).

During the three-month period ended March 31, 2025 and March 31, 2024, no common shares were purchased or cancelled.

As at March 31, 2025 and 2024, dividends payable were \$13,641 (\$0.20 per share) and \$12,249 (\$0.18 per share), respectively.

## Leon's Furniture Limited

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

### 13. Revenue

#### Disaggregation of revenue

For the (C\$ in thousands)	Three months ended	
	March 31, 2025	March 31, 2024
Sales of goods by corporate stores	547,189	532,009
Income from franchise operations	7,484	7,297
Extended warranty revenue	17,726	16,555
Insurance sales revenue	6,675	5,936
Rental income from investment property	437	457
<b>Total</b>	<b>579,511</b>	<b>562,254</b>

### 14. Income Tax Expense

For the (C\$ in thousands)	Three months ended	
	March 31, 2025	March 31, 2024
Current income tax expense	7,662	5,821
Deferred income tax recovery	(94)	(361)
<b>Total</b>	<b>7,568</b>	<b>5,460</b>

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rates used for the three-month period ended March 31, 2025 and March 31, 2024 were 24.1% and 22.5%, respectively.

## Leon's Furniture Limited

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

### 15. Earnings Per Share

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

For the	Three months ended	
	March 31, 2025	March 31, 2024
(C\$ in thousands except share and per share amounts)		
Net income for the period for basic earnings per share	23,820	18,816
Net income for the period for diluted earnings per share	23,820	18,816
Weighted average number of common shares outstanding	68,206,225	68,051,318
Dilutive effect	440,343	595,339
Dilutive weighted average number of common shares outstanding	68,646,568	68,646,657
Basic earnings per share	\$0.35	\$0.28
Diluted earnings per share	\$0.35	\$0.27

### 16. Financial Instruments

#### Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business is within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at March 31, 2025, unrestricted liquidity was \$469,674 comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

## Leon's Furniture Limited

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### Classification of financial instruments and fair value

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

As at	March 31, 2025			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	139,058	139,058	Level 1
Trade receivables	Amortized cost	139,170	139,170	Level 2
Equity securities	FVOCI	36,029	36,029	Level 1
Debt securities	FVOCI	106,745	106,745	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	15,490	15,490	Level 2
Derivative Assets	FVTPL	1,172	1,172	Level 2
<b>Financial liabilities</b>				
Trade and other payables	Amortized cost	267,880	267,880	Level 2
Long-term debt	Amortized cost	80,000	80,000	Level 2

As at	December 31, 2024			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>				
Cash and cash equivalents	Amortized cost	191,238	191,238	Level 1
Trade receivables	Amortized cost	185,975	185,975	Level 2
Equity securities	FVOCI	35,030	35,030	Level 1
Debt securities	FVOCI	99,039	99,039	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	15,546	15,546	Level 2
Derivative assets	FVTPL	1,545	1,545	Level 2
<b>Financial liabilities</b>				
Trade and other payables	Amortized cost	298,226	298,226	Level 2
Long-term debt	Amortized cost	80,000	80,000	Level 2

The fair value hierarchy of financial instruments measured at fair value as at March 31, 2025 includes financial assets of \$281,832, \$155,932 and \$nil for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$347,880 and \$nil for Levels 1, 2 and 3, respectively.

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

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

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

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

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The Company maintains other financial derivatives, which comprises foreign exchange forwards, with maturities that do not exceed past December 2025. As at March 31, 2025, the fair value of derivative assets is \$1,172 (December 31, 2024 - \$1,545).

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

### Fair value hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities, the levels of which are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## 17. Interim Consolidated Statements of Cash Flows

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

For the (C\$ in thousands)	Three months ended	
	March 31, 2025	March 31, 2024
Trade receivables	48,221	21,469
Inventories	(28,494)	3,694
Prepaid expenses and other assets	(3,409)	(9,182)
Trade and other payables	(30,991)	(31,818)
Customers' deposits	(32,218)	(25,013)
Provisions	1,071	219
Deferred acquisition costs	144	181
<b>Total</b>	<b>(45,676)</b>	<b>(40,450)</b>

## 18. Comparative Financial Information

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the first quarter of 2025 interim condensed consolidated financial statements.