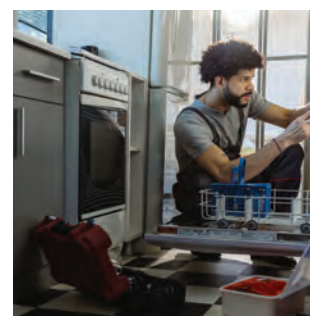
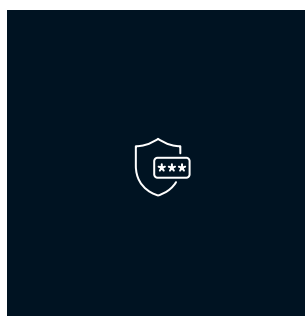
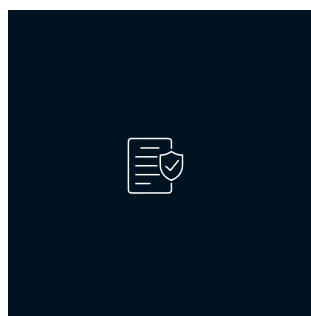
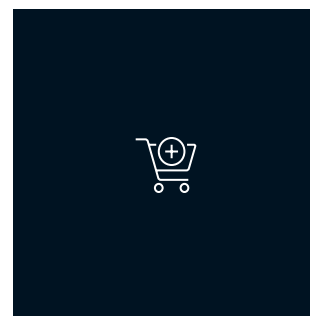
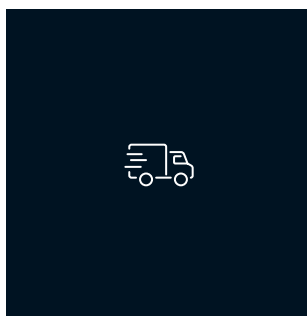
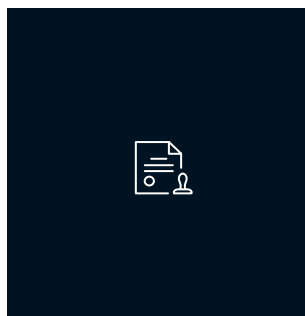
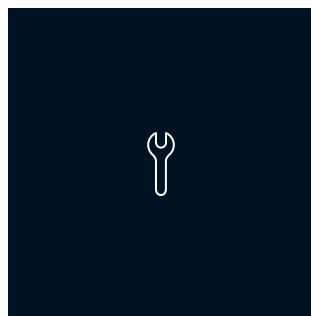


Delivering Today, Scaling for Tomorrow

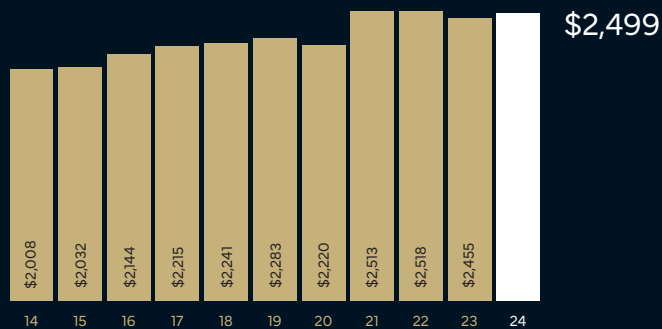
2024
Annual Report
Leon's Furniture Limited



Delivering Today

Leon's Furniture Limited ("LFL Group") is dedicated to delivering reliable and sustainable returns for our shareholders, while continuously scaling and growing to meet our customers' needs.

10 Year Revenue
(\$ millions)



Earnings Per
Common Share²



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



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Scaling for Tomorrow



The LFL Group team celebrates the opening of the new Shared Services Distribution Centre, which will also serve as head office for The Brick and Trans Global Insurance, in Edmonton, Alberta.

LFL Group helps Canadians furnish their homes through a complete ecosystem of trusted brands and services.

CEO's Message

LFL Group once again demonstrated an ability to deliver sustainable returns in 2024 in the face of macroeconomic challenges. Strong sales momentum in the front half of the year was enough to overcome industry-wide shipping delays in the back half to deliver solid revenue growth for the year and grow our overall market share. I believe our resilience is due in large part to our unique portfolio of trusted brands and complementary businesses that combined with great people deliver a differentiated end-to-end customer experience.

Michael J. Walsh
President and CEO
LFL Group

24%

Ten-Year
Revenue Growth

129%

Ten-Year Earnings per
Share Growth



2024 IN REVIEW

Total systemwide sales increased by 1.3% to \$3.0 billion in 2024, while revenue grew by 1.8% to \$2.5 billion. Performance was solid across all our business lines. Of particular note, our core furniture category grew 2.3%, significantly outperforming the broader North American furniture segment. Our commercial appliance divisions delivered a record sales year demonstrating growth across all key markets. Our warranty and insurance divisions continued to grow.

Our results should be viewed in the context of constrained consumer spending on discretionary big-ticket items across North America, following several years of inflation and elevated interest rates. The promotional environment became increasingly more intense as competitors looked to provide more value through aggressive discounting to gain share.

A number of additional operating challenges surfaced mid-year. Most notably, an increase in global freight prices due to geo-political disruptions and labour challenges led to shipping delays and ultimately to lower sales, as we made the decision to preserve margins by avoiding the higher spot market costs. We also saw a postal strike in the fourth quarter that affected our marketing program during the important winter holiday season. As a result, we reported higher year-over-year sales growth in the first half of the year, with softer performance in the second half.

Full-year growth and profitability metrics demonstrate that our team managed through these conditions quite successfully in 2024. We prioritized gross margin, which increased to 44.39%. Our overall net income grew approximately \$15 million and our adjusted normalized earnings per share was up 5.4%.

We generated another year of strong operating cash flow and ended 2024 with \$513 million of liquidity, having repaid another \$20 million of debt during the year.

To be sure, our retail stores are at the heart of the business—but there is much more to LFL Group.



THE LFL GROUP ECOSYSTEM

An important contributor to our consistent returns is the ecosystem of diversified businesses we have built. Many people still believe the company is synonymous with our three retail banners, Leon's, The Brick and Appliance Canada. To be sure, our retail stores are at the heart of the business – but there is much more to LFL Group.

We describe the Company as comprising three main pillars. The Real Estate pillar holds 50 properties totalling 430 acres. Financial Services includes insurance products sold at more than 8,000 locations and warranties held by over 2 million customers.

The Retail Plus pillar is multi-faceted, with growing commercial and wholesale units, digital channels that draw approximately 65 million visits annually, the country's largest network of after-sales service technicians, and one of the largest last-mile delivery networks. Plus, there are the nearly 300 retail stores from coast to coast.

Collectively, this ecosystem represents an end-to-end retail value chain that provides unique value to our customers, differentiates us within our sector, and creates scale.

Each of these businesses generates a profit and is pursuing a distinct growth strategy. Should one unit experience a slower period, others can still thrive.

Naturally, the entire portfolio is supported by our IT infrastructure and, most importantly, our people. The expertise and dedication of our associates drives our operational success at every level. We are proud to be a destination employer that has been attracting great talent from other leading retailers to complement our longstanding tradition of developing people internally.

STRATEGIC FLEXIBILITY

A growing portfolio of cash generating businesses puts us in an enviable strategic position. We have the financial capacity to invest in any and all of them, as well as other opportunities, and the flexibility to pursue only the most attractive options.

Major investments in recent years have included a significant upgrade of our distribution network, highlighted by the combined distribution centre and headquarters for The Brick that we opened at the start of 2025 in Edmonton. Our centralized distribution model creates efficiency company-wide, improves the customer experience and supports the growth of our retail banners.

Our national scale and market leadership make us an attractive partner for a range of organizations. Partnerships have helped drive revenue in our after-sales service, warranty, insurance and distribution. On the real estate side, we have been collaborating with partners to develop several of our properties, helping to surface value embedded in our asset base.

There is further opportunity to unlock value by establishing a Real Estate Investment Trust to hold a portion of our assets. We are monitoring the equity markets to determine the appropriate timing for such a transaction.

We are always pleased to be in a position to return surplus cash to shareholders. In the past five years we have returned over \$700 million of capital in the form of dividends and share repurchases. In August 2024, the Board of Directors once again decided to increase the regular quarterly dividend by \$0.02 to \$0.20 per common share.

At all times, we allocate capital prudently and with a view to long-term value creation. This mindset is ingrained at LFL Group, in large part because of our origins as a family-owned business.

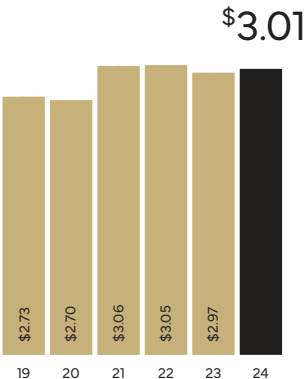
OUTLOOK

In 2025, our principal objective continues to be to increase our market share and profitability, and we are confident we have the right strategies in place to achieve these results. We remain committed to effectively managing costs and carefully navigating any macroeconomic challenges that may arise. We will continue to invest in our business to give customers even more compelling reasons to trust us with their purchases.

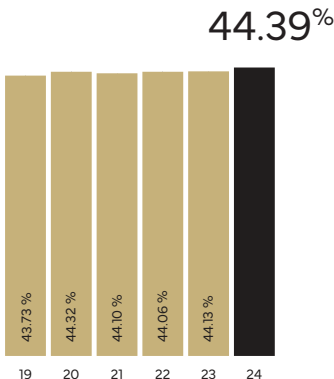
I would like to thank our Board of Directors and our associates across the Company for their hard work and dedication. Thanks also to our shareholders, suppliers, partners and customers for their continued support.

“Michael J. Walsh”

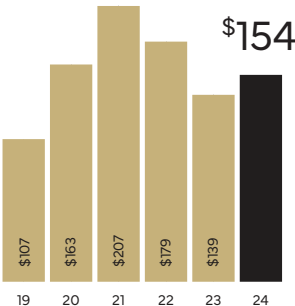
Michael J. Walsh
President & Chief Executive Officer
LFL Group



Total system-wide sales (\$ billions)



Gross profit (%)



Net income (\$ millions)



Delivering Today, Scaling for Tomorrow

LFL Group is proud to own some of the most trusted brands in the Canadian home furnishing and appliance space. Our portfolio of businesses has enabled us to deliver reliable and sustainable returns to our shareholders while building the national scale that offers superior value for our customers.

The LFL Group Ecosystem

The LFL Group Ecosystem is a diverse portfolio of businesses that support and complement our core retail operations, along with the partners and customers who benefit from it.

Most people know LFL Group as Canada's preeminent retailer of furniture, appliances, electronics and mattresses, with nearly 300 locations nationwide and six Ecommerce sites.

We established a number of capabilities and assets over the years to support our retail operations. LFL Group sources product globally, distributes it across the country, offers warranty and insurance options, and provides after-sales service to customers' homes. We have also amassed a valuable portfolio of real estate holdings.

Those supporting capabilities have now matured into cash-generating businesses that have the capacity to service not just our own operations, but those of third parties. We have attracted partners and customers eager to take advantage of our scale to help meet their own business needs.

The LFL Group Ecosystem deepens our relationships with customers, diversifies our revenue streams, expands our addressable market, and generates more sustainable returns for our shareholders.

We have attracted partners and customers eager to take advantage of our scale to help meet their own business needs.

THREE PILLARS OF OUR BUSINESS



RETAIL PLUS

The full range of operations that enable us to be a successful retailer, encompassing our retail stores and Ecommerce sites, as well as our distribution, after-sales service, wholesale and commercial capabilities.



FINANCIAL SERVICES

Insurance and warranty services for customers who wish to be protected from hardship due to unforeseen events, and financing to help with their purchases.



REAL ESTATE

The portfolio of 50 properties we own across Canada, on which many of our stores and other facilities reside.



Unmatched Scale

LFL Group’s national reach is unmatched in the Canadian home furnishing and appliances space. We have achieved success across our portfolio of businesses.



Retail

299
retail stores

7,800
associates

Digital

6
Ecommerce sites

65 M
customer visits annually

Commercial

\$370+ M
of builder sales



Real Estate

5.5 M
square feet

430
acres

Wholesale

13,000
containers imported annually

Distribution

15 M
units moved

1 M
delivery stops annually



Warranty

2+ M
customers

40%
purchase warranty

Home Service

775
home service technicians

150,000
home visits annually

Insurance

1 M+
policies sold

8,000
storefronts selling our offering

End-to-End Retail Value Chain

The LFL Group Ecosystem spans the full retail value chain from product sourcing and design through to retail sales and after-sales service. Our end-to-end offering is a point of differentiation that enables us to offer unique value to customers and meet their needs throughout the product life cycle.



GLOBAL SOURCING & PRODUCT DESIGN

We source products globally, engaging manufacturers directly to provide private label merchandize that offers the best value for our customers.



RETAIL

With 299 retail locations spanning every province and six eCommerce sites, we offer a true omnichannel shopping experience.



INSURANCE & WARRANTY

We offer insurance coverage on outstanding balances, and extended warranties for repair and replacement.



DISTRIBUTION

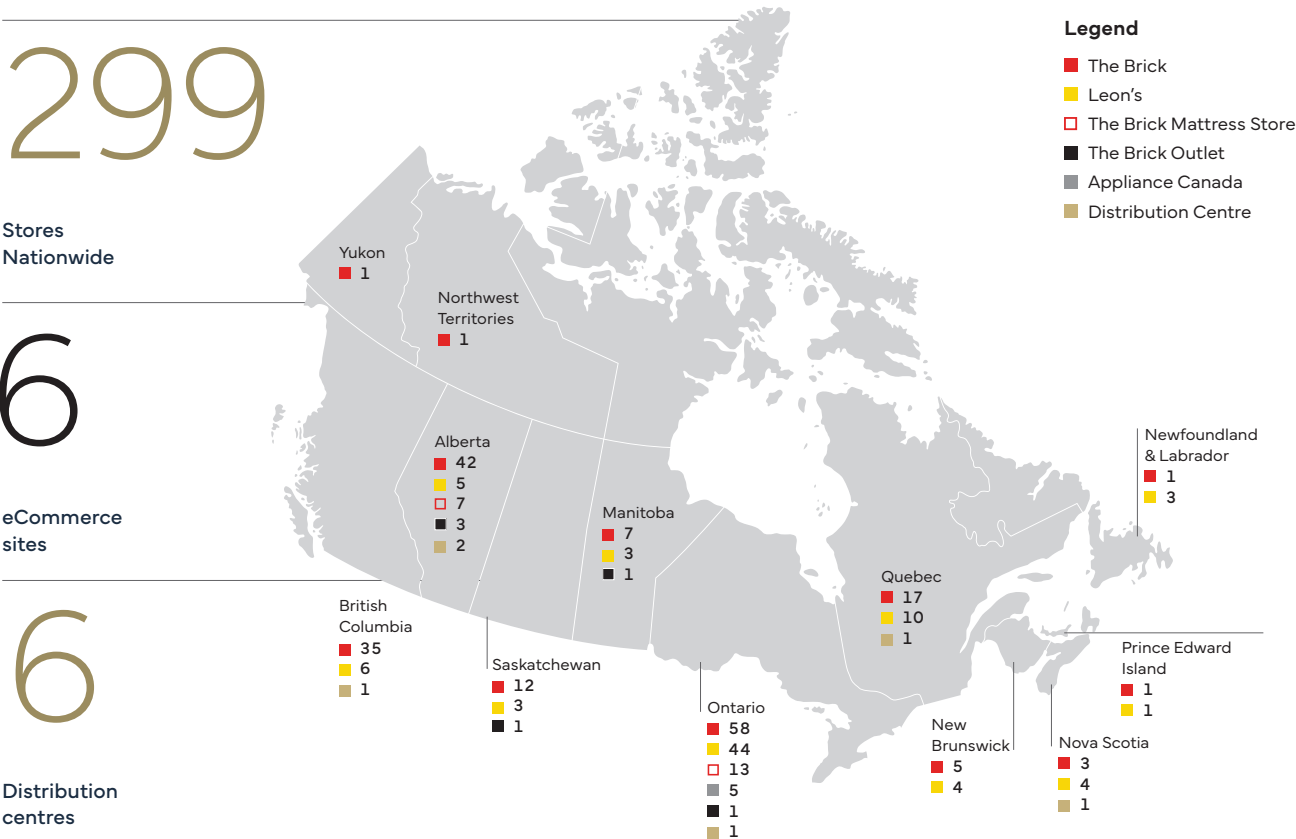
Our warehousing, fulfillment and last-mile delivery capabilities forms one of Canada's largest distribution networks.



AFTER-SALES SERVICE

Our network of trained home service technicians provide in-home furniture, electronics and appliance installation

A National Leader Serving Canadians Across the Country



LEON'S

85



APPLIANCE CANADA

5

THE BRICK MATTRESS STORE

20



THE BRICK

183

THE BRICK OUTLET

6

Strengthening the Core through Innovation



SOFA SELECT CUSTOM FURNITURE

We launched the “Sofa Select” custom-order upholstery program in 2024. This collection of stylish designs is built in Canada and marketed exclusively at Leon’s under our L2 brand. There are six unique styles available in 36 curated fabric combinations, allowing for over 1,000 design possibilities. Each model is available as a sofa, loveseat or chair. All six models and all 36 fabrics are available at the same price, providing a simplified process and exceptional value to our customers. Sofa Select is attracting new customers, adding incremental sales growth and supporting the Canadian manufacturing sector.

ADVANCED TECHNOLOGY MATTRESS DESIGN

The Brick worked closely with leading mattress manufacturers Sealy and Beautyrest to develop exclusive mattresses with advanced features for comfort and support. New covers include cooling properties, antibacterial fabrics and Tencel fiber for moisture-wicking. Enhanced gel foams improve cooling and contouring, while high-density gel foam provides targeted support. Advanced pocket coil designs include triple-tempered copper-plated coils for durability, and some brands feature multiple intertwined coils for extra strength. These innovations ensure better sleep quality and long-lasting comfort, while helping to further cement The Brick’s position as a destination in the mattress category.



AUTONOMOUS TECHNOLOGY

LFL Group’s investment in our distribution network includes innovative technologies that help us operate efficiently. Working with Cypher Robotics, which modernizes warehouse operations through autonomous technologies, we recently introduced an autonomous mobile robot (AMR) equipped with a tethered drone. The AMR enables inventory management while providing real-time data to existing warehouse management systems. Cypher’s solution aims to eliminate labour-intensive manual cycle counts, improve inventory accuracy, ensure timely replenishment to avoid stockouts and overstocking, increase equipment availability, centralize inventory exception resolution processes, and improve labour attrition. The AMR operates during non-business hours before autonomously returning to its charging station, maximizing coverage and delivering a significant return on investment.

Scaling for Future Growth

We regularly reinvest capital across our portfolio of businesses, targeting selected organic growth opportunities and strengthening our capacity to expand operations.

01.

LFL DISTRIBUTION CENTRE AND HEADQUARTERS FOR THE BRICK IN EDMONTON

In January 2025, we opened a 500,000 square foot facility in Edmonton that will serve as an LFL Group Shared Services Distribution Centre (DC) as well as headquarters for The Brick and Trans Global Insurance. The new DC will enhance product availability and shipping times throughout the region while adding capacity for growth. Equipped with advanced technology, our shared services DCs can handle inventory from Leon's and The Brick as well as third parties who wish to take advantage of our national capacity.

02.

THE BRICK COMMERCIAL CENTRE

The Brick Commercial/Midnorthern Appliance team operates commercial design centres in six provinces serving the builder and property management communities. We provide an elevated customer experience through sales consultation, procurement, delivery and installation services. We recently opened a 5,000 square foot design centre showroom in Halifax, featuring lifestyle vignettes that showcase the appliance merchandise in real world environments. Customers will discover a wide range of luxury products from top European brands to everyday household name brands from North America.

All design centres utilize the nationwide LFL Group distribution network, equipping them to handle builder projects of any scale, from single family homes to multi-unit developments. Our ability to offer national services to commercial customers provides a solid platform for continued growth across Canada.

03.

INSURANCE INNOVATION

Our insurance subsidiary, Trans Global Insurance (TGI), has been actively growing its market share through new products and partnerships. TGI has cultivated a successful third-party distribution channel, doubling the number of active distributors in 2024. The company also entered new industries and products important to Canadians today, including sports and recreation insurance and rent payment protection. In addition to protecting its customers from the unforeseen, TGI added new unique benefits and coverages, including financially rewarding customers when they celebrate positive milestones in the lives of their family members. These initiatives led to a record number of insured customers and record profits in 2024.

01



02



03



Investing in Our People and Communities

Our core values at LFL Group include supporting the communities where we operate, and developing our talented team of associates across the country.



EMPLOYEE TRAINING PROGRAM

We are committed to providing our associates with the tools and resources they need to build successful and fulfilling careers. The Leon's Knowledge Management System and partnership with Udemy Business offers unlimited access to courses ranging from personal development to leadership training. In 2024, The Brick University online hub added nearly 50 new courses, saw over 200 team members participate in management training programs, and generated 3.9 million total page views.

CHILDREN'S MIRACLE NETWORK

The Brick's signature charity initiative, Care to Share Day, is a one-day campaign where we pledge to donate a portion of our sales to support Children's Miracle Network. In 2024, our team's efforts resulted in a remarkable 40% year-over-year increase in fundraising, raising more than \$500,000. Other fundraising events brought the total contribution for the year to \$3.3 million. Since 2014, The Brick has helped raise more than \$17 million for the Children's Miracle Network, benefiting children's hospitals, medical research and community awareness.



LEON'S LEAF PROGRAM

We launched the Leon's Leaf Program in 2023 as an in-store initiative to support Tree Canada's efforts in replenishing forests affected by recent wildfires. Customers had the option to donate at checkout, with Leon's matching contributions. The program raised a total of \$100,000 in 2024. 31,241 trees have been planted so far through the Leon's Leaf Program.

TALENT MANAGEMENT

The success of our operations is driven by our team. In recent years we have added senior personnel from leading companies across the retail sector. The injection of new ideas serves as a complement to our longstanding tradition of cultivating and promoting talent from within the organization. Nearly one in five of our employees has been with us for over 20 years.



Our Environmental Commitment

LFL Group strives to minimize our environmental impact by implementing sustainable practices throughout our operations.



96,426

Mature trees preserved

25,365

Metric tonnes of CO₂e greenhouse gas emissions avoided



25%

Percentage of truck fleet at BC distribution centre that is electric



WASTE MANAGEMENT AND RECYCLING



We continue to emphasize recycling of cardboard, plastics and Styrofoam, utilizing equipment in place at our DCs and transporting materials there where practical.

85%

Total diversion rate

13,611

Cubic yards of landfill air space conserved

14,064,421

Kw-hours of electricity saved

22.65 M

Gallons of water saved

Management Team

LFL Group is led by a mix of veterans with decades of experience within the Company, and more recent additions who add perspectives gained from external organizations.



Michael J. Walsh

PRESIDENT AND CEO OF LFL GROUP

Mike was promoted to the Chief Executive Officer in 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.



Darci Walker

DIVISIONAL PRESIDENT OF THE BRICK

Darci first joined The Brick in 1982. Over the course of her career, she has held several operational roles spanning franchise stores, customer care, distribution, IT, and most recently Vice President of Operations. Darci was promoted to President of The Brick in January 2024.



Victor Diab

CFO OF LFL GROUP

Victor was appointed Chief Financial Officer in June 2024. Prior to this role, he was Vice President of Finance at LFL where both his financial and strategic leadership was instrumental in bringing meaningful change. Before joining LFL, Victor served as CFO of Freshii and held increasingly senior positions at Canadian Tire Corporation.



Lewis Leon

DIVISIONAL PRESIDENT OF LEON'S

Lewis joined the Company full-time in 2005 within the Marketing department and was most recently in the role of Associate Vice President of Marketing for the Leon's Furniture Division. He was promoted to President of Leon's Furniture Division in May 2023.

Six-Year Review

Income Statistics

(\$ in thousands, except amounts per share)	2024	2023	2022	2021	2020	2019
Revenue	\$ 2,498,545	\$ 2,454,789	\$ 2,517,659	\$ 2,512,670	\$ 2,220,180	\$ 2,283,411
Cost of Sales	1,389,337	1,371,612	1,408,226	1,404,446	1,236,258	1,284,826
Gross Profit	\$ 1,109,208	\$ 1,083,177	\$ 1,109,433	\$ 1,108,224	\$ 983,922	\$ 998,585
Operating Expenses	904,627	900,699	873,212	831,845	773,437	855,539
Income before income taxes	204,581	182,478	236,221	276,379	210,485	143,046
Provision for income taxes	50,913	43,623	56,792	69,221	47,235	36,117
Net Income	\$ 153,668	\$ 138,855	\$ 179,429	\$ 207,158	\$ 163,250	\$ 106,929
Common shares outstanding ('000s)	68,142	67,963	67,512	77,623	79,799	77,595
Earnings per common share	\$ 2.26	\$ 2.04	\$ 2.66	\$ 2.67	\$ 2.05	\$ 1.38
Percent annual change in sales	1.8%	(2.5%)	0.2%	13.2%	(2.8%)	3.3%
Net income as a percentage of sales	6.2%	5.7%	7.1%	8.2%	7.4%	4.7%
Dividend declared	\$ 51,793	\$ 44,863	\$ 43,238	\$ 146,092	\$ 69,977	\$ 43,445

Balance Sheet Statistics

(\$ in thousands, except amounts per share)	2024	2023	2022	2021	2020	2019
Shareholders' equity	\$ 1,141,150	\$ 1,028,524	\$ 928,885	\$ 791,193	\$ 1,016,003	\$ 915,764
Total assets	2,340,686	2,221,839	2,193,643	2,453,133	2,418,589	2,146,461
Purchase of capital assets	59,132	42,103	26,798	14,896	43,493	32,931
Working capital ¹	279,688	212,975	258,714	(34,455)	161,286	100,206
Shareholders' equity per common share ²	16.75	15.13	13.76	14.01	13.03	11.80
Common share price range on the Toronto Stock Exchange						
High	\$ 30.20	\$ 23.85	\$ 22.84	\$ 26.30	\$ 21.68	\$ 17.29
Low	\$ 18.86	\$ 16.56	\$ 15.00	\$ 20.09	\$ 10.25	\$ 14.01

1. 2021 excludes the amount of \$90,000, 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)

19	\$ 2,283,411
20	\$ 2,220,180
21	\$ 2,512,670
22	\$ 2,517,659
23	\$ 2,454,789
24	\$ 2,498,545

NET INCOME

(\$ in thousands)

19	\$ 106,929
20	\$ 163,250
21	\$ 207,158
22	\$ 179,429
23	\$ 138,855
24	\$ 153,668

SHAREHOLDERS' EQUITY

(\$ per share)

19	\$ 11.80
20	\$ 13.03
21	\$ 14.01
22	\$ 13.76
23	\$ 15.13
24	\$ 16.75

Management’s Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2024

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1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at Tuesday, February 25, 2025 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, 2024 and for the years ended December 31, 2024 and 2023. It should be read in conjunction with the fiscal year 2024 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2024 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedar.ca.

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; tariffs and other external economic changes; 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 2024 consolidated financial statements and MD&A were approved on Tuesday, February 25, 2025.

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, 2024 AND DECEMBER 31, 2023

For the	Three months ended			
(C\$ in millions except %, share and per share amounts)	December 31, 2024	December 31, 2023	\$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales ⁽¹⁾	806.2	832.5	(26.3)	(3.2%)
Franchise sales ⁽¹⁾	139.5	145.6	(6.1)	(4.2%)
Revenue	666.7	686.9	(20.2)	(2.9%)
Cost of sales	361.0	378.2	(17.2)	(4.5%)
Gross profit	305.7	308.7	(3.0)	(1.0%)
Gross profit margin as a percentage of revenue	45.85%	44.94%		
Selling, general and administrative expenses ⁽²⁾	235.9	239.6	(3.7)	(1.5%)
SG&A as a percentage of revenue	35.38%	34.88%		
Other income ⁽³⁾	(23.4)	–	(23.4)	100.0%
Income before net finance costs and income tax expense	93.2	69.1	24.1	34.9%
Net finance costs	(2.9)	(4.2)	1.3	(31.0%)
Income before income taxes	90.3	64.9	25.4	39.1%
Income tax expense	22.9	16.0	6.9	43.1%
Adjusted net income ⁽¹⁾	67.4	48.9	18.5	37.8%
Adjusted net income as a percentage of revenue ⁽¹⁾	10.11%	7.12%		
After-tax mark-to-market (gain) loss on financial derivative instruments ⁽¹⁾	(0.5)	2.7	(3.2)	(118.5%)
Net income	67.9	46.2	21.7	47.0%
Basic weighted average number of common shares	68,190,953	68,031,796		
Basic earnings per share	\$0.99	\$0.68	\$0.31	45.6%
Adjusted basic earnings per share ⁽¹⁾	\$0.99	\$0.72	\$0.27	37.5%
Diluted weighted average number of common shares	68,646,871	68,646,892		
Diluted earnings per share	\$0.99	\$0.68	\$0.31	45.6%
Adjusted diluted earnings per share ⁽¹⁾	\$0.98	\$0.72	\$0.26	36.1%
Common share dividends declared	\$0.20	\$0.18	\$0.02	11.1%
Convertible, non-voting shares dividends declared	\$0.36	\$0.32	\$0.04	12.5%

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. Gain on settlement – please see note 20 of the consolidated financial statements for further detail.

SAME STORE SALES ⁽¹⁾

For the	Three months ended			
(C\$ in millions, except %)	December 31, 2024	December 31, 2023	\$ Decrease	% Decrease
Same store sales ⁽¹⁾	652.2	673.6	(21.4)	(3.2%)

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

REVENUE

For the quarter ended December 31, 2024, revenue totalled \$666.7 million compared to \$686.9 million in the fourth quarter of 2023, a decrease of \$20.2 million or 2.9%. The decline was primarily driven by lower furniture inventory due to ongoing offshore shipping delays, reduced electronics sales related to weaker consumer discretionary spending, and the Canada Post strike's impact on promotional flyer distribution before Black Friday and Boxing Day. These declines were partially offset by growth in our commercial sales channel.

SAME STORE SALES ⁽¹⁾

Same store sales in the quarter decreased by 3.2% compared to the fourth quarter of 2023, driven by factors discussed in the revenue section.

GROSS PROFIT

In the quarter ending December 31, 2024, our gross profit margin was 45.85%, an increase of 91 basis points compared to the fourth quarter of 2023. This was driven by pricing and promotional optimizations in furniture and appliances, partially offset by a decline in electronics margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")

The Company's SG&A as a percentage of revenue for the fourth quarter of 2024 was 35.38% compared to 34.88% for the fourth quarter 2023, an increase of 50 basis points. The Company's SG&A as a percentage of revenue for the current quarter increased primarily due to lower year-over-year sales and the resulting deleveraging on fixed costs, timing of variable compensation expenses, stewardship recycling fees, and higher professional fees. These increases were partially offset by point-of-sale retailing financing charges as interest rates decreased.

ADJUSTED NET INCOME ⁽²⁾ AND ADJUSTED DILUTED EARNINGS PER SHARE ⁽²⁾

Adjusted net income in the current quarter totalled \$67.4 million, which represents an increase of \$18.5 million over the prior year quarter. The improvement was driven by a one-time \$23.4 million pre-tax net favorable settlement related to a breach of contract legal dispute with CURO Group Holdings Corp ("CURO"). The Company had an agreement with CURO to underwrite insurance for their credit products commencing in 2024. After undergoing voluntary bankruptcy proceedings to restructure their business, CURO elected to not proceed with the agreement which ultimately resulted in a legal settlement in favor of the Company to recover the future profit potential of the agreement. Normalizing for this one-time gain, adjusted net income increased \$1.1 million or 2.2% over the prior year quarter.

Adjusted diluted earnings per share in the fourth quarter of 2024 was \$0.98, an increase of 36.1% over the prior year quarter. Normalizing for this one-time gain, adjusted diluted earnings per share increased \$0.02 or 2.2% over the prior year quarter.

NET INCOME AND DILUTED EARNINGS PER SHARE

Net income for the fourth quarter of 2024 was \$67.9 million, or \$0.99 per diluted earnings per share compared to the net income of \$46.2 million in the prior year's quarter, or \$0.68 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.

SUMMARY FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2024, 2023 AND 2022

For the	Year ended				Year ended			
(C\$ in millions except %, share and per share amounts)	2024	2023	\$ Increase (Decrease)	% Increase (Decrease)	2023	2022	\$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales ⁽¹⁾	3,005.9	2,967.5	38.4	1.3%	2,967.5	3,053.0	(85.5)	(2.8%)
Franchise sales ⁽¹⁾	507.4	512.7	(5.3)	(1.0%)	512.7	535.3	(22.6)	(4.2%)
Revenue	2,498.5	2,454.8	43.7	1.8%	2,454.8	2,517.7	(62.9)	(2.5%)
Cost of sales	1,389.3	1,371.6	17.7	1.3%	1,371.6	1,408.2	(36.6)	(2.6%)
Gross profit	1,109.2	1,083.2	26.0	2.4%	1,083.2	1,109.4	(26.2)	(2.4%)
Gross profit margin as a percentage of revenue	44.39%	44.13%			44.13%	44.06%		
Selling, general and administrative expenses ⁽²⁾	917.4	897.7	19.7	2.2%	897.7	854.7	43.0	5.0%
SG&A as a percentage of revenue	36.72%	36.57%			36.57%	33.95%		
Other income ⁽³⁾	(23.4)	(20.0)	(3.4)	17.0%	(20.0)	–	(20.0)	100.0%
Income before net finance costs and income tax expense	215.2	205.5	9.7	4.7%	205.5	254.7	(49.2)	(19.3%)
Net finance costs	(14.4)	(19.5)	5.1	(26.2%)	(19.5)	(21.5)	(2.0)	(9.3%)
Income before income taxes	200.8	186.0	14.8	8.0%	186.0	233.2	(47.2)	(20.2%)
Income tax expense	49.9	44.5	5.4	12.1%	44.5	56.0	(11.5)	(20.5%)
Adjusted net income ⁽¹⁾	150.9	141.5	9.4	6.6%	141.5	177.2	(35.7)	(20.2%)
Adjusted net income as a percentage of revenue ⁽¹⁾	6.04%	5.76%			5.76%	7.04%		
After-tax mark-to-market (gain) loss on financial derivative instruments ⁽¹⁾	(2.8)	2.6	(5.4)	(207.7%)	2.6	(2.2)	4.8	218.2%
Net income	153.7	138.9	14.8	10.7%	138.9	179.4	(40.5)	(22.6%)
Basic weighted average number of common shares	68,142,458	67,962,903			67,962,903	65,512,284		
Basic earnings per share	\$2.26	\$2.04	\$0.22	10.8%	\$2.04	\$2.66	\$(0.62)	(23.3%)
Adjusted basic earnings per share ⁽¹⁾	\$2.21	\$2.08	\$0.13	6.3%	\$2.08	\$2.62	\$(0.54)	(20.6%)
Diluted weighted average number of common shares	68,646,568	68,654,322			68,654,322	68,164,937		
Diluted earnings per share	\$2.24	\$2.02	\$0.22	10.9%	\$2.02	\$2.64	\$(0.62)	(23.5%)
Adjusted diluted earnings per share ⁽¹⁾	\$2.20	\$2.06	\$0.14	6.8%	\$2.06	\$2.60	\$(0.54)	(20.8%)
Common share dividends declared	\$0.76	\$0.66	\$0.10	15.2%	\$0.66	\$0.64	\$0.02	3.1%
Convertible, non-voting shares dividends declared	\$0.36	\$0.32	\$0.04	12.5%	\$0.32	\$0.32	\$–	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").

3. Gain on settlement – please see note 20 of the consolidated financial statements for further detail.

SAME STORE SALES ⁽¹⁾

For the	Year ended			
(C\$ in millions, except %)	December 31, 2024	December 31, 2023	\$ Increase	% Increase
Same store sales ⁽¹⁾	2,437.0	2,400.9	36.1	1.5%

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

REVENUE

For the year ended December 31, 2024, revenue was \$2,498.5 million compared to \$2,454.8 million in the prior year, an increase of \$43.7 million or 1.8%. The increase in revenue was driven by strong furniture and appliance sales, partially offset by lower electronics sales. The furniture category grew 2.3% due to strength in the first half of the year, partially offset by industry-wide overseas shipping challenges that reduced furniture inventory levels during the second half of the year.

SAME STORE SALES ⁽¹⁾

Same store corporate sales increased by 1.5% or \$36.1 million compared to the year ended December 31, 2023 driven by the factors discussed in the revenue section above.

GROSS PROFIT

Gross profit margin increased by 26 basis points from 44.13% for the year ended December 31, 2023 to 44.39% in the year ended December 31, 2024. The gross margin percentage increase was driven by higher furniture margin rates and a greater mix of furniture sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A as a percentage of revenue for the year ended December 31, 2024 increased to 36.72%, 15 basis points higher than the 36.57% in the prior year. SG&A as a percentage of revenue increased primarily due to minimum wage increases, stewardship recycling fees, professional fees, and other inflationary pressures.

ADJUSTED NET INCOME ⁽²⁾ AND ADJUSTED DILUTED EARNINGS PER SHARE ⁽²⁾

Adjusted net income for the year ended December 31, 2024 totaled \$150.9 million, an increase of \$9.4 million or 6.6% over the prior year. The improvement was driven by a one-time \$23.4 million pre-tax net favorable settlement related to a breach of contract legal dispute with CURO. The Company had an agreement with CURO to underwrite insurance for their credit products commencing in 2024. After undergoing voluntary bankruptcy proceedings to restructure their business, CURO elected to not proceed with the agreement which ultimately resulted in a legal settlement in favor of the Company to recover the future profit potential of the agreement. During 2023, point of sale financing partner FLX Holding Corp ("Flexiti") was acquired by Questrade Financial Group Inc. from CURO. Leon's Furniture Limited entered into an amended agreement with Flexiti, and the Company received a \$20 million one-time pre-tax payment to settle the value of warrant rights negotiated as part of the original agreement with CURO. Normalizing for the one-time gains in both years, adjusted net income increased \$6.8 million or 5.4% over the prior year driven by sales and gross margin rate increase.

Adjusted diluted earnings per share for the Company increased to \$2.20 compared to \$2.06 in the year ended December 31, 2023, an increase of \$0.14 per share. Normalizing for the one-time gain in both years, adjusted diluted earnings per share increased \$0.10 or 5.4% over the prior year.

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, 2024 was \$153.7 million, or \$2.24 per diluted earnings per share (net income of \$138.9 million, \$2.02 per diluted earnings per share in 2023).

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 299 retail stores in Canada at December 31, 2024. The following table illustrates the Company's store count continuity from December 31, 2023 to December 31, 2024 by retail banner:

Banner	Number of stores as at December 31, 2023	Opened	Closed	Number of stores as at December 31, 2024
Corporate Stores				
Leon's	52	–	–	52
Appliance Canada	5	–	–	5
The Brick ⁽¹⁾	118	–	–	118
The Brick Mattress Store	21	–	(1)	20
Brick Outlet	6	–	–	6
Corporate Subtotal	202	–	(1)	201
Franchise Stores				
Leon's	35	1	(3)	33
The Brick	66	–	(1)	65
Franchise Subtotal	101	1	(4)	98
Total Corporate & Franchise Stores	303	1	(5)	299

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)	2024	2023	2024	2023	2024	2023	2024	2023
Total system-wide sales ⁽¹⁾	806.2	832.5	779.9	791.7	742.1	717.6	677.7	625.6
Franchise sales ⁽¹⁾	139.5	145.6	128.0	130.7	124.4	123.8	115.4	112.6
Revenue	666.7	686.9	651.9	661.0	617.7	593.8	562.3	513.0
Net income	67.9	46.2	36.9	52.3	30.2	27.4	18.8	12.9
Adjusted net income ⁽¹⁾	67.4	48.9	37.2	51.7	29.9	28.0	16.4	12.9
Basic earnings per share	\$0.99	\$0.68	\$0.54	\$0.77	\$0.44	\$0.40	\$0.28	\$0.19
Diluted earnings per share	\$0.99	\$0.68	\$0.54	\$0.76	\$0.44	\$0.40	\$0.27	\$0.19
Adjusted basic earnings per share ⁽¹⁾	\$0.99	\$0.72	\$0.55	\$0.76	\$0.44	\$0.41	\$0.24	\$0.19
Adjusted diluted earnings per share ⁽¹⁾	\$0.98	\$0.72	\$0.54	\$0.75	\$0.44	\$0.41	\$0.24	\$0.19

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, 2024	December 31, 2023
Total assets	2,340.7	2,221.8
Total non-current liabilities	543.0	571.2

ASSETS

Total assets at December 31, 2024 of \$2,340.7 million were \$118.9 million higher than the \$2,221.8 million reported at December 31, 2023. The movement was driven by increases in cash and cash equivalents, debt and equity securities, offset by decreases in trade receivables and inventory.

NON-CURRENT LIABILITIES

Non-current liabilities of \$543.0 million were \$28.2 million lower than the \$571.2 million reported at December 31, 2023. This is primarily a result of a decrease in the term loan of \$20.0 million, and a decrease in the long-term portion of lease liabilities of \$12.9 million. Long-term debt and lease liabilities are discussed further in notes 14 and 13, respectively, of the consolidated financial statements.

NET DEBT

The table below reflects the Company's net cash balances, excluding its lease liabilities and restricted marketable securities as at December 31, 2024.

As at

(C\$ in millions)	December 31, 2024	December 31, 2023	\$ Change
Term debt	80.0	100.0	(20.0)
Less: cash, cash equivalents, debt and equity instruments	325.4	187.1	138.3
Net cash/(debt) balance⁽¹⁾	245.4	87.1	158.3

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

At December 31, 2024, the Company's total net cash balance, excluding its lease liabilities is \$245.4 million. The change in the net debt position is primarily driven by an increase in cash and cash equivalents of \$108.5 million. This increase in cash was mostly generated by changes in operating capital due to an increase in customer deposits and collection of trade receivables. Additionally, the term loan has decreased by \$20 million.

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, 2024, unrestricted liquidity is \$513.2 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, 2024 and December 31, 2023:

For the	Three months ended		
(C\$ in millions)	December 31, 2024	December 31, 2023	\$ Increase (Decrease)
Cash provided by operating activities	133.4	82.1	51.3
Cash provided by (used in) investing activities	(18.3)	10.2	(28.5)
Cash used in financing activities	(48.9)	(97.9)	49.0
Increase (decrease) in cash and cash equivalents	66.2	(5.6)	71.8

For the	Year ended		
(C\$ in millions)	December 31, 2024	December 31, 2023	\$ Increase (Decrease)
Cash provided by operating activities	345.0	253.3	91.7
Cash used in investing activities	(67.9)	(5.4)	(62.5)
Cash used in financing activities	(168.6)	(280.3)	111.7
Increase (decrease) in cash and cash equivalents	108.5	(32.4)	140.9

	Q4 2024	Year-to-Date
Operating Activities	↑ \$51.3 million change The increase is primarily driven by changes in working capital related to trade receivables and customer deposits, offset by inventory.	↑ \$91.7 million change The increase is mainly due to timing of inventory purchases, increase in customer deposits, timing of credit based point-of-sale transaction settlements and offset by trade and other payables.
Investing Activities	↓ \$28.5 million change The decrease is due to a reduction in proceeds on sale of debt and equity instruments.	↓ \$62.5 million change The decrease is due to increased investment related to the new Edmonton DC and office development and one-time proceeds received in the prior year on settlement of warrant.
Financing Activities	↑ \$49.0 million change The increase is primarily due to the movement of long-term debt repayments.	↑ \$111.7 million change The increase is primarily due to the movement of long-term debt repayments as the Company repaid \$100 million more in 2023.

ADEQUACY OF FINANCIAL RESOURCES

At December 31, 2024, the Company's current assets exceeded its current liabilities by \$279.7 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were \$325.4 million compared to \$187.6 million at December 31, 2023. At December 31, 2024, \$187.7 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 \$8.5 million and utilizing \$3.8 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, 2024

(C\$ in millions)

Contractual obligations	Total	Payments Due by Period					
		2025	2026	2027	2028	2029	2030 & Beyond
Long-term debt	84.8	11.0	73.8	–	–	–	–
Lease payments	414.2	95.8	58.8	57.5	54.9	52.5	94.7
Total contractual obligations	499.0	106.8	132.6	57.5	54.9	52.5	94.7

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 299 store locations across Canada.

9. Outstanding Common Shares

At December 31, 2024, there were 68,191,725 common shares issued and outstanding. During the year ended December 31, 2024, 2,184 series 2012 shares, 69,724 series 2013 shares, 36,389 series 2014 shares and 51,400 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, 2024, no common shares were purchased or cancelled.

10. Related Party Transactions

For the year ended December 31, 2024, 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 statements 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.

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 and right-of-use assets, 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 the probable outflow of resources that 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.

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 IAS 1, *Presentation of Financial Statements*

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

Amendments to IAS 12, *IASB issued International Tax Reform – Pillar Two Model Rules*

In May 2023, IASB issued International Tax Reform – Pillar Two Model Rule with regards to disclosure requirements for affected entities, including information about an entity's exposure to Pillar Two income taxes and current tax expense related to Pillar Two income taxes. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The Company has performed an assessment of the Company's potential exposure to Pillar Two income taxes and determined that there was no material impact. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company.

Accounting standards and amendments issued but not yet adopted

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

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

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

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

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

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

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

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

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

These amendments will be effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. The Company does not expect any material impacts from these amendments on its consolidated 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 25, 2025, which provides information on the risk factors facing the Company. The February 25, 2025 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, and (xi) the Company's ability to manage tariffs and other external economic changes with which it may be faced.

FOREIGN EXCHANGE RISK

The Company has hedged a portion of near-term forecasted USD purchases to minimize the impacts of adverse changes in foreign exchange rates. However, there can be no assurance that these measures will fully mitigate this risk, and sustained changes in foreign exchange rates may impact purchasing costs over time.

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 and Chief Financial Officer 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, 2024.

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.

As required by the National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim filings* ("NI 52-109"), the Company's CEO and CFO evaluated the effectiveness of internal controls over financial reporting under their supervision and concluded that the controls and procedures are effective.

During the year ended December 31, 2024, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(C\$ in millions except per share amounts)				
Net income	67.9	46.2	153.7	138.9
After-tax mark-to-market (gain) loss on financial derivative instruments	(0.5)	2.7	(2.8)	2.6
Adjusted net income	67.4	48.9	150.9	141.5
Basic earnings per share	\$0.99	\$0.68	\$2.26	\$2.04
Diluted earnings per share	\$0.99	\$0.68	\$2.24	\$2.02
Adjusted basic earnings per share	\$0.99	\$0.72	\$2.21	\$2.08
Adjusted diluted earnings per share	\$0.98	\$0.72	\$2.20	\$2.06

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. 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	
(C\$ in millions)	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net income	67.9	46.2	153.7	138.9
Income tax expense	23.2	15.1	50.9	43.6
Net finance costs	2.9	4.2	14.4	19.5
Depreciation and amortization	26.6	27.0	106.6	107.8
Gain on settlement	(23.4)	–	(23.4)	(20.0)
Mark-to-market (gain) loss on financial derivative instruments	(0.7)	3.6	(3.8)	3.5
Adjusted EBITDA	96.5	96.1	298.4	293.3

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 consolidated 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, 2024

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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"

Mike Walsh President and CEO

"Victor Diab"

Victor Diab 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, 2024 and 2023, 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 material accounting policy information.

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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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	
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, 2024. 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.	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.
Auditing management’s annual goodwill and indefinite-life intangibles impairment test was complex, as considerable management judgement 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.	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.

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:

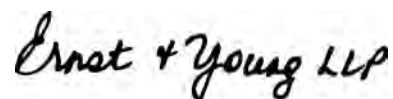
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes 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 25, 2025

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

As at (C\$ in thousands)	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5	191,238	82,744
Restricted marketable securities		–	414
Debt securities		99,139	73,718
Equity securities		35,030	30,685
Trade receivables	23	185,975	197,759
Income taxes recoverable	21	1,458	7,174
Inventories	6	395,491	416,596
Deferred acquisition costs	7	13,721	13,353
Prepaid expenses and other assets		12,617	12,612
Derivative assets	23	1,545	–
Total current assets		936,214	835,055
Non-current assets			
Deferred acquisition costs	7	22,778	22,632
Loan receivable	15	15,546	19,669
Property, plant and equipment and right-of-use assets	8	674,676	651,764
Investment properties	9	13,724	14,090
Intangible assets	10	270,689	271,213
Goodwill	10	390,120	390,120
Deferred income tax assets	21	16,939	17,296
Total non-current assets		1,404,472	1,386,784
Total assets		2,340,686	2,221,839
Liabilities			
Current liabilities			
Trade and other payables	11	298,226	282,937
Current portion of provisions	12	8,237	9,736
Income taxes payable	21	1,493	3,694
Customers' deposits	17	177,233	160,346
Current portion of lease liabilities	13	79,690	75,127
Dividends payable	16	13,639	12,246
Current portion of deferred warranty plan and insurance revenue	17	70,508	68,229
Current portion of long-term debt	14	7,500	7,500
Derivative liabilities	23	–	2,265
Total current liabilities		656,526	622,080
Non-current liabilities			
Long-term debt	14	72,500	92,500
Lease liabilities	13	265,860	278,798
Deferred warranty plan and insurance revenue	17	112,987	111,178
Provisions	12	24,351	20,360
Deferred income tax liabilities	21	67,312	68,399
Total non-current liabilities		543,010	571,235
Total liabilities		1,199,536	1,193,315
Shareholders' equity			
Common shares	16	167,231	164,875
Retained earnings		960,471	856,891
Accumulated other comprehensive income		13,448	6,758
Total shareholders' equity		1,141,150	1,028,524
Total liabilities and shareholders' equity		2,340,686	2,221,839

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

On Behalf of the Board:

"Terence T. Leon"

Terrence T. Leon
Director

"Mary Ann Leon"

Mary Ann Leon
Director

Consolidated Statements of Income

For the		Year ended	
(C\$ in thousands except share and per share amounts)	Notes	December 31, 2024	December 31, 2023
Revenue	17	2,498,545	2,454,789
Cost of sales	6	1,389,337	1,371,612
Gross profit		1,109,208	1,083,177
Selling, general and administrative expenses		917,371	897,708
Other income	20	(27,181)	(16,467)
Net finance costs	19	14,437	19,458
Net income before income tax		204,581	182,478
Income tax expense	21	50,913	43,623
Net income for the year		153,668	138,855
Weighted average number of common shares outstanding	22		
Basic		68,142,458	67,962,903
Diluted		68,646,568	68,654,322
Earnings per share	22		
Basic		\$2.26	\$2.04
Diluted		\$2.24	\$2.02
Dividends declared per share			
Common		\$0.76	\$0.66
Convertible, non-voting		\$0.36	\$0.32

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

Consolidated Statements of Comprehensive Income

For the		Year ended	
(C\$ in thousands)		December 31, 2024	December 31, 2023
Net income for the year		153,668	138,855
Other comprehensive income (loss)			
Item that may be reclassified subsequently to profit or loss:			
Gain on debt instruments arising during the year		2,218	2,465
Reclassification adjustment for gain (loss) on disposal of debt instruments		2	(249)
Item that will not be reclassified to profit or loss:			
Gain on equity instruments arising during the year		4,754	1,294
Income tax expense on the above		(284)	(102)
Other comprehensive income for the year		6,690	3,408
Comprehensive income for the year		160,358	142,263

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, 2023	164,875	6,758	856,891	1,028,524
Comprehensive income				
Net income for the year	–	–	153,668	153,668
Other comprehensive income for the year	–	6,690	–	6,690
Total comprehensive income	–	6,690	153,668	160,358
Transactions with shareholders				
Dividends declared	–	–	(51,793)	(51,793)
Management share purchase plan [note 15]	2,061	–	–	2,061
Share repurchase commitment	295	–	1,705	2,000
Total transactions with shareholders	2,356	–	(50,088)	(47,732)
As at December 31, 2024	167,231	13,448	960,471	1,141,150

(C\$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
As at December 31, 2022	162,636	3,350	762,899	928,885
Comprehensive income				
Net income for the year	–	–	138,855	138,855
Other comprehensive income for the year	–	3,408	–	3,408
Total comprehensive income	–	3,408	138,855	142,263
Transactions with shareholders				
Dividends declared	–	–	(44,863)	(44,863)
Management share purchase plan [note 15]	2,239	–	–	2,239
Total transactions with shareholders	2,239	–	(44,863)	(42,624)
As at December 31, 2023	164,875	6,758	856,891	1,028,524

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, 2024	December 31, 2023
Operating activities			
Net income before income tax		204,581	182,478
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		105,442	106,739
Amortization of intangible assets		1,197	1,052
Amortization of deferred warranty plan revenue	17	(68,702)	(63,333)
Amortization of deferred insurance revenue	17	(25,201)	(24,408)
Amortization of premium		(115)	(117)
Net finance costs		14,437	19,458
Gain on sale of property, plant and equipment and investment properties		(1,103)	(85)
Gain on settlement	20	(23,371)	(20,000)
(Gain)/loss on derivatives	20	(3,810)	3,533
(Gain)/loss on sale of marketable securities		(2)	249
Gain on management share purchase plan		(1,359)	(1,067)
		201,994	204,499
Change in operating working capital	27	93,395	(2,630)
Cash received on warranty plan sales		72,790	71,319
Cash received on insurance sales		25,201	24,408
Income taxes paid		(48,413)	(44,283)
Cash provided by operating activities		344,967	253,313
Investing activities			
Purchase of property, plant and equipment	8	(59,132)	(42,103)
Purchase of intangible assets	10	(673)	(2,524)
Proceeds on sale of property, plant and equipment and investment properties		1,364	118
Purchase of debt and equity instruments		(45,137)	(44,501)
Proceeds on sale of debt and equity instruments		22,873	54,304
Repayment of loan receivable		5,739	1,746
Proceeds on settlement of warrant	20	–	20,000
Interest received		7,091	7,512
Cash used in investing activities		(67,875)	(5,448)
Financing activities			
Payment of lease liabilities	13	(77,492)	(76,518)
Dividends paid		(50,400)	(43,475)
Decrease of employee loans-redeemable shares		2,061	2,239
Repayment of long-term debt	14	(30,000)	(134,375)
Issuance of long-term debt	14	10,000	–
Interest paid		(22,767)	(28,119)
Cash used in financing activities		(168,598)	(280,248)
Net increase (decrease) in cash and cash equivalents during the year		108,494	(32,383)
Cash and cash equivalents, beginning of year		82,744	115,127
Cash and cash equivalents, end of year		191,238	82,744

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

Notes to the Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 Tuesday, February 25, 2025.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for investments, debt and equity instruments, derivative instruments and 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 statements 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.

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 and right-of-use assets, 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 the probable outflow of resources that 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 Material Accounting Policies

The material 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 ("TGLI") and Trans Global Insurance Company ("TGI"). 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 ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at FVTPL 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 they are 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.

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. Otherwise, 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.

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.

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 intangible assets, 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.

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 occurs 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 that 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 statements 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.

Liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims, both reported and unreported, that have occurred on or before the statement of financial position date. These fulfilment cash flows include adjustment expenses and an estimate of the future settlement of claims. The liability for incurred claims 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 fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money or the effect of financial risk on the measurement of the liability for incurred claims which are expected to be paid within one year of being incurred. As this liability for incurred claims is an estimate, the amount of actual claims may differ from the recorded amount. The liability for incurred claims is 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 time frames. 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 Company does not have the right to defer settlement by at least twelve months based on the rights that existed as at the date of the consolidated statements 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 franchises 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: TGI and TGLI.

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 24, thereby providing protection to many customers who do not carry other similar insurance policies.

Insurance contracts are accounted for under IFRS 17 *Insurance Contracts*. Insurance contracts are contracts under which 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") that 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.

Under IFRS 17, the Company's insurance contracts issued are all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA is a simplified measurement model that can be applied to insurance contracts with coverage periods of one year or less, or where the measurement for liability for remaining coverage does not differ materially from applying the General Measurement Model ("GMM"). The Company applies the PAA measurement model to all eligible insurance contracts that it issues. The Company holds contracts that have coverage periods of one year or less, or where the difference in liability for remaining coverage between GMM and PAA does not materially differ.

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

Deferred insurance revenue is a component of the liability for remaining coverage, which reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided. 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 and insurance revenue.

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, appliances 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 comprise 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. For deferred insurance acquisition cashflows, these are a component of the liability for remaining coverage.

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.

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.

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 ("MSPP") 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 other comprehensive income (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. In 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.

4. Adoption of Accounting Standards and Amendments

ADOPTION OF NEW ACCOUNTING STANDARDS

Amendments to IAS 1, *Presentation of Financial Statements*

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

Amendments to IAS 12, *IASB issued International Tax Reform – Pillar Two Model Rules*

In May 2023, IASB issued International Tax Reform – Pillar Two Model Rule with regards to disclosure requirements for affected entities, including information about an entity's exposure to Pillar Two income taxes and current tax expense related to Pillar Two income taxes. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The Company has performed an assessment of the Company's potential exposure to Pillar Two income taxes and determined that there was no material impact. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

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

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

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

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

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

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

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

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

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

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

5. Cash and Cash Equivalents

As at

(C\$ in thousands)	December 31, 2024	December 31, 2023
Cash and cash equivalents	191,238	82,744

6. Inventories

The amount of inventory recognized as an expense for the year ended December 31, 2024 was \$1,327,430 (2023 - \$1,311,170), which is presented within cost of sales in the consolidated statements of income.

There were \$525 in inventory write-downs recognized for the year ended December 31, 2024 (inventory write down reversals recognized for the year ended December 31, 2023 - \$744). As at December 31, 2024, the inventory markdown provision totaled \$7,353 (2023 - \$6,829).

7. Deferred Acquisition Costs

(C\$ in thousands)	December 31, 2024	December 31, 2023
Balance as at January 1	35,985	34,287
Costs of new policies sold	14,632	14,712
Policy sales costs recognized	(14,118)	(13,014)
Balance as at December 31	36,499	35,985
Reported as:		
Current	13,721	13,353
Non-current	22,778	22,632
Balance as at December 31	36,499	35,985

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, 2023	111,304	313,658	190,520	71,809	249,576	686,196	2,232	1,625,295
Additions	220	32,126	14,537	7,103	7,005	67,824	–	128,815
Disposals	(183)	–	(563)	(1,249)	(1,995)	(2,063)	(104)	(6,157)
Balance as at December 31, 2024	111,341	345,784	204,494	77,663	254,586	751,957	2,128	1,747,953
Accumulated depreciation								
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)
Balance as at December 31, 2024	–	191,411	153,471	53,769	224,118	448,823	1,685	1,073,277
Net book value as at December 31, 2024	111,341	154,373	51,023	23,894	30,468	303,134	443	674,676

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

Included in the above balances as at December 31, 2024, are assets not being amortized with a net book value of approximately \$12,467 (2023 – \$27,558) being construction in progress. 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	Building improvements	Total
Cost				
Balance as at December 31, 2023	10,646	15,396	953	26,995
Additions	–	–	11	11
Balance as at December 31, 2024	10,646	15,396	964	27,006
Accumulated depreciation				
Balance as at December 31, 2023	–	12,254	651	12,905
Depreciation	–	331	46	377
Balance as at December 31, 2024	–	12,585	697	13,282
Net book value as at December 31, 2024	10,646	2,811	267	13,724

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

The estimated fair value of the investment properties portfolio as at December 31, 2024, was approximately \$40,400 (2023 – \$40,500). This recurring fair value disclosure is categorized within Level 3 of the fair value hierarchy (Note 23 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, 2023	275,500	20,872	296,372
Additions	–	673	673
Disposals	–	(1,327)	(1,327)
Balance as at December 31, 2024	275,500	20,218	295,718
Accumulated amortization			
Balance as at December 31, 2023	9,500	15,659	25,159
Amortization	–	1,197	1,197
Disposals	–	(1,327)	(1,327)
Balance as at December 31, 2024	9,500	15,529	25,029
Net book value as at December 31, 2024	266,000	4,689	270,689

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

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, 2024	December 31, 2023
The Brick brand name (allocated to The Brick division)	245,000	245,000
The Brick franchise agreements (allocated to The Brick division)	21,000	21,000
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.

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

As at

(C\$ in thousands)	December 31, 2024	December 31, 2023
Computer software	4,689	5,213
Total	4,689	5,213

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, 2024	December 31, 2023
Appliance Canada (included within Leon's division)	11,282	11,282
The 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 assets as at December 31, 2024 and 2023 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, 2024 and 2023 were as follows:

As at	December 31, 2024	December 31, 2023
Growth rate	2.0%	2.0%
Pre-tax discount rate	12.9%	11.9%

The impairment tests performed resulted in no impairment of the goodwill and indefinite-life intangible assets as at December 31, 2024 and December 31, 2023.

11. Trade and Other Payables

As at	December 31, 2024	December 31, 2023
(C\$ in thousands)		
Trade payables	161,492	151,648
Other payables	136,734	131,289
Total	298,226	282,937

12. Provisions

(C\$ in thousands)	Unpaid insurance claims	Warranties	Other	Total
Balance as at January 1, 2024	578	25,757	3,761	30,096
Provisions made during the year	535	8,496	357	9,388
Provisions used during the year	(425)	(5,998)	(383)	(6,806)
Unused provisions reversed	–	(90)	–	(90)
Balance as at December 31, 2024	688	28,165	3,735	32,588

LIABILITY FOR INCURRED CLAIMS

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims, both reported and unreported, that have occurred on or before the statement of financial position date. These fulfilment cash flows include adjustment expenses and an estimate of the future settlement of claims. The liability for incurred claims 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 fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money or the effect of financial risk on the measurement of the liability for incurred claims which are expected to be paid within one year of being incurred. As this liability for incurred claims is an estimate, the amount of actual claims may differ from the recorded amount. The liability for incurred claims is derecognized when the obligation to pay a claim no longer exists.

WARRANTIES

The provision for warranties represents the Company's estimate of amounts the Company expects to incur regarding its warranty protection plans. The Company's warranty protection plans allow 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 warranty 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, 2024	December 31, 2023
Balance, beginning of period	353,925	322,855
Additions	69,694	107,588
Disposals	(577)	–
Interest	17,070	16,669
Payments	(94,562)	(93,187)
Balance, end of period	345,550	353,925
Reported as:		
Current	79,690	75,127
Non-current	265,860	278,798
Total	345,550	353,925

For the year ended December 31, 2024, the Company recognized rent expenses from short-term leases, leases of low-value assets and variable lease payments of \$3,071, \$3,156, and \$42,084, respectively (2023 – \$3,476, \$2,801, and \$40,946, 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	1,639
Later than 1 year and no later than 5 years	4,658
Later than 5 years	2,233
Total	8,530

14. Long-term Debt

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 December 31, 2024. In addition, the Company adopted the Canadian Overnight Repo Rate Average ("CORRA") as the new base reference rate, given the discontinuation of the Canadian Dollar Offered Rate ("CDOR").

Bank indebtedness bears interest based on Canadian prime rate, Secured Overnight Financing Rate ("SOFR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. The term credit facility is repayable in the annual amounts of \$7,500, with the remainder due on maturity. Currently, the Company has entered into a 31-day Bankers's Acceptance with a cost of borrowing of 4.44% that was renewed on December 31, 2024.

The Company can prepay without penalty amounts outstanding under the facilities at any time. The agreement includes a general security agreement which constitutes a lien on all property of the Company. In addition to this, there are financial covenants related to the credit facility. As at December 31, 2024, the Company is in full compliance of these financial and non-financial covenants.

15. Management Share Purchase Plan

EMPLOYEE BENEFIT PLAN

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

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

LOAN RECEIVABLE

As at

(C\$ in thousands)	December 31, 2024	December 31, 2023
Balance, beginning of period	19,669	20,348
Fair value adjustment	1,616	1,067
Forfeiture	(997)	–
Dividends paid	(1,002)	(1,045)
Loan repayment	(3,740)	(701)
Balance, end of period	15,546	19,669

DEFERRED COMPENSATION EXPENSE

	December 31, 2024	December 31, 2023
Balance, beginning of period	2,435	2,811
Compensation expense	(463)	(376)
Balance, end of period	1,972	2,435

REDEEMABLE SHARE LIABILITY**As at**

(C\$ in thousands)

	December 31, 2024	December 31, 2023
Authorized		
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		
43,929 series 2012 shares (December 31, 2023 - 46,113)	545	572
162,357 series 2013 shares (December 31, 2023 - 232,081)	1,849	2,644
96,498 series 2014 shares (December 31, 2023 - 132,887)	1,453	2,000
152,362 series 2015 shares (December 31, 2023 - 203,762)	2,051	2,743
Less employee share purchase loans	(5,891)	(7,952)
Total	7	7

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2012, 2013, 2014 and 2015 to allow them to acquire convertible, non-voting 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 shares 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 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 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 (2023 - \$197) 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, 2024, 2,184 series 2012 shares, 69,724 series 2013 shares, 36,389 series 2014 shares and 51,400 series 2015 shares (year ended December 31, 2023 - 9,859 series 2012 shares, 55,892 series 2013 shares, 42,299 series 2014 shares and 62,689 series 2015 shares) were converted into common shares with a stated value of approximately \$27, \$794, \$548 and \$692, respectively (year ended December 31, 2023 - \$122, \$637, \$636, and \$844, respectively).

During the year ended December 31, 2024, the Company did not cancel any shares from any of the series of shares (year ended December 31, 2023 - no shares were cancelled in any of the series of shares).

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

16. Common Shares

As at

(C\$ in thousands)

	December 31, 2024	December 31, 2023
Authorized - Unlimited common shares		
Issued		
68,191,725 common shares (2023 - 68,032,028)	167,231	164,875

For redeemable shares converted into common shares during the year, please see Note 15.

As at December 31, 2024 and 2023, dividends payable were \$13,639 (\$0.20 per share) and \$12,246 (\$0.18 per share), respectively.

17. Revenue

(a) Disaggregation of revenue

For the	Year ended	
(C\$ in thousands)	December 31, 2024	December 31, 2023
Sales of goods by corporate stores	2,369,212	2,332,273
Income from franchise operations	33,297	33,061
Extended warranty revenue	68,702	63,333
Insurance sales revenue	25,201	24,408
Rental income from investment property	2,133	1,714
Total	2,498,545	2,454,789

(b) Customers' deposits

For the	Year ended	
(C\$ in thousands)	December 31, 2024	December 31, 2023
Opening balance as at January 1	160,346	175,847
Revenue recognized that was included in the customers' deposit balance at the beginning of the year	(145,508)	(153,428)

(c) Deferred warranty plan and insurance revenue

For the	Year ended	
(C\$ in thousands)	December 31, 2024	December 31, 2023
Opening balance as at January 1	179,407	171,421
Revenue recognized that was included in the deferred warranty and insurance balance at the beginning of the year	(93,903)	(87,741)
Recognition of deferred warranty and insurance during the year	97,991	95,727
Total	183,495	179,407
Reported as:		
Current	70,508	68,229
Non-current	112,987	111,178
Total	183,495	179,407

18. Expenses by Nature

For the	Year ended	
	December 31, 2024	December 31, 2023
(C\$ in thousands)		
Salaries and benefits	447,249	432,937
Depreciation of property, plant and equipment, right-of-use assets and investment properties	105,442	106,739
Amortization of intangible assets	1,197	1,052
Occupancy expenses	105,860	102,408

19. Net Finance Costs

For the	Year ended	
	December 31, 2024	December 31, 2023
(C\$ in thousands)		
Interest expense on lease obligations	17,070	16,669
Interest expense on term credit facilities and revolving credit facilities	6,073	11,511
Finance income	(8,706)	(8,722)
Total	14,437	19,458

20. Other Income

For the	Year ended	
	December 31, 2024	December 31, 2023
(C\$ in thousands)		
Gain on settlement ⁽¹⁾	(23,371)	(20,000)
Change in fair value of derivative instruments	(3,810)	3,533
Total	(27,181)	(16,467)

- During 2024, the Company recognized a \$23.4 million pre-tax net favorable settlement related to a breach of contract legal dispute with CURO Group Holdings Corp ("CURO"). The Company had an agreement with CURO to underwrite insurance for their credit products commencing in 2024. After undergoing bankruptcy proceedings, CURO elected to not proceed with the agreement which ultimately resulted in a legal settlement in favor of the Company to recover the future profit potential of the agreement. During 2023, point of sale financing partner FLX Holding Corp ("Flexiti") was acquired by Qvestrade Financial Group Inc. from CURO. Leon's Furniture Limited entered into an amended agreement with Flexiti, and the Company received a \$20 million one-time payment to settle the value of warrant rights negotiated as part of the original agreement with CURO.

21. Income Tax Expense

(a) The major components of income tax expense are as follows:

For the	Year ended	
(C\$ in thousands)	December 31, 2024	December 31, 2023
Consolidated statements of income		
Current income tax expense:		
Based on taxable income of the current year	51,840	46,652
Deferred income tax expense:		
Origination and reversal of temporary differences	(927)	(3,029)
Income tax expense reported in the consolidated statements of income	50,913	43,623

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

For the	Year ended			
(C\$ in thousands, except %)	December 31, 2024		December 31, 2023	
Income before income taxes	204,581		182,478	
Income tax expense based on statutory tax rate	53,723	26.26%	47,919	26.26%
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:				
Non-deductible items	233	0.11%	250	0.14%
Remeasurement of deferred income tax asset for rate changes	(94)	(0.05%)	(24)	(0.01%)
Income exempt from tax	(38)	(0.02%)	(124)	(0.07%)
Prior year adjustments	(370)	(0.18%)	(61)	(0.03%)
Other	(2,541)	(1.24%)	(4,337)	(2.38%)
Income tax expense reported in the consolidated statements of income	50,913	24.89%	43,623	23.91%

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

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

As at	December 31, 2024		December 31, 2023
(C\$ in thousands)			
Deferred income tax assets (liabilities)			
Deferred tax income assets	16,939		17,296
Deferred tax income liabilities	(67,312)		(68,399)
Total deferred income tax liabilities	(50,373)		(51,103)

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

As at	December 31, 2024			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Balance, end of year
Deferred warranty plan	(98)	–	–	(98)
Deferred financing fees	(42)	–	3	(39)
Deferred acquisition costs	(315)	–	3	(312)
Property, plant and equipment	(75,251)	–	10,162	(65,089)
Intangible assets	(76,610)	–	(166)	(76,776)
Lease liabilities	72,133	–	(9,889)	62,244
Other	28,415	(196)	1,814	30,033
Mark to market	665	–	(1,001)	(336)
Total deferred income tax expense (benefit)	(51,103)	(196)	926	(50,373)

As at	December 31, 2023			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Balance, end of year
Deferred warranty plan	(98)	–	–	(98)
Deferred financing fees	(39)	–	(3)	(42)
Deferred acquisition costs	(321)	–	6	(315)
Property, plant and equipment	(67,877)	–	(7,374)	(75,251)
Intangible assets	(76,462)	–	(148)	(76,610)
Lease liabilities	63,855	–	8,278	72,133
Other	27,204	(131)	1,342	28,415
Mark to market	(263)	–	928	665
Total deferred income tax expense (benefit)	(54,001)	(131)	3,029	(51,103)

22. 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	
(C\$ in thousands except share and per share amounts)	December 31, 2024	December 31, 2023
Net income for the period for basic earnings per share	153,668	138,855
Net income for the period for diluted earnings per share	153,792	139,004
Weighted average number of common shares outstanding	68,142,458	67,962,903
Dilutive effect	504,110	691,419
Dilutive weighted average number of common shares outstanding	68,646,568	68,654,322
Basic earnings per share	\$2.26	\$2.04
Diluted earnings per share	\$2.24	\$2.02

23. 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, 2024			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
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
Financial liabilities				
Trade and other payables	Amortized cost	298,226	298,226	Level 2
Long-term debt	Amortized cost	80,000	80,000	Level 2

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

The fair value hierarchy of financial instruments measured at fair value, as at December 31, 2024 includes financial assets of \$325,307, \$203,166 and \$nil for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$378,226 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 December 2026. As at December 31, 2024, the fair value of derivative assets is \$1,545 (2023 - \$2,265 derivative liabilities).

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

FAIR VALUE HIERARCHY

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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, 2024	December 31, 2023
(C\$ in thousands)		
Cash and cash equivalents	191,238	82,744
Restricted marketable securities	–	414
Debt securities	99,139	73,718
Trade receivables	185,975	197,759
Total	476,352	354,635

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 its vendor rebate programs.

The debt securities balance is comprised of over 80 diversified investments, including both government and corporate bonds that bear interest at rates ranging from 0.6% to 6.3%. The debt securities are short-term instruments that are liquid in nature.

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 \$185,975 as at December 31, 2024, (2023 – \$197,759). 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 \$8,712 as at December 31, 2024 (2023 – \$8,865). IFRS 9 requires that a forward-looking ECL model be 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 \$1,373 as at December 31, 2024 (2023 – \$1,334).

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.

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, 2024, unrestricted liquidity was \$513,151, 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 and includes both principal and interest payments for the Company's long-term debt:

			Payments due by period					
(C\$ in thousands)	Carrying amount	Contractual cash flows	2025	2026	2027	2028	2029	2030 & beyond
As at December 31, 2024								
Trade and other payables	298,226	298,226	298,226	–	–	–	–	–
Lease liabilities	345,550	414,229	95,799	58,838	57,498	54,879	52,466	94,749
Long-term debt	80,000	84,732	10,981	73,751	–	–	–	–
Total	723,776	797,187	405,006	132,589	57,498	54,879	52,466	94,749

			Payments due by period					
(C\$ in thousands)	Carrying amount	Contractual cash flows	2024	2025	2026	2027	2028	2029 & beyond
As at December 31, 2023								
Trade and other payables	282,937	282,937	282,937	–	–	–	–	–
Lease liabilities	353,925	408,582	91,201	64,742	63,395	62,029	59,412	67,803
Long-term debt	100,000	108,858	12,402	96,456	–	–	–	–
Total	736,862	800,377	386,540	161,198	63,395	62,029	59,412	67,803

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.

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 revenue 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, 2024, the Company's long-term debt was \$80,000 (2023 - \$100,000). Accordingly, a change during the year ended December 31, 2024 of a one percentage point increase or decrease in the applicable interest rate would have impacted the Company's net income by approximately \$592 (2023 - \$740).

(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.

24. 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.

25. 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 favorable 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, 2024, \$187,742 is available to draw on under our \$200,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of \$8,508 (2023 – \$6,943) and utilizing \$3,750 of the revolving credit facility.

As at

(C\$ in thousands)	December 31, 2024	December 31, 2023
Current portion of lease liabilities	79,690	75,127
Current portion of long-term debt	7,500	7,500
Lease liabilities	265,860	278,798
Long-term debt	72,500	92,500
Total shareholders' equity	1,141,150	1,028,524
Total capital under management	1,566,700	1,482,449

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 annual 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, 2024, TGI's Minimum Capital Test ratio was 420% (2023 – 388%), 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, 2024, TGLI's LICAT ratio was 432% (2023 – LICAT 388%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

26. Commitments and Contingencies

- Pursuant to a reinsurance agreement relating to the extended warranty sales, the Company has pledged debt instruments amounting to \$0 (2023 – \$414).
- 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.

27. Consolidated Statements of Cash Flows

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

For the (C\$ in thousands)	Year ended	
	December 31, 2024	December 31, 2023
Trade receivables	35,155	(17,277)
Inventories	21,105	(5,984)
Prepaid expenses and other assets	(468)	(5)
Trade and other payables	18,738	34,233
Customers' deposits	16,887	(15,501)
Provisions	2,492	3,602
Deferred acquisition costs	(514)	(1,698)
Total	93,395	(2,630)

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

(C\$ in thousands)	Leases	Long-term debt
Balance as at January 1, 2024	353,925	100,000
Cash changes:		
Long-term debt issuance	–	10,000
Lease obligation repayment	(94,562)	–
Long-term debt repayment	–	(30,000)
Non-cash changes:		
Additions	69,694	–
Disposals	(577)	–
Interest	17,070	–
Balance as at December 31, 2024	345,550	80,000

(C\$ in thousands)	Leases	Long-term debt
Balance as at January 1, 2023	322,855	234,375
Cash changes:		
Lease obligation repayment	(93,187)	–
Long-term debt repayment	–	(134,375)
Non-cash changes:		
Additions	107,588	–
Interest	16,669	–
Balance as at December 31, 2023	353,925	100,000

28. 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.

The Company has a 50% ownership interest in a joint operation “North 170/Leon’s Furniture Limited Joint Venture.” This joint operation developed land into a 497,379 square foot distribution centre and corporate office (Brick Subsidiary), which the Company occupies in Edmonton, Alberta.

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, 2024	December 31, 2023
(C\$ in thousands)		
Salaries and other employee benefits	6,003	5,828

29. Comparative Financial Information

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2024 consolidated financial statements.

Corporate & Shareholder Information

Board of Directors

Terrence T. Leon

Toronto, ON

Lewis M. 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 Raitt, P.C.

Vice Chair, CIBC Global

Investment Banking

Milton, ON

Officers

Terrence T. Leon

Chairman of the Board

Edward F. Leon

Vice Chairman

Michael J. Walsh

President and CEO

Victor Diab

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 8, 2025, 2:00pm

Fairmont Royal York

100 Front Street West

Toronto, Ontario

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f furnituredotca

LFLGROUP.CA

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thebrick.com
appliancecanada.com
midnorthern.com
furniture.ca
transglobalservice.com
transglobalinsurance.ca

