LEADING TOGETHER

ANNUAL REPORT 2014

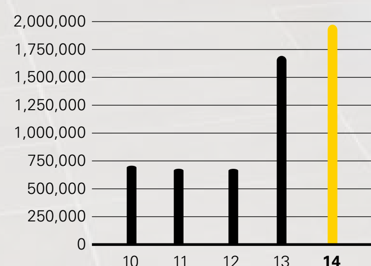
FINANCIAL HIGHLIGHTS

($ in thousands, except per share amounts)	2014	2013	% Change
Revenue	**$ 1,974,417**	$ 1,694,643	16.5%
Income before income taxes	**103,134**	93,270	10.6%
Net income	**75,524**	68,392	10.4%
Cash generated from operations	**151,988**	76,393	99.0%
Dividends paid	**28,328**	28,239	–
Per common share			
Net income	**$ 1.07**	$ 0.97	10.3%
Cash flow generated from operations	**$ 2.14**	$ 1.08	98.1%
Dividends declared	**$ 0.40**	$ 0.40	–
Shareholders' equity at year end	**$ 7.74**	$ 7.05	9.8%

REVENUE

$1,974,417

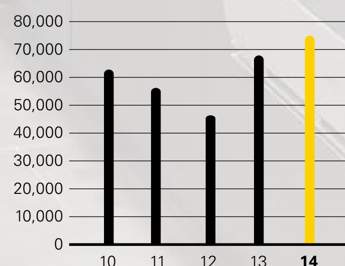
($ in thousands)



NET INCOME

$75,524

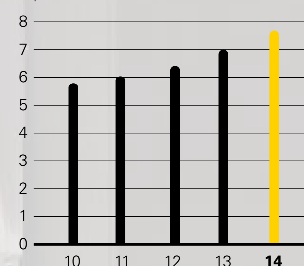
($ in thousands)



SHAREHOLDERS' EQUITY PER SHARE

$7.74

($ per share)



LEADING TOGETHER

Since the landmark acquisition of The Brick in March 2013, our two divisions have been working closely together to strengthen the lead of Canada's largest home furnishing retailer.

ABOUT US

Founded in 1909 by Ablan Leon, Leon's Furniture has since grown into the largest home furnishing retailer in Canada, with a modern network of 302 stores selling a wide range of furniture, major appliances and home electronics. We are also the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies. With annual system-wide sales of $2.35 billion and more than 8,400 associates across the country, Leon's remains committed to the standards of service, integrity and trust established by its founder more than 105 years ago.

PRESIDENT'S MESSAGE TO SHAREHOLDERS

ANOTHER RECORD YEAR

The friendly competition and mutual support between Leon's and The Brick have quickly become one of our greatest competitive advantages. Today, these divisions are working more closely than ever to capture the full benefits of our shared potential.

Terrence T. Leon
President and Chief Executive Officer

STRONG FINANCIAL RESULTS

Leon's achieved another year of record financial results in 2014, reflecting the first full year of revenue and earnings contribution from The Brick. System-wide sales reached $2.35 billion including $374 million in franchise sales, compared to $2.04 billion including $345 million in franchise sales in 2013. Same-store sales returned to positive territory, increasing 0.4 percent amid continuing softness in the economy and modest consumer spending growth. Leon's also achieved record earnings as net income rose 10.4 percent to $75.5 million or $1.07 per common share.

LEADING TOGETHER

The theme of this year's annual report – Leading Together – is an apt description of the growing spirit of cooperation between our two operating divisions. It has found full expression in our talented transition teams, which have continued to share best practices, identify potential synergies and set the stage for the complete integration and optimization of our back office operations. Fundamental to the successful realization of our objectives is the implementation of a single, system-wide IT platform, which is scheduled for completion by the end of this year. This is an ambitious undertaking, but one that will harmonize five databases from The Brick while improving the functionality of the entire platform.

CANADA'S NUMBER 1 COMMERCIAL APPLIANCE RETAILER

The combination of the Midnorthern and Appliance Canada banners has made Leon's the largest commercial retailer of conventional and luxury appliances in the country.

OUR EXECUTIVE TEAM
(from left to right)

Dominic Scarangella
Vice President Finance and
Chief Financial Officer

Edward F. Leon
Vice President of Merchandising
and Director

Terrence Leon
President and Chief Executive
Officer and Director

Mark Leon
Chairman and Director

Jim Caldwell
President, The Brick Group

Once completed, it will provide a clearer strategic window on our entire business and facilitate significant cost efficiencies in core business functions such as human resources, finance, procurement, and product warranty and service. The second stage of the integration process will take place in 2016, with the creation of an integrated national distribution network.

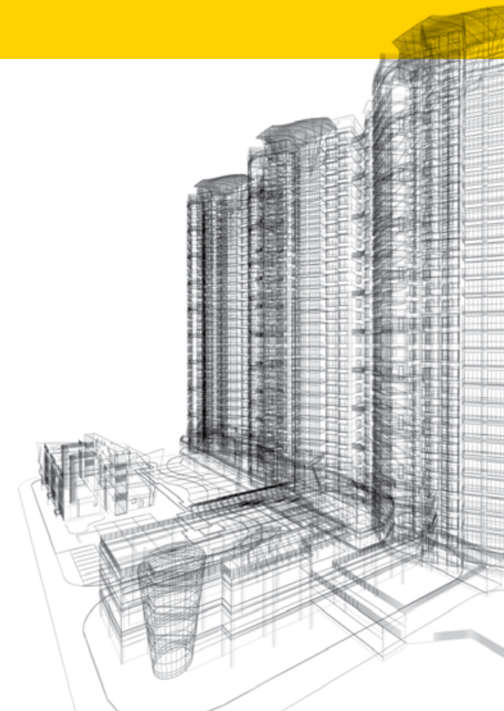
Coincident with the integration of our IT systems, we will also be introducing new functionality as such point-of-sale technology to enhance the customer experience in all our stores. This will include the introduction of icon-based software and mobile devices that allow our associates to process all purchase, delivery and service transactions at record time and in any location throughout the store.

INVESTING IN OUR BRANDS

In the meantime, we have continued to invest in the two best brands in the Canadian home furnishing business. Both Leon's and The Brick are operated independently with divisional management teams fully responsible for all sales, marketing, merchandising and store operations initiatives. They both serve multiple customer groups and during the past year, we worked to further strengthen the brand equity of both divisions with the aid of one of Canada's top marketing and consumer research firms. The Brick's new tagline – *Saving you more* – builds upon their positioning in the market as the smart choice for price-oriented customers. In contrast, Leon's has moved toward more of an aspirational lifestyle positioning, which is also aimed at strengthening their connection with younger Canadians. This can be seen in Leon's edgier advertising campaigns and our sponsorship of popular home improvement programming.

AN EXPANDING RETAIL NETWORK

We also took the opportunity to expand our store network into selective communities over the course of the past year despite the relatively slow pace of growth in the Canadian economy. This included the opening of new Leon's franchise locations in Bridgewater and Yarmouth, Nova Scotia and a new Brick franchise in Rocky Mountain Horse, British Columbia. The Brick division also closed eight non-performing UFW stores, one Brick Clearance Centre and three franchises.



INVESTING IN OUR MARKET-LEADING BRANDS

Leon's is moving toward more of an aspirational lifestyle positioning, which is also aimed at strengthening our connection with younger Canadians.

A GROWING ONLINE RETAILING PRESENCE

Our leons.ca and thebrick.com websites are just part of our plans to be Canada's largest online provider of furniture, major appliances, home electronics, mattresses and home furnishings.

OUR GROWING ONLINE PRESENCE

To complement and support this traditional network, we have been strengthening our online retailing presence over the past few years. Our leons.ca and thebrick.com websites accounted for a higher percentage of total sales than ever as distinct retail channels, while also driving traffic into our stores. In 2014, we extended our online presence through social media such as Twitter and Facebook, which along with our divisional websites, keep customers abreast of sales events, special offers and other important news. To keep pace with the growing importance of the Internet as a retail channel, we purchased a minority interest in our online commerce provider, Blueport Investors LLC, and obtained exclusive rights to the use of the trade name and URL furniture.com in Canada. In 2016, we are planning to offer the combined product lines of Leon's and The Brick, along with an extensive and complementary range of additional home furnishings, on our new furniture.com website. We plan to be Canada's largest online provider of furniture, major appliances, home electronics, mattresses and home furnishings. We have the marketing expertise, and the service and distribution networks required to do this, from coast to coast.

OUTLOOK

Looking to the year ahead, we are encouraged by the gradual pick-up in same-store sales that occurred in 2014 and we are cautiously optimistic that this trend will continue during the year ahead. In any event, we will continue to reduce costs within Leon's and The Brick and capture the synergies between them as we work to complete our migration toward a single IT platform by the end of 2015.

In closing, I would like to extend my thanks to the capable and dedicated executives, corporate and franchised store management teams and all our associates throughout Leon's operating divisions. Thanks to their efforts, we have been able to achieve another year of record performance while building a stronger foundation for future growth. With their continued support, I look forward to reporting on our progress.

"Terrence T. Leon"

Terrence T. Leon
President and Chief Executive Officer

MORE THAN
$2B
IN ANNUAL SYSTEM-WIDE SALES

BIGGER AND BETTER

302

Total stores nationwide

80 Leon's Furniture stores

202 The Brick stores

16 United Furniture Warehouse stores

3 Appliance Canada stores

1 Midnorthern Appliance stores

100+ YEARS OF LEON'S HISTORY

1909

The A. Leon Co. opens for business on King Street in Welland, Ontario.

1973

Leon's introduces "big-box" retailing to Canada with the opening of our first warehouse showroom in Weston, Ontario.

1974

The opening of our 10th store in Laval, Québec marks Leon's expansion beyond Ontario.

1983

Leon's extends its presence to smaller centres with the introduction of the first franchise store in Kingston, Ontario.

1985

Leon's opens its first store in Atlantic Canada in Saint John, New Brunswick.

OUR HISTORY

Since Leon's was founded more than a century ago, our history has been one of continuous expansion and innovation. Two years ago, we took the biggest step in our storied evolution with the acquisition of The Brick Ltd. Today, we are the largest retailer of furniture, appliances and home electronics in Canada and the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies.

2009

The first urban concept store is opened at the Roundhouse in downtown Toronto, Ontario, part of a multi-million dollar investment to restore this historic steam locomotive repair shop.

2011

Leon's opens four new corporate stores, and two new franchise locations, including our first franchise store in Québec.

2012

Leon's secures sites for four new corporate stores, three of which opened in 2013.

2013

Leon's acquires The Brick creating Canada's largest home furnishing, appliance and electronics retailer, with a network of over 300 stores from coast to coast.

2014

Leon's acquires minority interest in online commerce provider, Blueport Investors LLC, with exclusive rights to the tradename and URL furniture.com in Canada.

AT HOME IN OUR COMMUNITIES

Leon's has always believed in giving something back to the Canadian communities that have welcomed our stores and continue to make us a prosperous and growing company.

Our Leon's and The Brick divisions share a long-standing tradition of supporting the communities that are home to our operations, both corporately, and through the volunteer efforts, resources and financial contributions of our stores and associates across the country.

The largest recipient of Leon's support is the Boys and Girls Clubs of Canada, a leading charitable organization that provides programs to children and youth that support the healthy physical, educational and social development of 200,000 young people and their families every year. Leon's also supports the local hospitals in the communities served by its store network. In addition, our associates volunteer for 100 hours of service in each of our communities across the country.

The Brick division shares a similar focus on improving the health and wellbeing of the communities that are home to its store network. This can be seen in their support of the Children's Miracle Network®, which raises funds and awareness for 170 member hospitals, 14 of which are in Canada. Donations stay local to fund critical treatments and healthcare services, paediatric medical equipment and research. We are also proud to sponsor Breakfast for Learning, which works with schools across Canada to help them start and operate programs that have provided more than 500 million meals to more than three million Canadian children since the program started in 1992. You can learn more about our support for these and other important causes at leons.ca and thebrick.com.

LENDING OUR FINANCIAL AND VOLUNTARY SUPPORT

Our Leon's and The Brick divisions both focus their support on organizations that improve the health and wellbeing of the communities that are home to our retail stores.

5-YEAR REVIEW

INCOME STATISTICS

($ in thousands, except amounts per share)	2014	2013	2012	2011	2010
Revenue	$ 1,974,417	$ 1,694,643	$ 682,163	$ 682,836	$ 710,435
Cost of sales	1,117,460	959,307	398,704	394,099	412,379
Gross profit	856,957	735,336	283,459	288,737	298,056
Operating expenses	753,823	642,066	219,776	209,889	207,871
Income before income taxes	103,134	93,270	63,683	78,848	90,185
Provision for income taxes	27,610	24,878	16,901	22,182	26,901
Net income	$ 75,524	$ 68,392	$ 46,782	$ 56,666	$ 63,284
Common shares outstanding ('000)	70,899	70,612	70,033	69,969	70,372
Earnings per common share	$ 1.07	$ 0.97	$ 0.67	$ 0.81	$ 0.90
Percent annual change in sales	16.5%	148.4%	(0.1%)	(3.9%)	1.0%
Net income as a percentage of sales	3.8%	4.0%	6.9%	8.3%	8.9%
Dividend declared	$ 28,370	$ 28,247	$ 28,047	$ 36,371	$ 22,492

BALANCE SHEET STATISTICS

($ in thousands, except per share amounts)	2014	2013	2012	2011	2010
Shareholders' equity	$ 549,105	$ 497,764	$ 452,187	$ 425,461	$ 410,286
Total assets	1,563,476	1,565,356	588,178	584,411	566,674
Purchase of capital assets	16,562	18,984	17,897	24,999	13,567
Working capital	18,972	(11,713)	226,208	204,649	200,826
Shareholders' equity per common share	7.74	7.05	6.46	6.08	5.83
Common share price range on the Toronto Stock Exchange					
High	$ 17.90	$ 14.75	$ 13.47	$ 15.65	$ 15.10
Low	$ 13.41	$ 11.62	$ 10.55	$ 10.56	$ 10.35

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL REVIEW

The following Management's Discussion and Analysis ("MD&A") is prepared as at February 26, 2015 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, 2014 and for the year ended December 31, 2014. It should be read in conjunction with the fiscal year 2014 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2014 quarterly financial statements and corresponding MD&As which are published separately and available at *www.sedar.com*.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Leon's Furniture Limited's current results and to assess the Company's future prospects. This MD&A, and in particular the section under heading "Outlook", includes forward-looking statements, which are based on certain assumptions and reflect Leon's Furniture Limited's current plans and expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and future prospects to differ materially from current expectations. Some of the factors that can cause actual results to differ materially from current expectations are: a continuing slowdown in the Canadian economy; a further drop in consumer confidence; dependency on product from third party suppliers; further changes to the Canadian bank lending rates; and a further weakening of the Canadian dollar vs. the US dollar. Given these risks and uncertainties and the integration risk associated with the acquisition of The Brick Ltd., 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 the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The amounts expressed are in Canadian dollars. 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 management share purchase plan 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 2014 consolidated financial statements and MD&A were approved on February 26, 2015.

INTRODUCTION

On November 11, 2012, Leon's Furniture Limited and The Brick Ltd. ("The Brick") announced that they had entered into a definitive agreement (the "Leon's Arrangement") that provided for Leon's to acquire 100% of The Brick's outstanding common shares for $5.40 per outstanding common share, and to acquire for cancellation 100% of the outstanding common share purchase warrants for $4.40 per common share purchase warrant.

Immediately upon completion of the Leon's Arrangement, which occurred on March 28, 2013, all outstanding common shares and common share purchase warrants were repurchased in accordance with the Leon's Arrangement and are no longer listed for trading on the Toronto Stock Exchange. The total consideration paid to shareholders and warrant holders of The Brick was approximately $700 million. As a result of this transaction, 100% of The Brick's common shares are owned by Leon's Furniture Limited.

With the acquisition of The Brick, Leon's Furniture Limited is now the largest network of home furniture, appliances and electronics, and mattress stores in Canada. Our retail banners include: Leon's; The Brick; The Brick Mattress Store; The Brick Clearance Centre; and United Furniture Warehouse ("UFW"). Finally, the addition of 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.

As a result of this major acquisition, Leon's now has in excess of 300 retail stores from coast to coast in Canada under the various banners indicated below, which also includes over 100 franchise locations.

Banner	Number of stores
Leon's banner corporate stores	44
Leon's banner franchise stores	36
Appliance Canada banner stores	3
The Brick banner corporate stores[1]	112
The Brick banner franchise stores[2]	67
The Brick Mattress Store banner locations	24
UFW banner stores	6
UFW and The Brick Clearance Centre banner stores	10
Total number of stores	**302**

[1]Includes the Midnorthern Appliance banner
[2]Includes one UFW Franchise

REVENUES AND EXPENSES

For the year ended December 31, 2014, total system wide sales were $2,348,376,000, which includes $1,974,417,000 of corporate sales and $373,959,000 of franchise sales ($2,039,428,000 including $344,785,000 of franchise sales in 2013).

Overall, same store sales for the year 2014 increased by 0.4% compared to the prior year.

Our gross margin for the year was basically flat at 43.40% versus 43.39% for the prior year.

For the year, net operating expenses of $737,064,000 were up $109,302,000 as compared to 2013. The increase compared to the comparative period was mainly due to expenses relating to the inclusion of The Brick's operations since its acquisition on March 28, 2013. Excluding this factor, operating expenses were down approximately 1% as a percentage of sales compared to the prior comparative period.

As a result of the above, net income for the year was $75,524,000, $1.07 per common share ($68,392,000, $0.97 per common share in 2013). Net income per fully diluted common share for 2014 was $0.96 ($0.89 per fully diluted common share in 2013), an increase of 7.9% per share. These figures include The Brick Limited results since March 28, 2013.

For the three months ended December 31, 2014, total system wide sales were $649,386,000, which includes $542,206,000 of corporate sales and $107,180,000 of franchise sales ($633,870,000 including $110,846,000 of franchise sales in 2013).

We are pleased to announce that same store sales increased by 4.3% for the fourth quarter compared to the prior year. We had strong sales growth in both commercial and retail sales in the quarter. We did see a slight improvement in sales aided by a stronger marketing campaign in the latter part of 2014 and by severe weather conditions in Eastern Canada, which impacted the sales during the fourth quarter of the prior year.

Net income for the fourth quarter of 2014 was $29,914,000, $0.42 per common share ($26,334,000, $0.37 per common share in 2013). Net income per fully diluted common share for 2014 was $0.38 ($0.34 per fully diluted common share in 2013), an increase of 11.8% per share.

ANNUAL FINANCIAL INFORMATION

($ in thousands, except earnings per share and dividends)	2014	Restated 2013	2012
Corporate sales	**$ 1,974,417**	$ 1,694,643	$ 682,163
Franchise sales	**373,959**	344,785	198,077
Total system wide sales	**$ 2,348,376**	$ 2,039,428	$ 880,240
Net income	**$ 75,524**	$ 68,392	$ 46,782
Earnings per share			
Basic	**$ 1.07**	$ 0.97	$ 0.67
Diluted	**$ 0.96**	$ 0.89	$ 0.65
Total assets	**$ 1,563,476**	$ 1,565,356	$ 588,178
Common share dividends declared	**$ 0.40**	$ 0.40	$ 0.40
Convertible, non-voting shares dividends declared	**$ 0.20**	$ 0.20	$ 0.20

LIQUIDITY AND FINANCIAL RESOURCES

($ in thousands, except dividends per share)	Dec. 31, 2014	Restated Dec. 31, 2013	Dec. 31, 2012
Cash, cash equivalents, available-for-sale financial assets	**$ 58,609**	$ 43,272	$ 221,684
Trade and other accounts receivable	**112,171**	104,275	27,961
Inventory	**266,628**	277,656	86,057
Total assets	**1,563,476**	1,565,356	588,178
Working capital	**18,972**	(11,713)	226,208

For the 3 months ended	Current quarter Dec. 31, 2014	Prior quarter Sept. 30, 2014	Prior quarter June 30, 2014
Cash flow provided by operations	**$ 50,618**	$ 74,595	$ 26,912
Purchase of property, plant and equipment	**10,669**	1,593	2,009
Dividends paid	**7,101**	7,097	7,067
Dividends paid per share	**$ 0.10**	$ 0.10	$ 0.10

COMMON SHARES

At December 31, 2014, there were 71,056,885 common shares issued and outstanding. During the year ended December 31, 2014, 135,433 convertible, non-voting series 2005 shares and 286,743 convertible non-voting series 2009 shares were converted into common shares. There were 6,722 convertible, non-voting series 2009 shares; 20,812 convertible, non-voting series 2012 shares; and 43,228 convertible, non-voting series 2013 shares cancelled. For details on the Company's commitments related to its redeemable shares please refer to Note 15 to the accompanying consolidated financial statements.

COMMITMENTS

($ in thousands) Payments due by period

Contractual Obligations	**Total**	**Under 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**
Long term debt	$ 465,954	$ 63,591	$ 286,656	$ 6,000	$ 109,707
Operating leases[1]	519,046	83,038	149,366	112,005	174,637
Trade and other payables	197,044	197,044	–	–	–
Finance lease liabilities	19,953	2,893	4,814	3,738	8,508
Total contractual obligations	**$ 1,201,997**	**$ 346,566**	**$ 440,836**	**$ 121,743**	**$ 292,852**

[1]The Company is obligated under operating leases to future minimum rental payments for various land and building sites across Canada.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note 3 of the 2014 annual consolidated financial statements for the accounting standards and amendments issued but not yet adopted.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Please refer to Note 2 of the 2014 annual consolidated financial statements for the Company's critical accounting estimates and assumptions.

SIGNIFICANT ACCOUNTING POLICIES

Please refer to Note 3 of the 2014 annual consolidated financial statements for the Company's significant accounting policies.

RELATED PARTY TRANSACTIONS

At December 31, 2014, we had no transactions with related parties as defined in *IAS24 – Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

RISKS AND UNCERTAINTIES

For a complete discussion of the risks and uncertainties which apply to the Company's business and operating results please refer to the Company's Annual Information Form dated March 27, 2015 available on *www.sedar.com*.

QUARTERLY RESULTS

($000) – except per share data	Quarter ended		Quarter ended		Quarter ended		Quarter ended	
	Dec. 31, 2014	Dec. 31, 2013*	**Sept. 30, 2014**	Sept. 30, 2013*	**June 30, 2014***	June 30, 2013*	**March 31, 2014***	March 31, 2013
Corporate sales	**$ 542,206**	$ 523,025	**$ 531,685**	$ 528,602	**$ 474,517**	$ 480,559	**$ 426,009**	$ 162,457
Franchise sales	**107,180**	110,846	**97,467**	100,017	**86,921**	92,825	**82,391**	41,097
Total system wide sales	**$ 649,386**	$ 633,871	**$ 629,152**	$ 628,619	**$ 561,438**	$ 573,384	**$ 508,400**	$ 203,554
Net income per share	**$ 0.42**	$ 0.37	**$ 0.38**	$ 0.31	**$ 0.24**	$ 0.21	**$ 0.02**	$ 0.08
Fully diluted per share	**$ 0.38**	$ 0.34	**$ 0.34**	$ 0.28	**$ 0.21**	$ 0.18	**$ 0.02**	$ 0.07

The Company's quarterly results include the results of The Brick as of the date of acquisition on March 28, 2013.
* Restated earnings per share

DISCLOSURE CONTROLS AND 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, 2014.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. The Company assessed the effectiveness of its internal control over financial reporting as of December 31, 2014, based on the framework established in the publications, Internal Control – Integrated Framework and specifically in Internal Control over Financial Reporting – Guidance for Smaller Public Companies published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the CEO and the CFO concluded that the Company maintained effective internal control over financial reporting as of December 31, 2014.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has also evaluated whether there were changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2014 and ended on December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has determined that no material changes in internal controls have occurred during this period.

OUTLOOK

Overall we are pleased with the significant increase in sales and solid profit growth we experienced with the purchase of The Brick since the acquisition on March 28, 2013. Even though we anticipate soft economic growth going forward, we expect to see a continuation of improved profit growth in 2015.

NON-IFRS FINANCIAL MEASURES

In order to provide additional insight into the business, the Company has provided the measure of same store sales in the revenue and expenses section (page 14). This measure 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. Comparable store sales are defined as sales generated by stores that have been open or closed for more than 12 months on a yearly basis. The reconciliation between revenue (an IFRS measure) and comparable store sales is provided below:

($ in thousands)	**2014**	2013
Revenue[1]	**$ 1,974,417**	$ 1,866,977
Adjustments for stores not in both fiscal periods[2]	**(99,208)**	–
Comparable store sales	**$ 1,875,209**	$ 1,866,977

[1]The corporate sales for the years ended December 31, 2014 and 2013 include The Brick results for the comparative purposes.
[2]For the year ended December 31, 2014, there are ten locations excluded for the adjustments for stores not in both fiscal periods.

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 ("IFRS"). 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, 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.

"Terrence T. Leon"

Terrence T. Leon
President and CEO

"Dominic Scarangella"

Dominic Scarangella
Vice President and CFO

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Leon's Furniture Limited/Meubles Leon Ltée,** which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Leon's Furniture Limited/ Meubles Leon Ltée** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 26, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ in thousands)	As at December 31, 2014	Restated [note 4] As at December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents [NOTES 5 AND 22]	**$ 17,941**	$ 5,832
Restricted marketable securities [NOTE 22]	**18,310**	20,104
Available-for-sale financial assets [NOTE 22]	**22,358**	17,336
Trade receivables [NOTE 22]	**112,171**	104,275
Inventories [NOTE 6]	**266,628**	277,656
Deferred acquisition costs [NOTE 7]	**4,957**	1,659
Deferred financing costs	**923**	903
Total current assets	**$ 443,288**	$ 427,765
Other assets	**6,192**	4,970
Deferred acquisition costs [NOTE 7]	**11,093**	7,250
Property, plant and equipment [NOTE 8]	**334,052**	352,707
Investment properties [NOTE 9]	**21,992**	22,304
Intangible assets [NOTE 10]	**321,302**	324,837
Goodwill [NOTE 10]	**418,079**	418,079
Deferred income tax assets [NOTE 20]	**7,478**	7,444
Total assets	**$ 1,563,476**	$ 1,565,356
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables [NOTE 11]	**$ 197,044**	$ 200,361
Provisions [NOTE 12]	**4,576**	4,769
Income taxes payable	**34,773**	12,135
Customers' deposits	**97,705**	93,609
Finance lease liabilities [NOTE 13]	**2,002**	2,010
Dividends payable [NOTE 16]	**7,105**	7,063
Deferred warranty plan revenue	**51,111**	54,028
Debentures [NOTE 14]	**–**	15,503
Loans and borrowings [NOTE 14]	**30,000**	50,000
Total current liabilities	**$ 424,316**	$ 439,478
Loans and borrowings [NOTE 14]	**285,363**	325,255
Convertible debentures [NOTE 14]	**91,773**	90,952
Finance lease liabilities [NOTE 13]	**13,849**	15,851
Deferred warranty plan revenue	**92,254**	85,494
Redeemable share liability [NOTE 15]	**401**	859
Deferred rent liabilities and lease inducements	**6,794**	4,652
Deferred income tax liabilities [NOTE 20]	**99,621**	105,051
Total liabilities	**$ 1,014,371**	$ 1,067,592
Shareholders' equity attributable to the shareholders of the Company		
Common shares [NOTE 16]	**$ 31,169**	$ 27,352
Equity component of convertible debentures [NOTE 14]	**7,089**	7,089
Retained earnings	**510,398**	463,244
Accumulated other comprehensive income	**449**	79
Total shareholders' equity	**$ 549,105**	$ 497,764
Total liabilities and shareholders' equity	**$ 1,563,476**	$ 1,565,356

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

On behalf of the Board:

"Mark J. Leon" *"Peter Eby"*

Mark J. Leon, Director **Peter Eby,** Director

CONSOLIDATED STATEMENTS OF INCOME

($ in thousands)	Year ended December 31, 2014	Restated [note 4] Year ended December 31, 2013
Revenue [NOTE17]	**$ 1,974,417**	$ 1,694,643
Cost of sales [NOTE 6]	**1,117,460**	959,307
Gross profit	**$ 856,957**	$ 735,336
General and administrative expenses	**305,816**	264,953
Sales and marketing expenses	**248,913**	213,562
Occupancy expenses	**166,449**	134,685
Other operating expenses	**15,886**	14,562
Total operating expenses	**$ 737,064**	$ 627,762
Operating profit	**119,893**	107,574
Finance costs [NOTE 19]	**(18,847)**	(16,798)
Finance income	**2,088**	2,494
Net income before income tax	**103,134**	93,270
Income tax expense [NOTE 20]	**27,610**	24,878
Net income	**$ 75,524**	$ 68,392
Weighted average number of common shares outstanding		
Basic	**70,898,590**	70,612,407
Diluted	**82,177,519**	79,818,914
Earnings per share [NOTE 21]		
Basic	**$ 1.07**	$ 0.97
Diluted	**$ 0.96**	$ 0.89
Dividends declared per share		
Common	**$ 0.40**	$ 0.40
Convertible, non-voting	**$ 0.20**	$ 0.20

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in thousands)	2014	Tax effect	Net of tax 2014
			Years ended December 31
Net income for the year	**$ 75,524**	**$ –**	**$ 75,524**
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Unrealized gains on available-for-sale financial assets arising during the year	**908**	**175**	**733**
Reclassification adjustment for net gains (losses) included in profit for the year	**(453)**	**(90)**	**(363)**
Change in unrealized gains on available-for-sale financial assets arising during the year	**455**	**85**	**370**
Comprehensive income for the year	**$ 75,979**	**$ 85**	**$ 75,894**

($ in thousands)	Restated [note 4] 2013	Tax effect	Restated [note 4] Net of tax 2013
			Years ended December 31
Net income for the year	$ 68,392	$ –	$ 68,392
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Unrealized gains on available-for-sale financial assets arising during the year	276	44	232
Reclassification adjustment for net gains (losses) included in profit for the year	(2,998)	(450)	(2,548)
Change in unrealized losses on available-for-sale financial assets arising during the year	(2,722)	(406)	(2,316)
Comprehensive income for the year	$ 65,670	$ (406)	$ 66,076

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income (loss)	Restated [note 4] Retained earnings	Total
As at December 31, 2013	**$ 7,089**	**$ 27,352**	**$ 79**	**$ 463,244**	**$ 497,764**
Comprehensive income					
Net income for the year	**–**	**–**	**–**	**75,524**	**75,524**
Change in unrealized gains on available-for-sale financial assets arising during the year	**–**	**–**	**370**	**–**	**370**
Total comprehensive income	**–**	**–**	**370**	**75,524**	**75,894**
Transactions with shareholders					
Dividends declared	**–**	**–**	**–**	**(28,370)**	**(28,370)**
Management share purchase plan [NOTE 15]	**–**	**3,817**	**–**	**–**	**3,817**
Total transactions with shareholders	**–**	**3,817**	**–**	**(28,370)**	**(24,553)**
As at December 31, 2014	**$ 7,089**	**$ 31,169**	**$ 449**	**$ 510,398**	**$ 549,105**

($ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income (loss)	Restated [note 4] Retained earnings	Total
As at December 31, 2012	$ –	$ 26,693	$ 2,395	$ 423,099	$ 452,187
Comprehensive income					
Net income for the year	–	–	–	68,392	68,392
Change in unrealized losses on available-for-sale financial assets arising during the year	–	–	(2,316)	–	(2,316)
Total comprehensive income	–	–	(2,316)	68,392	66,076
Transactions with shareholders					
Dividends declared	–	–	–	(28,247)	(28,247)
Issuance of equity component of convertible debt [NOTE 14]	7,089	–	–	–	7,089
Management share purchase plan [NOTE 15]	–	659	–	–	659
Total transactions with shareholders	7,089	659	–	(28,247)	(20,499)
As at December 31, 2013	$ 7,089	$ 27,352	$ 79	$ 463,244	$ 497,764

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)	Year ended December 31, 2014	Restated [note 4] Year ended December 31, 2013
OPERATING ACTIVITIES		
Net income for the year	**$ 75,524**	$ 68,392
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	**35,431**	30,461
Amortization of intangible assets	**7,289**	5,724
Amortization of deferred warranty plan revenue	**(61,974)**	(60,664)
Net finance costs	**16,759**	14,304
Deferred income taxes	**(5,513)**	(768)
Gain on sale of property, plant and equipment	**(126)**	(32)
Gain on sale of available-for-sale financial assets	**(399)**	(5,462)
	$ 66,991	$ 51,955
Net change in non-cash working capital balances related to operations [NOTE 26]	**19,180**	(39,414)
Cash received on warranty plan sales	**65,817**	63,852
Cash provided by operating activities	**$ 151,988**	$ 76,393
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties [NOTES 8 AND 9]	**(16,562)**	(18,984)
Purchase of intangible assets [NOTE 10]	**(3,754)**	(6,669)
Proceeds on sale of property, plant and equipment	**224**	134
Purchase of available-for-sale financial assets	**(12,801)**	(109,674)
Proceeds on sale of available-for-sale financial assets	**10,429**	235,260
Interest received	**2,501**	2,494
Purchase of The Brick, net of cash acquired $31,069	**–**	(654,954)
Cash used in investing activities	**$ (19,963)**	$ (552,393)
FINANCING ACTIVITIES		
Repayment of finance leases	**(1,949)**	(1,512)
Dividends paid	**(28,328)**	(28,239)
Repayment of employee loans-redeemable shares [NOTE 15]	**3,358**	1,090
Issuance of term loan [NOTE 14]	**–**	400,000
Issuance of convertible debentures [NOTE 14]	**–**	100,000
Finance costs paid	**–**	(4,693)
Repayment of debentures [NOTE 14]	**(15,000)**	(19,616)
Repayment of term loan [NOTE 14]	**(60,000)**	(20,000)
Interest paid	**(17,997)**	(20,147)
Cash (used in) provided by financing activities	**$ (119,916)**	$ 406,883
Net increase (decrease) in cash and cash equivalents during the year	**12,109**	(69,117)
Cash and cash equivalents, beginning of year	**5,832**	74,949
Cash and cash equivalents, end of year	**$ 17,941**	$ 5,832

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Amounts in thousands of Canadian dollars, except share amounts and earnings per share]
For the years ended December 31, 2014 and 2013

1. REPORTING ENTITY

Leon's Furniture Limited ("Leon's" or the "Company") was incorporated by 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, LNF.DB) 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.

On November 11, 2012, the Company announced that it had entered into a definitive agreement (the "Arrangement Agreement") that provided for the acquisition of 100% of the outstanding common shares and common share purchase warrants of The Brick Ltd. ("The Brick" or "Brick division") by the Company by way of a plan of arrangement for $5.40 per outstanding common share and $4.40 per outstanding common share purchase warrant. On March 28, 2013, the Company acquired 100% of the common shares and warrants of The Brick. The operations of The Brick are included in the Company's results from operations and financial position commencing March 28, 2013.

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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors for issuance on February 26, 2015.

Basis of measurement

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

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 balance sheet dates and the reported amounts of revenue and expenses during the reporting period. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

Revenue recognition

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

Inventories

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

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

Impairment of marketable securities

The Company exercises judgment in the determination of whether there are objective indicators of impairment with respect to its marketable securities. This includes making judgments as to whether a potential impairment is either significant or prolonged with respect to equity securities held.

Impairment of property, plant and equipment

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

Impairment of goodwill and intangible assets

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

Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

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, Ablan Insurance Corporation, The Brick Ltd., The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, Trans Global Warranty Corp. and its subsidiaries: Trans Global Life Insurance Company and Trans Global Insurance Company. Subsidiaries are all those entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and de-consolidated from the date that control ceases. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer. The Company operates in one geographical segment (Canada) and one industry (sale of home furnishings, mattresses, appliances and electronics). Accordingly, no segment information has been provided 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. 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 available-for-sale financial assets are recognized in the consolidated statements of income, and other changes in the carrying amounts are recognized in other comprehensive income. For available-for-sale assets that are not monetary items, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange component.

Fair value measurement

The Company measures certain financial instruments at fair value upon initial recognition, and at each balance sheet 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 trade date) at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statements of income.

After initial recognition, financial assets are measured at their fair values except for loans and receivables, which are measured at amortized cost using the effective interest method. After initial recognition, financial liabilities are measured at amortized cost.

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) **Available-for-sale** – financial assets that are non-derivatives 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 fair value recognized in other comprehensive income for the current year until realized through disposal or impairment;

b) **Loans and receivables** – non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include trade receivables and are recorded at amortized cost with gains and losses recognized in the consolidated statements of income in the period that the asset is no longer recognized or impaired; and

c) **Derivative instruments** – financial assets which are classified as fair value through profit and loss.

Classifications that the Company has used for financial liabilities include:

a) **Other financial liabilities** – measured at amortized cost with gains and losses recognized in the consolidated statements of income in the period that the liability is no longer recognized; and

b) **Derivative instruments** – financial liabilities which are classified as fair value through profit and loss.

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 if the Company's obligations specified in the contract expire or are discharged or cancelled.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statements of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the consolidated statements of income.

Derivative instruments

Financial derivative instruments in the form of interest rate swaps and foreign exchange forwards are recorded at fair value on the consolidated balance sheets. 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 net income.

Cash and cash equivalents

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

Trade receivables

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

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest 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
Computer hardware	5 years
Building improvements	Over the remaining lease term

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the 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 other expenses in the consolidated statements of income.

Leases

Leases that transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are classified as operating leases. In determining whether a lease should be classified as an operating or finance lease, management must consider specific criteria. The inputs to these classification criteria require judgment in the following areas: assessing whether an option to purchase exists and if that option will be exercised, determining the economic life of the leased asset, and determining whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset. This assessment is subject to a significant degree of judgment.

The Company as lessee

Finance lease

Assets held under finance leases are initially recognized as assets of the Company at the commencement of the lease at the lower of their fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. A corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease liability.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding finance lease liability using the effective interest method. The finance cost, net of lease inducements, is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the finance lease liability. Contingent lease payments arising under finance leases are recognized as an expense in the period in which they are incurred.

Operating lease

For real estate operating leases any related rent escalations are factored into the determination of rent expense to be recognized over the lease term.

The total operating lease payments to be made over the lease term are recognized in income on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the lease term.

Contingent rental expenses arising under operating leases are recognized as an expense in the period in which they are incurred.

Investment properties

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

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

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

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

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

Goodwill and intangible assets

Goodwill

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

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

Intangible assets

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

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

Customer relationships	8 years
Brand name (Appliance Canada)	10 years
Non-compete agreement	8 years
Computer software	3 to 7 years
Favourable lease agreements	Over the lease term including renewal options

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 occur subsequent to the issuance of the annual consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based on existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, income would be affected in a subsequent period.

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

Current income tax

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

Deferred income tax

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

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

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

Trade and other payables

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

Provisions

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

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

Unpaid insurance claims

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

Unpaid warranty claims

Warranty repairs related to warranty plans sold separately are recorded as claims expense at the time the customer reports a claim. For these warranties, a provision for unpaid warranty claims is established for unpaid reported claims. The provision for unpaid claims is based on estimates, and may differ from actual claims paid.

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 7 days. 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.

Loans and borrowings

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

Share capital

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

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of sales tax and financing charges. The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

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. Any payments received in advance of delivery are deferred and recorded as customers' deposits.

The Company records a provision for sales returns and price guarantees based on historical experience and actual experience subsequent to the year end.

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, net of costs, is recorded by the Company on an accrual basis and presented within revenue.

Insurance contracts and revenue

The Company issues insurance contracts through its subsidiaries: Trans Global Insurance Company and Trans Global Life Insurance Company.

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

Insurance contracts are contracts where the Company (the "insurer") has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

Unearned insurance revenue

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

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

Unearned insurance revenue is calculated based on assumptions of loss emergence, payment rates, interest, and expected expenses associated with the adjustment and payment of claims. Unearned insurance revenue is derecognized when the obligation to pay no longer exists.

Deferred warranty plan revenue

Warranties, underwritten by the Company's wholly-owned subsidiaries, Ablan Insurance Corporation and Trans Global Warranty Corp., are offered on all 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 term of the warranty plan in a pattern matching the estimated future claims expense.

Deferred acquisition costs

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

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

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

Sale of gift cards

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

Rental income on investment properties

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

Store pre-opening costs

Store pre-opening costs are expensed as incurred.

Borrowing costs

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

Earnings per share

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

Accounting standards and amendments issued but not yet adopted

In July 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17, *Leases*; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements* ("IFRS 11"). In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting this amendment may have on the Company's consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

Adoption of new, revised or amended accounting standards

The following is a description of the adoption of new, revised or amended accounting standards that are relevant to the Company:

[i] Effective January 1, 2014, the Company adopted amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32"). IAS 32 clarifies the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The adoption of this new standard had no impact on the consolidated financial statements.

[ii] Effective January 1, 2014, the Company adopted IFRIC Interpretation 21, *Levies* ("IFRIC 21"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of this new standard had no impact on the consolidated financial statements.

[iii] IAS 36, *Impairment of Assets* ("IAS 36") – On May 29, 2013, IASB published amendments to IAS 36, which reduce the circumstances in which the recoverable amount of cash-generating units is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014. The Company adopted the IAS 36 amendments in its consolidated financial statements for the annual period beginning on January 1, 2014. The adoption did not have a material impact on the consolidated financial statements.

4. RESTATEMENT OF PREVIOUSLY REPORTED FINANCIAL RESULTS

Acquisition of The Brick

On March 28, 2013, the Company acquired control of The Brick by purchasing 100% of its issued and outstanding shares and warrants. The Brick is a retailer of home furnishings, mattresses, appliances and electronics that was founded in Edmonton, Alberta in 1971. The Brick operates stores across Canada under the following corporate and franchise banners: The Brick, Urban Brick, The Brick Mattress Stores, United Furniture Warehouse and Midnorthern Appliances, which is part of The Brick's Commercial Sales Division. This acquisition allows the Company to strengthen and enhance its existing retail operations, grow the Company's franchise network and to further expand its Canadian geographical footprint to more than 300 combined retail locations from coast to coast.

For the year ended December 31, 2013, The Brick contributed revenue of $1,018,939 to the Company's results from the date of acquisition of March 28, 2013.

The acquisition date fair value of consideration transferred was as follows:

Cash	$	586,023
Convertible debenture		100,000
Total consideration transferred	**$**	**686,023**

Goodwill was recognized as a result of the acquisition as follows:

Total consideration transferred	$	686,023
Less: Total net identifiable assets		(261,671)
Goodwill	$	424,352

The goodwill recognized on acquisition of The Brick is attributable mainly to the expected future growth potential of expanding the customer base of The Brick banners and efficiencies within the operations of The Brick.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company incurred acquisition related costs of $10,326 for the year ended December 31, 2013, relating to external legal fees, advisory fees and due diligence costs. These costs have been included in general and administrative expenses in the consolidated statements of income.

Subsequent to the finalization of the purchase price allocation for the March 28, 2013 acquisition of The Brick as previously disclosed in the Company's interim condensed consolidated financial statements as of and for the three months ended March 31, 2014, management discovered that certain of the values allocated to property, plant and equipment, intangible assets and finance lease liabilities were incorrect.

Management has made the following adjustments as of March 28, 2013 to restate the purchase price allocation, and goodwill recognized on acquisition, as follows:

		Originally reported		Adjustments		As restated
Cash	$	31,069	$	–	$	31,069
Trade and other receivables		55,986		–		55,986
Income taxes receivable		18		–		18
Inventories		162,138		–		162,138
Other assets		7,905		–		7,905
Available-for-sale financial assets		13,279		–		13,279
Property, plant and equipment		229,153		(83,737)		145,416
Investment properties		14,400		–		14,400
Intangible assets		339,081		(18,290)		320,791
Trade and other payables		(145,304)		–		(145,304)
Customers' deposits		(52,221)		–		(52,221)
Share-based compensation plans		(2,292)		–		(2,292)
Deferred warranty plan revenue and unearned insurance plan revenue		(104,342)		–		(104,342)
Provisions		(5,479)		–		(5,479)
Debentures		(36,156)		–		(36,156)
Finance lease liabilities		(143,693)		125,358		(18,335)
Income taxes payable		(10,994)		–		(10,994)
Deferred income tax liabilities		(90,877)		(5,776)		(96,653)
Total net identifiable assets	**$**	**261,671**	**$**	**17,555**	**$**	**279,226**
Total consideration transferred	$	686,023	$	–	$	686,023
Less: total net identifiable assets		(261,671)		(17,555)		(279,226)
Goodwill	$	424,352	$	(17,555)	$	406,797

The adjustments relate to the following two matters:

Franchise agreements

Subsequent to the finalization of the purchase price allocation, management of the Company discovered that the value allocated to franchise agreements was overstated by $19,000, due to the fact that all costs attributable to the franchise operations had not been considered in the initial valuation of the franchise agreements. This reduction of these indefinite life intangibles had no impact to the Company's profitability. Management has also adjusted deferred taxes associated with this adjustment in the revised purchase price allocation.

Finance and operating leases

Subsequent to the finalization of the purchase price allocation, management of the Company discovered that certain leases had been inappropriately classified as finance leases by The Brick. This error occurred because the determinations of the lease term, as defined by IAS 17, *Leases*, for The Brick's lease agreements had not been correctly made at lease inception. Management undertook an exercise to re-assess the lease terms as of the date of inception, and reconsidered the impact of the revised assessment on the purchase price allocation. As a result of this exercise, it was determined that the value allocated to property, plant and equipment and finance lease obligations in the purchase price allocation were overstated by $83,737 and $125,358, respectively. As a result of the change in classification for certain leases from finance leases to operating leases, intangible assets were adjusted by $710 to account for previously unrecognized favourable lease intangible assets. Management has also adjusted deferred taxes associated with this adjustment in the revised purchase price allocation.

Summary of restatement

The following tables summarize the impact of the restatement of the purchase price allocation as of March 28, 2013 on the consolidated statement of financial position as at December 31, 2013 and the consolidated income statement for the year ended December 31, 2013.

Consolidated statement of financial position as at December 31, 2013

	Originally reported	Adjustments	As restated
ASSETS			
Property, plant and equipment	$ 433,586	$ (80,879)	$ 352,707
Intangible assets	343,221	(18,384)	324,837
Goodwill	435,634	(17,555)	418,079
All other assets	469,733	–	469,733
	$ 1,682,174	$ (116,818)	$ 1,565,356
LIABILITIES			
Trade and other payables	$ 202,618	$ (2,257)	$ 200,361
Finance lease liabilities – short term	4,302	(2,292)	2,010
Finance lease liabilities – long term	137,887	(122,036)	15,851
Deferred rent liabilities and lease inducements	2,377	2,275	4,652
Deferred income tax liabilities	98,768	6,283	105,051
All other liabilities	739,667	–	739,667
	$ 1,185,619	$ (118,027)	$ 1,067,592
SHAREHOLDERS' EQUITY			
Retained earnings	$ 462,035	$ 1,209	$ 463,244
All other shareholders' equity items	34,520	–	34,520
	496,555	1,209	497,764
	$ 1,682,174	$ (116,818)	$ 1,565,356

Consolidated income statement for the year ended December 31, 2013

	Originally reported	Adjustments	As restated
General and administrative expenses	$ 267,741	$ (2,788)	$ 264,953
Occupancy expenses	127,985	6,700	134,685
Finance costs	22,424	(5,626)	16,798
Income tax expense	24,373	505	24,878
Profit for the period attributable to the shareholders of the Company	$ 67,183	$ 1,209	$ 68,392
Earnings per share			
Basic	$ 0.95	$ 0.02	$ 0.97
Diluted	$ 0.87	$ 0.02	$ 0.89

5. CASH AND CASH EQUIVALENTS

	As at December 31, 2014	As at December 31, 2013
Cash at bank and on hand	$ 17,941	$ 5,832

6. INVENTORIES

The amount of inventory recognized as an expense for the year ended December 31, 2014 was $1,100,145 [2013 – $934,976], which is presented within cost of sales in the consolidated statements of income. There were $717 in inventory write-downs [2013 – $3,745] recognized as an expense during 2014. No inventory write-downs recognized in prior periods were reversed.

As at December 31, 2014, the inventory mark-down provision totalled $9,839 [2013 – $9,122].

7. DEFERRED ACQUISITION COSTS

Balance at December 31, 2012	$ 2,796
Costs of new policies sold	7,419
Policy sales costs recognized	(1,306)
Balance at December 31, 2013	$ 8,909
Cost of new policies sold	9,042
Policy sales costs recognized	(1,901)
Balance at December 31, 2014	**$ 16,050**
Reported as:	
Current	$ 1,659
Non-current	7,250
Balance at December 31, 2013	$ 8,909
Current	$ 4,957
Non-current	11,093
Balance at December 31, 2014	**$ 16,050**

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
As at December 31, 2014:								
Opening net book value	$ 83,987	$ 122,077	$ 41,399	$ 4,288	$ 86,295	$ 11,778	$ 2,883	$ 352,707
Additions	146	662	8,612	5,453	1,477	–	–	16,350
Disposals	–	–	(63)	(31)	(4)	–	–	(98)
Depreciation	–	(6,017)	(8,044)	(1,331)	(17,398)	(1,131)	(986)	(34,907)
Closing net book value	84,133	116,722	41,904	8,379	70,370	10,647	1,897	334,052
As at December 31, 2014:								
Cost	84,133	228,452	95,026	29,565	139,779	12,626	2,954	592,535
Accumulated depreciation	–	(111,730)	(53,122)	(21,186)	(69,409)	(1,979)	(1,057)	(258,483)
Net book value	$ 84,133	$ 116,722	$ 41,904	$ 8,379	$ 70,370	$ 10,647	$ 1,897	$ 334,052

Restated [note 4]	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
As at December 31, 2013:								
Opening net book value	$ 55,381	$ 84,383	$ 16,476	$ 3,900	$ 58,006	$ –	$ –	$ 218,146
Additions	5,315	420	4,609	627	8,326	–	–	19,297
Additions due to acquisition	23,291	42,776	27,824	1,177	33,978	12,626	3,744	145,416
Disposals	–	–	(76)	(18)	–	–	(8)	(102)
Depreciation	–	(5,502)	(7,434)	(1,398)	(14,015)	(848)	(853)	(30,050)
Closing net book value	83,987	122,077	41,399	4,288	86,295	11,778	2,883	352,707
As at December 31, 2013:								
Cost	83,987	227,790	87,005	25,682	141,578	12,626	3,736	582,404
Accumulated depreciation	–	(105,713)	(45,606)	(21,394)	(55,283)	(848)	(853)	(229,697)
Net book value	$ 83,987	$ 122,077	$ 41,399	$ 4,288	$ 86,295	$ 11,778	$ 2,883	$ 352,707

Included in the above balances as at December 31, 2014 are assets not being amortized with a net book value of approximately $5,741 [2013 – $459], being construction in progress.

The Company assessed for indicators of impairment of each CGU. Where the impairment indicator existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value, which was generally considered to be the CGU's value-in-use.

When determining the CGU's value-in-use, the Company estimated the future cash flows based on actual operating results, operating budgets and long term growth rates that were consistent with industry averages and discounted them at a pre-tax rate of 9.9% for the CGU. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value-in-use, the CGU's property and equipment assets were written down.

For the years ended December 31, 2014 and 2013, there has been no impairment loss recognized.

9. INVESTMENT PROPERTIES

	Land	**Buildings**	**Building improvements**	**Total**
As at December 31, 2014:				
Opening net book value	**$ 12,519**	**$ 9,273**	**$ 512**	**$ 22,304**
Additions	**–**	**–**	**212**	**212**
Depreciation	**–**	**(475)**	**(49)**	**(524)**
Closing net book value	**12,519**	**8,798**	**675**	**21,992**
As at December 31, 2014:				
Cost	**12,519**	**17,694**	**2,181**	**32,394**
Accumulated depreciation	**–**	**(8,896)**	**(1,506)**	**(10,402)**
Net book value	**$ 12,519**	**$ 8,798**	**$ 675**	**$ 21,992**
As at December 31, 2013:				
Opening net book value	$ 8,286	$ –	$ 29	$ 8,315
Additions due to acquisition	4,233	9,655	512	14,400
Depreciation	–	(382)	(29)	(411)
Closing net book value	12,519	9,273	512	22,304
As at December 31, 2013:				
Cost	12,519	17,694	1,969	32,182
Accumulated depreciation	–	(8,421)	(1,457)	(9,878)
Net book value	$ 12,519	$ 9,273	$ 512	$ 22,304

The estimated fair value of the investment properties portfolio as at December 31, 2014 was approximately $47,696 [2013 – $47,940]. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (Note 22 for definition of levels). The Company used an independent valuation specialist to determine the fair value of The Brick division's investment properties of $14,400. The remaining disclosed fair value of $33,296 was compiled internally by management based on available market evidence.

10. INTANGIBLE ASSETS AND GOODWILL

	Customer relationships	Brand name and franchise agreements	Non-compete agreements	Computer software	Favourable lease agreements	Total
As at December 31, 2014:						
Opening net book value	**$ 5,031**	**$ 267,000**	**$ 251**	**$ 9,996**	**$ 42,559**	**$ 324,837**
Additions	**–**	**–**	**–**	**3,754**	**–**	**3,754**
Amortization	**(875)**	**(250)**	**(126)**	**(1,804)**	**(4,234)**	**(7,289)**
Closing net book value	**4,156**	**266,750**	**125**	**11,946**	**38,325**	**321,302**
As at December 31, 2014:						
Cost	**7,000**	**268,500**	**1,012**	**18,363**	**46,049**	**340,924**
Accumulated amortization	**(2,844)**	**(1,750)**	**(887)**	**(6,417)**	**(7,724)**	**(19,622)**
Net book value	**$ 4,156**	**$ 266,750**	**$ 125**	**$ 11,946**	**$ 38,325**	**$ 321,302**
Restated [note 4]						
As at December 31, 2013:						
Opening net book value	$ 750	$ 1,250	$ 375	$ 726	$ –	$ 3,101
Additions	–	–	–	6,669	–	6,669
Additions due to acquisition	5,000	266,000	12	3,730	46,049	320,791
Amortization	(719)	(250)	(136)	(1,129)	(3,490)	(5,724)
Closing net book value	5,031	267,000	251	9,996	42,559	324,837
As at December 31, 2013:						
Cost	7,000	268,500	1,012	14,610	46,049	337,171
Accumulated amortization	(1,969)	(1,500)	(761)	(4,614)	(3,490)	(12,334)
Net book value	$ 5,031	$ 267,000	$ 251	$ 9,996	$ 42,559	$ 324,837

Amortization of intangible assets is included within 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 December 31, 2014	Restated [note 4] As at December 31, 2013
The Brick brand name (allocated to Brick division)	**$ 245,000**	$ 245,000
The Brick franchise agreements (allocated to Brick division)	**21,000**	21,000
	$ 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, this asset is also considered to have an indefinite useful life.

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

	As at December 31, 2014	Restated [note 4] As at December 31, 2013
Leon's division customer relationships	**$ 250**	$ 500
Leon's division brand name	**750**	1,000
Leon's division non-compete agreement	**125**	251
Brick division customer relationships	**3,906**	4,531
Brick division favourable lease agreements	**38,325**	42,559
Computer software	**11,946**	9,996
	$ 55,302	$ 58,837

The following table presents the details of the Company's goodwill:

	As at December 31, 2014	Restated [note 4] As at December 31, 2013
Balance, beginning of year	**$ 418,079**	$ 11,282
Acquisition through business combination	**–**	406,797
Balance, end of year	**$ 418,079**	$ 418,079

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 December 31, 2014	Restated [note 4] As at December 31, 2013
Appliance Canada (included within the Leon's division)	**$ 11,282**	$ 11,282
Brick division	**406,797**	406,797
Total goodwill	**$ 418,079**	$ 418,079

Impairment tests

The Company performed impairment tests of goodwill, brand and franchise agreements intangible as at December 31, 2014 and December 31, 2013 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 Brick's value-in-use calculation as at December 31, 2014 and December 31, 2013 were as follows:

	2014	2013
Growth rate	**2.0%**	2.0%
Pre-tax discount rate	**9.5%**	8.3%

The impairment tests performed resulted in no impairment of the goodwill as at December 31, 2014 and December 31, 2013.

11. TRADE AND OTHER PAYABLES

	As at December 31, 2014	Restated [note 4] As at December 31, 2013
Trade payables	**$ 117,666**	$ 128,918
Other payables	**79,378**	71,443
	$ 197,044	$ 200,361

12. PROVISIONS

	Unpaid insurance claims	Unpaid warranty claims	Product returns	Other	Total
Balance as at December 31, 2013	$ 2,170	$ 290	$ 2,194	$ 115	$ 4,769
Provisions made during the year	–	–	410	476	886
Provisions used during the year	(256)	–	–	–	(256)
Provisions reversed during the year	(252)	(189)	(376)	(6)	(823)
Balance as at December 31, 2014	**$ 1,662**	**$ 101**	**$ 2,228**	**$ 585**	**$ 4,576**

Unpaid insurance claims

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

Unpaid warranty claims

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

Product returns

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

13. FINANCE LEASE LIABILITIES

Leasing arrangements

The Company leases a distribution center and vehicles under a number of finance lease agreements. The lease term on the distribution center and vehicles do not exceed 20 years and 8 years, respectively. The Company's obligations under finance leases are secured by the leased assets. The Company's distribution center lease has renewal and escalation clauses as part of the general lease conditions. The escalation clauses expected to occur have been included in the determination of this finance lease liability.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2014			Restated [note 4] 2013		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 2,893**	**$ 891**	**$ 2,002**	$ 3,010	$ 1,000	$ 2,010
Between one and five years	**8,552**	**2,488**	**6,064**	9,551	2,902	6,649
More than five years	**8,508**	**723**	**7,785**	10,399	1,197	9,202
	19,953	**4,102**	**15,851**	22,960	5,099	17,861
Reported as:						
Current			**2,002**			2,010
Non-current			**13,849**			15,851
			$ 15,851			$ 17,861

14. LOANS AND BORROWINGS

Convertible debentures

On March 28, 2013 ("Issuance Date"), the Company closed an offering in which the shareholders of The Brick purchased $100,000 principal amount of 3% convertible unsecured debentures due on March 28, 2023 ("Maturity Date"). Interest is due semi-annually in arrears on June 30 and December 31 in each year. The convertible debentures are convertible, at the option of the holder, at any time during the period between the ninetieth day prior to the fourth anniversary of the Issuance Date and the third business day prior to the Maturity Date in whole or in multiples of one thousand dollars, into fully paid common shares of the Company at the conversion rate of 79.12707 common shares per one thousand dollars principal amount of debentures subject to certain adjustments. The Company has the right to settle the convertible debentures in cash or shares during any time subsequent to the fourth anniversary of the Issuance Date and on the Maturity Date. There are additional conversion options available to debenture holders in the event of an increase in the Company's dividend rate or in the event of a change in control of the Company. The convertible debentures are unsecured obligations of the Company and are subordinated in right of payment to all of the Company's senior indebtedness.

The Company will accrete the carrying value of the convertible debentures of $91,773 to their contractual face value of $100,000 through a charge to net income over their term. This charge will be included in finance costs.

Principal amount of convertible debentures issued on March 28, 2013	$ 100,000
Less equity component of convertible debentures	(9,645)
Accretion expense for the year ended December 31, 2013	597
Carrying value of convertible debentures as at December 31, 2013	90,952
Accretion expense for the year ended December 31, 2014	821
Carrying value of convertible debentures as at December 31, 2014	$ 91,773

The effective interest rate for the convertible debentures is 4.2% and includes accretion expense and semi-annual coupon payments.

Brick debentures

On March 11, 2013, in accordance with the terms of the Arrangement Agreement to acquire all the common shares and warrants of The Brick, The Brick issued a tender offer to all debenture holders to redeem their debentures for a price of one hundred and ten dollars per one hundred dollars of principal value plus accrued and unpaid interest. The Brick received valid tenders for $17,833 aggregate principal amount of debentures pursuant to the March 11, 2013 offer, which expired on April 11, 2013. Payment for the debentures tendered in the amount of $20,191 comprised $19,616 in respect of principal and the 10% premium on principal, and $575 in respect of accrued interest. The remaining principal amount of debentures outstanding subsequent to the April 11, 2013 repurchase is $15,000 and bear interest at a fixed rate of 12% per annum payable in cash semi-annually in arrears on June 30 and December 31.

The debentures matured on May 30, 2014. Payment for the debentures totalled $15,740 comprising $15,000 in respect of principal and $740 in respect of accrued interest.

Bank indebtedness

On January 31, 2013, a Senior Secured Credit Agreement ("SSCA") was obtained to fund the acquisition of The Brick. The SSCA includes a credit facility, with a syndicate of banks, with a term credit facility limit of $400,000 and revolving credit facility limit of $100,000, which includes a swing-line of $20,000. Under the terms of the SSCA amounts borrowed must be repaid in full by March 28, 2017. Bank indebtedness bears interest based on Canadian prime, London Interbank Offered Rate ("LIBOR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. Transaction costs in the amount of $5,193 have been deferred and are being amortized. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. Currently, the Company has entered into a 30-day Bankers' Acceptance with a cost of borrowing of 3.59% that was renewed on December 31, 2014. The term credit facility is repayable in quarterly amounts ranging from $10,000 to $15,000. 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 personal property of the Company. In addition to this, there are financial covenants related to the credit facility.

As at December 31, 2014 the Company is in full compliance of these financial and non-financial covenants.

15. REDEEMABLE SHARE LIABILITY

	As at December 31, 2014	As at December 31, 2013
Authorized		
806,000 convertible, non-voting, series 2005 shares		
1,224,000 convertible, non-voting, series 2009 shares		
306,500 convertible, non-voting, series 2012 shares		
1,485,000 convertible, non-voting, series 2013 shares		
740,000 convertible, non-voting, series 2014 shares		
Issued and fully paid		
251,080 series 2005 shares [December 31, 2013 – 386,513]	**$ 2,371**	$ 3,650
715,000 series 2009 shares [December 31, 2013 – 1,008,465]	**6,328**	8,925
247,896 series 2012 shares [December 31, 2013 – 268,708]	**3,076**	3,334
1,406,772 series 2013 shares [December 31, 2013 – 1,450,000]	**16,024**	16,516
740,000 series 2014 shares [December 31, 2013 – Nil]	**11,137**	–
Less employee share purchase loans	**(38,535)**	(31,566)
	$ 401	$ 859

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2005, 2009, 2012, 2013 and 2014 to allow them to acquire convertible, non-voting series 2005 shares, series 2009 shares, series 2012 shares, series 2013 and series 2014 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 2005, series 2009 and series 2012 share may be converted into one common share at any time after the fifth anniversary date of the issue of these shares and prior to the tenth anniversary of such issue. Each issued and fully paid for series 2013 and 2014 series share may be converted into one common share at any time after the third anniversary date of the issue of these shares and prior to the tenth anniversary of such issue. The series 2005, series 2009, series 2012, series 2013 and 2014 series 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 2005, series 2009 and series 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the tenth anniversary of such issue. The Company has the option to redeem the series 2013 and 2014 series shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the tenth 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 $9.44 per series 2005 share, $8.85 per series 2009 share, $12.41 per series 2012 share, $11.39 per series 2013 share and $15.05 per series 2014 share.

Dividends paid to holders of series 2005, 2009, 2012 and 2013 shares of approximately $624 [2013 – $360] 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, 2014, 135,433 series 2005 shares [2013 – 69,804] and 286,743 series 2009 shares [2013 – Nil] were converted into common shares with a stated value of approximately $1,279 [2013 – $659] and $2,538 [2013 – Nil], respectively.

During the year ended December 31, 2014, the Company cancelled 6,722 series 2009 shares [2013 – 36,754], 20,812 series 2012 shares [2013 – 12,792] and 43,228 series 2013 shares [2013 – 35,000] in the amount of $59 [2013 – $325], $258 [2013 – $159] and $492 [2013 – $399], respectively.

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.

During the year ended December 31, 2014, the Company issued 740,000 series 2014 shares for proceeds of $11,137. In addition, the Company advanced non-interest bearing loans in the amount of $11,137 to certain of its employees to acquire these shares.

16. COMMON SHARES

	As at December 31, 2014	As at December 31, 2013
Authorized		
Unlimited common shares		
Issued		
71,056,885 common shares [2013 – 70,634,709]	**31,169**	27,352

During the year ended December 31, 2014, 135,433 series 2005 shares [2013 – 69,804] and 286,743 series 2009 shares [2013 – Nil] were converted into common shares with a stated value of approximately $1,279 [2013 – $659] and $2,538 [2013 – Nil], respectively.

As at December 31, 2014, the dividends payable were $7,105 [$0.10 per share] and as at December 31, 2013 were $7,063 [$0.10 per share].

17. REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Sale of goods by corporate stores	**$ 1,901,029**	$ 1,624,618
Income from franchise operations	**17,323**	16,391
Extended warranty revenue	**42,071**	37,241
Insurance sales revenue	**12,338**	15,015
Rental income from investment property	**1,656**	1,378
Total	**$ 1,974,417**	$ 1,694,643

18. EXPENSES BY NATURE

	Year ended December 31, 2014	Restated [note 4] Year ended December 31, 2013
Depreciation of property, plant and equipment and investment properties	**$ 35,431**	$ 30,461
Amortization of intangible assets	**$ 7,289**	$ 5,724
Operating lease payments	**$ 90,420**	$ 69,742
(Gain) on sale of property, plant and equipment	**$ (126)**	$ (32)

19. FINANCE COSTS

	Year ended December 31, 2014	Restated [note 4] Year ended December 31, 2013
Interest expense on finance lease obligations	**$ 1,017**	$ 933
Interest expense on term credit facilities and revolving credit facilities	**13,387**	11,993
Interest expense on convertible debentures	**4,443**	3,872
Total	**$ 18,847**	$ 16,798

20. INCOME TAX EXPENSE

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

Consolidated statements of income	2014	Restated [note 4] 2013
Current income tax expense:		
Based on taxable income of the current year	**$ 31,899**	$ 25,646
Deferred income tax expense:		
Origination and reversal of temporary differences	**(3,702)**	(574)
Impact of change in tax rates/new tax laws	**(587)**	(194)
	(4,289)	(768)
Income tax expense reported in the consolidated statements of income	**27,610**	24,878
Consolidated Statements of Changes in Shareholders' Equity		
Deferred income tax:		
Movement in convertible debentures	**–**	(63)
Consolidated Statements of Other Comprehensive Income		
Deferred income tax:		
Unrealized losses on available-for-sale financial assets	**–**	(165)
Total deferred income tax expense	**(4,289)**	(996)
Total income tax expense	**$ 27,610**	$ 24,650

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

	2014		Restated [note 4] 2013	
Income before income taxes	**$ 103,134**		$ 93,270	
Income tax expense based on statutory tax rate	**27,331**	**26.50%**	24,717	26.50%
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:				
Non-deductible items	**437**	**0.42%**	746	0.80%
Non-taxable portion of capital gains	**–**	**–**	(722)	(0.77%)
Remeasurement of deferred tax asset for rate changes	**(587)**	**(0.57%)**	(194)	(0.21%)
Other	**429**	**0.42%**	331	0.35%
Income tax expense reported in the consolidated statements of income	**$ 27,610**	**26.77%**	$ 24,878	26.67%

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

(i) Deferred income tax relates to the following:

	December 31, 2014	Restated [note 4] December 31, 2013
Deferred income tax assets (liabilities)		
Deferred Tax Assets	**$ 7,478**	$ 7,444
Deferred Tax Liabilities	**(99,621)**	(105,051)
Total deferred income tax assets (liabilities)	**$ (92,143)**	$ (97,607)

(ii) Deferred income tax movements are as follows:

								2014
		Balance, beginning of year		**Other**		**Expense (benefit)**		**Consolidated balance, end of year**
Deferred warranty plan	**$**	**(484)**	**$**	**–**	**$**	**1,769**	**$**	**1,285**
Deferred financing fees		**(93)**		**–**		**(304)**		**(397)**
Deferred acquisition costs		**6,727**		**–**		**(2,199)**		**4,528**
Property, plant and equipment		**(25,410)**		**–**		**2,585**		**(22,825)**
Intangible assets		**(74,933)**		**–**		**427**		**(74,506)**
Deferred rent liabilities		**505**		**–**		**590**		**1,095**
Finance lease liabilities		**4,796**		**–**		**(686)**		**4,110**
Transition for partnership deferral		**(7,470)**		**–**		**2,083**		**(5,387)**
Unused tax losses		**120**		**–**		**(16)**		**104**
Other		**1,191**		**1,175**		**40**		**2,406**
Net deferred income tax expense – Statements of income		**(95,051)**		**1,175**		**4,289**		**(89,587)**
Movement in convertible debenture		**(2,556)**		**–**		**–**		**(2,556)**
Net deferred income tax expense (benefit) – Equity		**(2,556)**		**–**		**–**		**(2,556)**
Total deferred income tax expense (benefit)	**$**	**(97,607)**	**$**	**1,175**	**$**	**4,289**	**$**	**(92,143)**

								2013
		Balance, beginning of year		Due to acquisition		Expense (benefit)		Consolidated balance, end of year
Deferred warranty plan	$	3,014	$	(5,096)	$	1,598	$	(484)
Deferred financing fees		–		–		(93)		(93)
Deferred acquisition costs		–		8,375		(1,648)		6,727
Property, plant and equipment		(2,114)		(25,364)		2,068		(25,410)
Intangible assets		(57)		(71,683)		(3,193)		(74,933)
Deferred rent liabilities		–		–		505		505
Finance lease liabilities		–		5,491		(695)		4,796
Transition for partnership deferral		–		(10,859)		3,389		(7,470)
Unused tax losses		–		120		–		120
Other		(150)		2,364		(1,023)		1,191
Net deferred income tax expense – Statements of income		693		(96,652)		908		(95,051)
Movement in convertible debenture		–		(2,619)		63		(2,556)
Net deferred income tax expense (benefit) – Equity		–		(2,619)		63		(2,556)
Unrealized gains (losses) on available-for-sale financial assets		(165)		–		165		–
Net deferred income tax expense (benefit) – Other comprehensive income		(165)		–		165		–
Total deferred income tax expense (benefit)	$	528	$	(99,271)	$	1,136	$	(97,607)

21. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of common shares outstanding. The weighted average number of common shares used in the basic earnings per share calculations amounted to 70,898,590 for the year ended December 31, 2014 [2013 – 70,612,407]. The following table reconciles the net income for the year and the number of shares for the basic and diluted earnings per share calculations:

	Year ended December 31, 2014	Restated [note 4] Year ended December 31, 2013
Net income for the year for basic earnings per share	**$ 75,524**	$ 68,392
Net income for the year for diluted earnings per share	**79,007**	71,125
Weighted average number of common shares outstanding	**70,898,590**	70,612,407
Dilutive effect	**11,278,929**	9,206,507
Diluted weighted average number of common shares outstanding	**82,177,519**	79,818,914
Basic earnings per share	**1.07**	0.97
Diluted earnings per share	**0.96**	0.89

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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, 2014:	Measurement	Total carrying amount	Fair value	Fair value hierarchy
Loans and receivables				
Cash and cash equivalents	**Fair value**	**$ 17,941**	**$ 17,941**	**Level 1**
Trade receivables	**Amortized cost**	**112,171**	**112,171**	**Level 2**
Available-for-sale				
Restricted marketable securities	**Fair value**	**$ 18,310**	**$ 18,310**	**Level 1**
Available-for-sale financial assets	**Fair value**	**22,358**	**22,358**	**Level 1**
Investment properties	**Amortized cost**	**21,992**	**47,696**	**Level 3**
Derivative instruments				
Other assets	**Fair value**	**171**	**171**	**Level 2**
Other financial liabilities				
Trade and other payables	**Amortized cost**	**$ 197,044**	**$ 197,044**	**Level 2**
Provisions	**Amortized cost**	**4,576**	**4,576**	**Level 2**
Finance lease liabilities	**Amortized cost**	**15,851**	**15,851**	**Level 2**
Debentures	**Amortized cost**	**–**	**–**	**Level 2**
Loans and borrowings	**Amortized cost**	**315,363**	**315,363**	**Level 2**
Convertible debentures	**Amortized cost**	**91,773**	**138,000**	**Level 2**
Redeemable share liability	**Amortized cost**	**401**	**401**	**Level 2**

Restated [note 4] As at December 31, 2013:	Measurement		Total carrying amount		Fair value	Fair value hierarchy
Loans and receivables						
Cash and cash equivalents	Fair value	$	5,832	$	5,832	Level 1
Trade receivables	Amortized cost		104,275		104,275	Level 2
Available-for-sale						
Restricted marketable securities	Fair value	$	20,104	$	20,104	Level 1
Available-for-sale financial assets	Fair value		17,336		17,336	Level 1
Investment properties	Amortized cost		22,304		47,940	Level 3
Other financial liabilities						
Trade and other payables	Amortized cost	$	200,361	$	200,361	Level 2
Provisions	Amortized cost		4,769		4,769	Level 2
Finance lease liabilities	Amortized cost		17,861		17,861	Level 2
Debentures	Amortized cost		15,503		15,503	Level 2
Loans and borrowings	Amortized cost		375,255		375,255	Level 2
Convertible debentures	Amortized cost		90,952		112,970	Level 2
Redeemable share liability	Amortized cost		859		859	Level 2

The fair value hierarchy of financial instruments measured at fair value, as at December 31, 2014, includes financial assets of $58,609, $112,342 and $47,696 for Levels 1, 2 and 3, respectively, and financial liabilities of Nil, $671,235 and Nil for Levels 1, 2 and 3, respectively.

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

The carrying amounts of the Company's finance lease liabilities approximate their fair values because the interest rate applied to measure their carrying amount approximates current market interest rates.

The carrying amounts of the Company's loans and borrowings approximate their fair values since they bear interest at rates comparable to market rates at the end of the reporting period.

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

As at December 31, 2014, the fair value of the convertible debentures was determined using their closing quoted market price (not in thousands of dollars) of $138.00 per $100.00 of face value [2013 – $112.97 per $100.00 of face value]. For the convertible debentures at December 31, 2014, fair value is calculated based on the face value of the convertible debentures of $100,000.

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 a notional $100,000 [2013 – Nil] in interest rate swaps that mature by the fourth quarter of 2019 on which it pays a fixed rate of 1.895% and currently receives 1 month BA rate. The Company also maintains other financial derivatives which comprise foreign exchange contracts, with maturities that do not exceed past the third quarter of 2016. At December 31, 2014, a $171 [2013 – Nil] unrealized receivable was recorded in other assets.

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 risks, 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 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.

	Carrying amount	
	2014	2013
Cash and cash equivalents	**$ 17,941**	$ 5,832
Restricted marketable securities	**18,310**	20,104
Available-for-sale financial assets	**22,358**	17,336
Trade receivables	**112,171**	104,275
	$ 170,780	$ 147,547

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

For commercial trade and other receivables, credit risk is mitigated through customer agreements specifying payment terms and credit limits. For franchise trade receivables, personal guarantees are obtained. As well, liens are placed against the goods and the Company may repossess goods for non-payment. Credit risk is also limited due to the large number of customers and their dispersion across geographic areas and market sectors (i.e. retail, commercial, and franchise). Accordingly, the Company believes it has no significant concentrations of credit risk related to trade receivables. In addition, trade receivables are managed and analyzed on an ongoing basis to control the Company's exposure to bad debts. The Company assesses the adequacy of the allowance for impairment quarterly, taking into account historical experience, current collection trends, the age of receivables, and when warranted and available, the financial condition of specific counterparties. The Company focuses on receivables outstanding for greater than 90 days in assessing the Company's credit risk and records a reserve, when required, to mitigate that risk. When collection efforts have been exhausted, specific balances are written off.

As at December 31, 2014, there are no financial assets that the Company deems to be impaired or that are past due according to their terms and conditions, for which allowances have not been recorded. The Company's trade receivables totalled $112,171 as at December 31, 2014 [2013 – $104,275]. 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 $2,950 as at December 31, 2014 [2013 – $2,359]. The Company's provision for impairment of trade receivables, established through on-going monitoring of individual customer accounts, was $1,969 as at December 31, 2014 [2013 – $1,658].

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 fulfil 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.

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

					Remaining term to maturity	
	Carrying amount	**Contractual cash flows**	**Under 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**
As at December 31, 2014:						
Trade and other payables	**$ 197,044**	**$ 197,044**	**$ 197,044**	**$ –**	**$ –**	**$ –**
Finance lease liabilities	**15,851**	**19,953**	**2,893**	**4,814**	**3,738**	**8,508**
Loans and borrowings	**315,363**	**341,247**	**60,591**	**280,656**	**–**	**–**
Convertible debentures	**91,773**	**124,707**	**3,000**	**6,000**	**6,000**	**109,707**
Redeemable share liability	**401**	**401**	**–**	**–**	**–**	**401**
	$ 620,432	**$ 683,352**	**$ 263,528**	**$ 291,470**	**$ 9,738**	**$ 118,616**

					Remaining term to maturity	
	Carrying amount	Contractual cash flows	under 1 year	1–3 years	3–5 years	More than 5 years
Restated [note 4] **As at December 31, 2013:**						
Trade and other payables	$ 200,361	$ 200,361	$ 200,361	$ –	$ –	$ –
Finance lease liabilities	17,861	22,960	3,010	5,618	3,933	10,399
Debentures	15,503	15,740	15,740	–	–	–
Loans and borrowings	375,255	425,164	62,815	120,364	241,985	–
Convertible debentures	90,952	127,707	3,000	6,000	6,000	112,707
Redeemable share liability	859	859	–	–	–	859
	$ 700,791	$ 792,791	$ 284,926	$ 131,982	$ 251,918	$ 123,965

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 finance lease liabilities, debentures, loans and borrowings and convertible debentures 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 debentures, credit facilities and convertible debentures are further discussed in note 14.

The Company's future obligations under operating leases are discussed in note 25.

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 is comprised of 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 finance lease liabilities, debentures, and convertible debentures due to fluctuations in interest rates. Fair value risk related to the finance lease liabilities, debentures and convertible debentures impacts disclosure only as these items are carried at amortized cost on the consolidated statements of financial position.

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

(i) Interest rate sensitivity analysis

The Company's net income is sensitive to the impact of a change in interest rates on the average indebtedness under the term credit facility and the revolving credit facility during the year. For the year ended December 31, 2014, the Company's average indebtedness under the term credit facility was $350,000 (2013 – $390,000) and under the revolving credit facility was Nil (2013 – Nil). Accordingly, a change during the year ended December 31, 2014 of a one percentage point increase or decrease in the applicable interest rate would have impacted the Company's net income by approximately $2,573 (2013 – $2,867).

(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 restricted marketable securities that are classified as available-for-sale financial assets. Changes in the fair value of these financial assets are recorded, net of income taxes, in accumulated other comprehensive income as it relates to unrecognized gains and losses. The risk is managed by the Company and its investment managers by ensuring a conservative asset allocation.

23. INSURANCE CONTRACT RISK

Certain subsidiaries of the Company are responsible for the insurance business and monitoring and managing the financial risks related to the Company's insurance operations. This is done through internal risk assessment reporting and by compliance with regulatory requirements. Trans Global Life Insurance Company ("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. Trans Global Insurance Company ("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 limiting the benefits that the policyholder stands to receive. The Company, therefore, has a defined maximum exposure which enables it to effectively manage the overall risk. These maximum benefits are limited to $25,000 per occurrence.

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

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

The capital structure of the Company has not changed from the prior fiscal year. The capital structure currently includes finance lease liabilities, convertible debentures, term credit facility and borrowing capacity available under the revolving credit facilities (note 14). As at December 31, 2014, $99,475 is available to draw on under our $100,000 revolving credit facility, as the borrowing capacity is reduced by ordinary course letters of credit of $525 primarily with respect to buildings under construction or being completed (2013 – $525).

	2014	Restated [note 4] 2013
Current portion of finance lease liabilities	**$ 2,002**	$ 2,010
Debentures	**–**	15,503
Current portion of loans and borrowings	**30,000**	50,000
Convertible debentures	**91,773**	90,952
Finance lease liabilities	**13,849**	15,851
Loans and borrowings	**285,363**	325,255
Total shareholders' equity	**549,105**	497,764
Total capital under management	**$ 972,092**	$ 997,335

Under the Senior Secured Credit Agreement, the financial and non-financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreement. The Company was in compliance with these key covenants as at December 31, 2014.

The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. Based on current funds 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 "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 Act. As at December 31, 2014, TGI's Minimum Capital Test ratio was 634% (2013 – 537%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Act. As at December 31, 2014, TGLI's Minimum Continuing Capital and Surplus Requirements ratio was 579% (2013 – 396%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Act.

25. COMMITMENTS AND CONTINGENCIES

(a) The Company leases a number of retail stores under operating leases. Generally, the leases have rent escalation terms and renewal options to extend. The Company is obligated under these operating leases for future minimum annual rental payments as follows:

No later than 1 year	$	83,038
Later than 1 year and no later than 5 years		261,371
Later than 5 years		174,637
	$	519,046

(b) The future minimum lease payments receivable under non-cancellable operating leases for certain land and buildings classified as investment property are as follows:

No later than 1 year	$	2,554
Later than 1 year and no later than 5 years		5,229
Later than 5 years		459
	$	8,242

(c) Pursuant to a reinsurance agreement relating to the extended warranty sales, the Company has pledged available-for-sale financial assets amounting to $18,310 [2013 – $20,104].

(d) In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

26. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

		Year ended December 31, 2014		Year ended December 31, 2013
Trade receivables	**$**	**(8,528)**	$	(20,328)
Inventories		**11,028**		(29,461)
Deferred financing costs		**–**		817
Other assets		**(1,222)**		3,696
Deferred acquisition costs		**(7,141)**		(6,113)
Trade and other payables		**(3,603)**		(16,996)
Provisions		**(193)**		(710)
Income taxes payable		**22,601**		4,903
Customers' deposits		**4,096**		21,002
Deferred rent liabilities and lease inducements		**2,142**		3,776
	$	**19,180**	$	(39,414)

27. RELATED PARTY TRANSACTIONS

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

Key management compensation

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

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and other short-term employee benefits	**$ 5,280**	$ 12,521

28. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2014 consolidated financial statements.

CORPORATE AND SHAREHOLDER INFORMATION

Board of Directors

Mark J. Leon
Toronto

Terrence T. Leon
Toronto

Edward F. Leon
King City

Joseph M. Leon II
Mississauga

Peter B. Eby
Private Investor, Toronto

Alan J. Lenczner
Barrister, Partner in
Lenczner Slaght, Toronto

Mary Ann Leon
Financial Executive, Toronto

Frank Gagliano
Vice Chairman,
St. Joseph Communications, Toronto

Officers

Mark J. Leon
Chairman of the Board

Terrence T. Leon
President and CEO

Dominic Scarangella
Vice President and CFO

Edward F. Leon
Vice President, Merchandising

John A. Cooney
Corporate Secretary

Corporate Office

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

Auditors

Ernst & Young LLP
Toronto

Registrar and Transfer Agent

CST Trust Company

Listing

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

Annual General Meeting

May 14, 2015 2:00 PM
Leon's Furniture Limited
The John Street Roundhouse
255 Bremner Blvd.
Unit 32
Toronto, Ontario

OUR LEON'S AND THE BRICK DIVISIONS comprise the largest retail network for home furnishings, appliances and electronics in Canada, with over 300 stores from coast-to-coast. Our customers also can find everything we offer at stores and more, including the same high standards for delivery, service and guaranteed pricing – through our growing online stores.

Visit us today at leons.ca and thebrick.com