

Reimagining Retail

Annual Report 2020



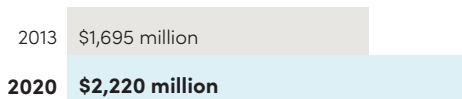
Delivering Sustained, Long-term Value

LFL Group completed the transformative acquisition of The Brick in 2013. We said creating a clear Canadian leader would help us thrive in a changing and increasingly competitive retail environment.

Over the previous seven years, we have become more efficient and more profitable. We retired more than \$440 million of debt, invested \$230 million of capital in growth initiatives, and declared more than \$300 million of dividends to our shareholders. At the end of 2020, our market capitalization was 70% higher than at the end of 2013.

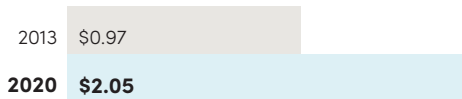
Revenue

↑ 31%



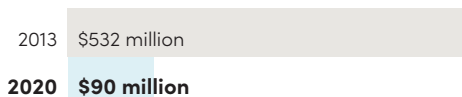
Earnings Per Share

↑ 111%



Total Debt Reduction

↓ \$442m





LFL Group is reimagining the way we do business in a rapidly changing retail landscape through continuous innovation and investment.



“I have long said that succeeding in retail is a challenge, but in my 45 years in this business nothing has come close to last year. I am proud of the balance we struck at LFL Group.”

Edward F. Leon

Chief Executive Officer
LFL Group



We followed every guideline to keep our associates and customers safe, continued to provide products and services that Canadians need, and served as effective stewards of investor capital.

Systemwide sales of \$2.70 billion were down 1% from 2019 because of the extended store closures necessary to contain the COVID-19 pandemic. Our team responded with very effective cost-control measures that enabled us to grow adjusted net income by 56% to \$166.7 million, despite the significant headwinds we faced.

I believe our resilience in the face of the significant change we have seen in recent years is the result of our long-standing management philosophies. LFL Group has always prioritized a strong balance sheet, investment in growth and innovation, and getting the smallest details right. This approach may not always be exciting, but it delivers sustainable value and enables us to weather inevitable storms.

Managing Through Challenges

We made some difficult but necessary decisions in 2020. At the height of the shutdowns, we had to lay off more than 70% of our associates but we were delighted to bring back the majority of our people in the latter part of the year.

Even when most of our retail locations were closed, we found ways to keep servicing our customers. People were spending more time than ever in their homes, which often became de facto workplaces and schools. To meet their needs for furniture and appliances, we ramped up our eCommerce capabilities and maintained our coast-to-coast distribution system with enhanced safety protocols. Another important piece has been our subsidiary Trans Global Service, which is the largest third-party appliance service company in Canada.

When we reopened our stores, pent-up demand led to record sales levels. The second half of 2020 represented record quarters in our Company's history.

Investing in Innovation

The operational constraints of 2020 did not stop us from continuing to invest in the business. We view ongoing investment in growth and innovation as a strategic imperative, not a discretionary item.

The best example is our eCommerce capability. For the past three years we have prioritized the development of a world-class, scalable, online option that allows our customers to shop when, where and how they want. At times last year, online became their best and only option – and we were ready. Customers of our three online stores found our full product catalogue, plus access to innovative tools such as augmented reality. We redeployed many of our highly knowledgeable in-store associates to bolster our live chat feature, which personalizes the shopping experience for customers who would typically shop in-store.

Our eCommerce sales skyrocketed to more than 12% of our consolidated sales. We attracted new customers who opted to place their online purchases with brand names they knew and trusted. eCommerce will remain a centerpiece of our omnichannel approach, offering customers the best of both worlds.

Another important but less visible area of investment is our information technology infrastructure. We recently completed major upgrades to the hardware and software that powers our back-office systems. Our strengthened IT capability is supporting our push into eCommerce and increasing our overall capacity after an extended period of growth. It has also improved our efficiency and proved to be a key tool for managing costs when we have had to make important adjustments to our business model.

We opened nine new stores in 2020 as we entered new markets and repositioned existing stores. The new locations in British Columbia, Alberta and Atlantic Canada are based both on our smart store model and next generation design, which enhances the shopping experience with innovative technologies like touchscreen kiosks and video walls. This ongoing expansion will help us grow overall share and take advantage of national advertising and the brand awareness that precedes us in those markets.



“We continued to provide the products and services people need during a period when people were spending more time than ever in their homes.”

“Ecommerce will remain a centrepiece of our omnichannel approach, offering customers the best of both worlds.”

In early 2021, we opened a new state-of-the-art distribution centre in Dartmouth, Nova Scotia. This DC will support our expected growth in Atlantic Canada. The Brick, in particular, is building out its presence in the region, most recently through new store openings in Fredericton and Saint John, New Brunswick and St. John's, Newfoundland.

Through these and other investments, we continue to set the stage for further growth while maintaining an ability not only to adapt to changing conditions, but to be a driver of that change.



↑
Our investment in a world-class eCommerce capability was a key factor in our success in 2020.

Brick Store Saint John, NB
As part of the Brick's Atlantic Canada expansion, we opened the Saint John, NB store in 2020.



Financial Strength

Our ongoing investments in long-term growth are made possible by the strength of our balance sheet. We ended the year with over \$660 million of available liquidity, including \$487 million of cash and investments. We have paid back more than \$440 million of debt since we acquired The Brick in 2013. In 2020, most of the remaining debentures associated with that purchase were converted into common shares.

Once again, we demonstrated our commitment to return capital to our shareholders. After making the prudent decision to reduce our quarterly dividend by 25% in the spring, we were able to restore it to \$0.16 per share by the end of the year as conditions improved. The Company reached a record \$1 billion in shareholders' equity, after returning \$118.1 million to its shareholders with a combination of dividends declared and common share repurchases in 2020.

A significant portion of the value of our Company is tied to hard assets like our current portfolio of 4.8 million square feet of commercial real estate. Ownership of these properties helps reduce the carrying costs of our retail locations and opens the door to potential development opportunities. LFL Group's other businesses such as after-sales service, wholesale, insurance and warranty are profitable and strategic in their own right, and create diversified revenue streams throughout the business cycle.

The combination of financial strength, disciplined capital allocation and a resilient business model makes us less susceptible to downturns and positions us to take advantage of growth opportunities that may arise.



“We continue to set the stage for further growth while maintaining an ability not only to adapt to changing conditions, but to be a driver of that change.”

← **Distribution Centre, Dartmouth, NS**
168,000 square foot facility supports The Brick, Leon's and online sales.



**Next Generation Design
North Calgary, AB**

It's a hybrid between the new smaller scale 'smart' store and the traditional full-size corporate store.

**Smart Store
Coquitlam, BC**

This concept combines the best of personalized and innovative technology.



“We will maintain our focus on operating efficiency, while at the same time investing in innovation.”

Outlook

The Canadian economy remains relatively strong, although there is still uncertainty about the duration and full impact of COVID-19. We are seeing encouraging developments at the start of 2021 including the beginning of a widespread vaccination program. Nevertheless, there are sure to be repercussions from the recent hardships faced by so many families and businesses. We will continue to monitor the situation closely and respond to any new developments.

Our fundamental approach will not change. We will maintain our focus on operating efficiency, while at the same time investing in innovation to drive visits to both our eCommerce sites and our retail stores. We always strive for ongoing improvements, and I believe the recent need to prioritize resources in the face of adversity has made us leaner and more effective as a company.

Effective execution ultimately comes down to people, and the commitment and quality of our team has never been more evident. In particular, the courage demonstrated by our associates in working through very challenging conditions has been inspiring. I cannot overstate how much I appreciate their sacrifices and their dedication. I believe these values are ingrained in our culture, and espoused by associates throughout the organization.

I would like to thank our management team and Board of Directors for helping to guide us through recent turbulence. In 2020 we welcomed the Hon. Lisa Raitt as a new director, and bid farewell to Peter Eby after more than four decades of distinguished service on our Board. I am also grateful to our shareholders for your ongoing support, and look forward to more mutual success.



Edward F. Leon
Chief Executive Officer
LFL Group



Investing in innovation



Achieving Omnichannel Sales Through Ecommerce

Online shopping has been claiming an increasing share of retail sales for years. In 2020, it became the only option for extended periods of time. Retailers who lacked a viable eCommerce capability struggled to compete.

Even though the Company has been selling online for many years, LFL Group was able to pivot to an online focus, thanks to the eCommerce investments we have made since 2018. Our three online stores – thebrick.com, leons.ca and furniture.ca – are all powered by the Shopify Plus platform. They are highly scalable and fully integrated with our fulfilment and distribution operations.

Customers find comprehensive online product catalogues and innovative features such as augmented reality, which lets them see how a piece would look in their home. Customers can arrange for delivery and even instant credit approvals without ever visiting a store.

We will continue to invest in the eCommerce channel. Under LFL Group's omnichannel approach, our online stores are as important to our success as our traditional locations.

Bringing Innovation to Our Retail Stores

We introduced new features in many of our stores to enhance the shopping experience. These include:

QR codes
provide access to additional product details



Video walls
with life-sized product displays



Point-of-sale tablets
to expedite the check-out process

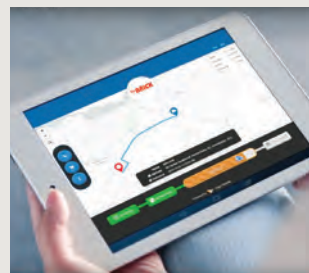
Touchscreen kiosks
for browsing additional product options



e-tags
that display prices and other product details



Augmented Reality
to virtually combine multiple items in the showroom



Delivery management tool
to gain visibility into delivery timing

Our “smart store” concept packages all of these features and more at a single location. Smart stores are built on a smaller scale than our traditional “big box” stores, enabling us to expand economically into mid-sized markets. Our Leon’s division has opened four smart stores since debuting the concept in 2019 and performance has exceeded our expectations.

We plan to open additional smart stores in the coming years, and roll out other innovations selectively throughout our retail network.

Strengthening our IT infrastructure

One of our most important innovations in recent years is related to strengthening our IT infrastructure. We completed a major upgrade to the information technology (IT) that powers our back-office operations.

The key to successful retailing is getting the details right. There is great complexity in running a business with hundreds of suppliers, hundreds of stores, thousands of product SKUs, and tens of thousands of monthly transactions.

Our IT supply chain platform offers full visibility and control over our in-store, eCommerce and distribution systems. It lets us adjust quickly to changing circumstances and alerts us to potential issues before they become problems.

The platform helps us optimize operations and manage costs. In 2020, we were able to reduce expenses in response to an unexpected decline in revenue, thereby minimizing impact on profits. When the pandemic disrupted some supply chains, we were able to adjust and prevent customer disappointments.



Executive Leadership Team

Our management team has unparalleled retail experience and a commitment to delivering value to all our stakeholders.



Edward F. Leon

CEO of LFL Group

Eddy is a third generation Leon who began working in the family business as a young man. Since 1976, he has held a number of management positions in store operations, human resources, and buying. In 2001, Eddy was appointed a Director of the Company. He assumed the position of President and Chief Operating Officer of Leon's Furniture Limited in 2015, until his appointment in 2018 to Chief Executive Officer of the LFL Group.



Michael J. Walsh

President & COO of LFL Group

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



Constantine Pefanis

CFO of LFL Group

Costa has held various management positions within Leon's Furniture Limited during the last 15 years. He began his career at the Company as Corporate Finance Manager in May 2005. In 2016, he was appointed the Director of Finance, Audit & IT, a position he held until his appointment in 2018 to the position of Chief Financial Officer of the LFL Group.



David B. Freeman

Divisional President of The Brick

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



Graeme Leon

Divisional President of Leon's

Graeme was promoted to the position of President of the Leon's Furniture Division in 2020. His 40 years of service with the Company have included roles as Vice President of Merchandising and National Store Operations Manager, both for the Leon's Furniture Division.

A Diversified Portfolio of Businesses

Our retail and eCommerce operations are strengthened by industry-leading capabilities throughout the value chain. These businesses proved crucial in maintaining service to our customers during the recent pandemic, while also helping to diversify our company.



Real Estate

Our stores and warehouses sit on a vast portfolio of real estate which is reported at historical cost and represents significant opportunity to unlock value through sale or development.



Insurance

We offer credit insurance on our customers' outstanding balances to protect against unforeseen events or loss.



Wholesale

We deal directly with many manufacturers to capitalize on market trends, improve quality control, simplify our supply chain and capture incremental margin.



After-Sales Service

As Canada's largest supplier of after-sales service, we fulfil the installation, repair and service requirements for our customers as well as a growing number of third parties.



Retail & Distribution

We have been investing in our retail and distribution network to improve efficiency and enable us to fulfil orders from multiple banners, online sales, and third-party vendors.



Warranty

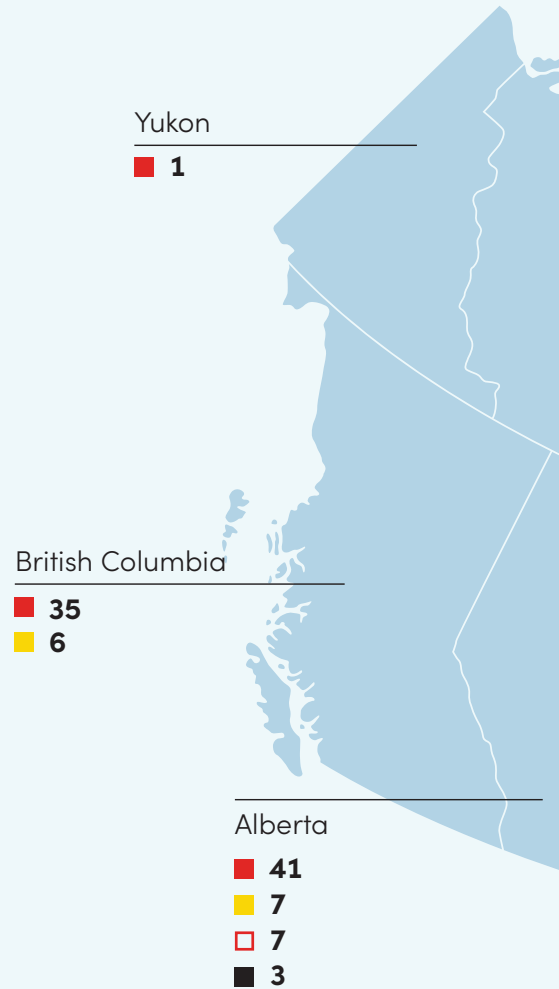
We offer extended warranties to customers who value extra protection and cost certainty, and we service those warranties as required.



The Power of Our Brands

Our flagship Leon's and The Brick brands have built a strong identity through decades of unbeatable service, selection and value. We support and enhance that brand identity with national advertising campaigns and community involvement.

Our retail locations have become a destination of choice. When shopping online, many consumers choose a familiar brand that they know and trust.



304 Total Stores Nationwide

182
The Brick



89
Leon's



21
The Brick
Mattress Store

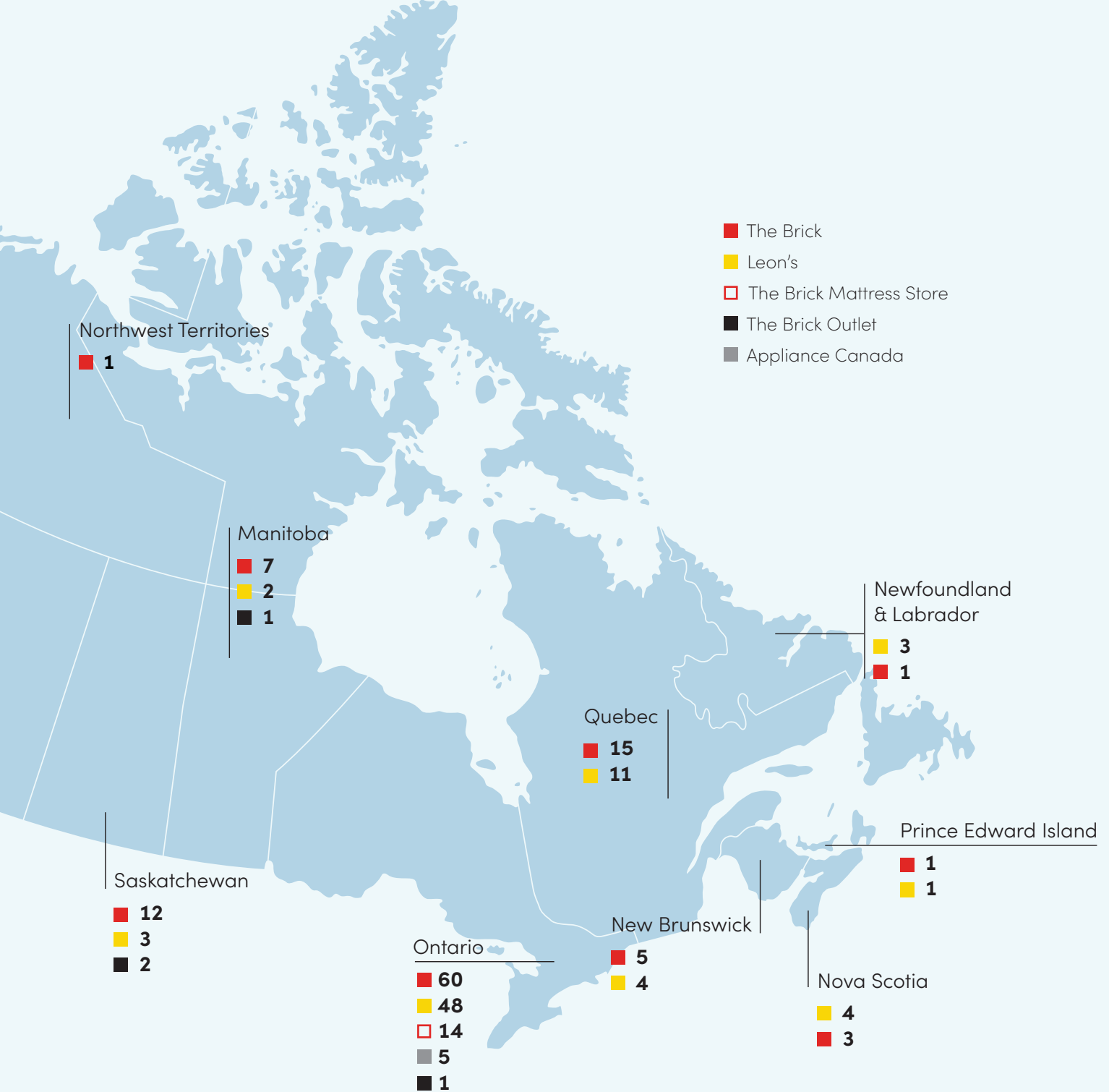


7
The Brick Outlet



5
Appliance Canada





A LEADER IN ECOMMERCE

- TheBrick.com
- Leons.ca
- Furniture.ca
- ApplianceCanada.com
- Transglobalservice.com
- Transglobalinsurance.ca

WHOLLY-OWNED SUBSIDIARIES AND DIVISIONS OF LFL GROUP

- | | |
|----------------------------------|-------------------------------------|
| First Oceans Trading Corporation | The Brick Ltd. |
| King and State Limited | Appliance Canada |
| Leon's Division | Trans Global Insurance Company |
| Leon Holdings (1967) Limited | Trans Global Life Insurance Company |
| Murlee Holdings Limited | Trans Global Service |

Our ESG Commitment

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



Minimizing Our Impact

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

Recycling

Our facilities are equipped with recycling equipment to ensure we divert waste and conserve other resources. In The Brick Division, we achieved an overall diversion rate of 78% in 2020, including 87% in our distribution centres. The Brick's recycling efforts conserved the equivalent of 29,988 cubic yards of landfill airspace, 48,777 mature trees, 16.2 million kw-hours of electricity and 26.2 million gallons of water.

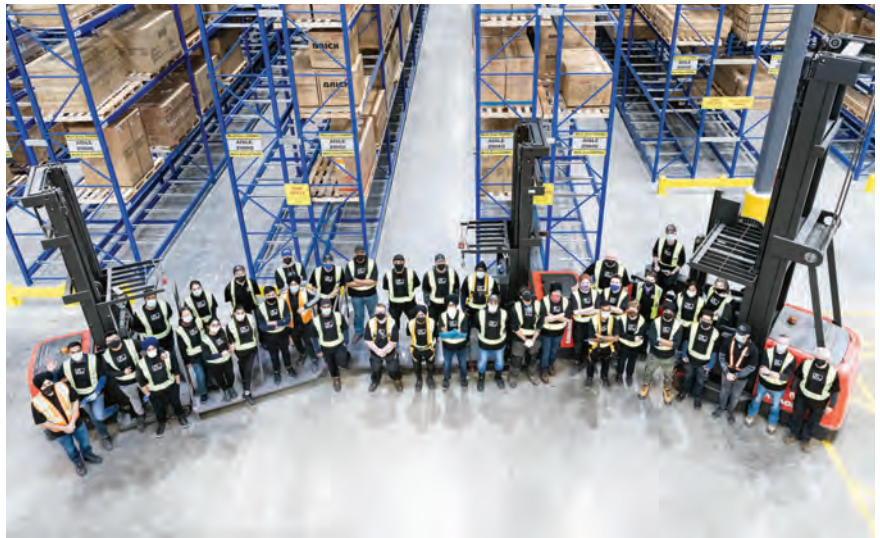


Supplier Audits

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

A Safe and Healthy Workplace

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



Cooking for
The Kids 

Sponsored by
KitchenAid

with
DAVID ROCCO
November 19, 2020

 Children's
Miracle Network  **BRICK by BRICK**
Helping to Improve the Lives of Children



Giving Back to Our Communities

We are proud to support health and wellness initiatives across the country, and this past year has reminded us how much we all depend on those essential services.

With many of our stores temporarily closed for parts of 2020, we supplemented our fundraising for the **Children's Miracle Network** by staging our first-ever virtual event called "Cooking for Kids." In combination with other initiatives highlighted by The Brick's "Buy More, Save More, Give More" promotion, we raised a total of \$467,000. This donation will help Children's Miracle Network support children's hospitals, medical research and community awareness.

Protecting the Interests of All Stakeholders

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

Income Statistics

(\$ in thousands, except amounts per share)	2020	2019	2018	2017	2016
Revenue	\$ 2,220,180	\$ 2,283,411	\$ 2,241,437	\$ 2,215,379	\$ 2,143,736
Cost of Sales	1,236,258	1,284,826	1,264,561	1,261,112	1,228,499
Gross Profit	\$ 983,922	\$ 998,585	\$ 976,876	\$ 954,267	\$ 915,237
Operating Expenses	773,437	855,539	826,286	822,838	801,049
Income before income taxes	210,485	143,046	150,590	131,429	114,188
Provision for income taxes	47,235	36,117	39,560	34,836	30,597
Net Income	\$ 163,250	\$ 106,929	\$ 111,030	\$ 96,593	\$ 83,591
Common shares outstanding (weighted average '000s)	79,799	77,595	76,368	72,904	71,696
Earnings per common share	\$ 2.05	\$ 1.38	\$ 1.45	\$ 1.32	\$ 1.17
Percent annual change in sales	(2.8%)	1.9%	1.2%	3.3%	5.5%
Net income as a percentage of sales	7.4%	4.7%	5.0%	4.4%	3.9%
Dividend declared	\$ 69,977	\$ 43,445	\$ 39,716	\$ 35,136	\$ 28,691

Balance Sheet Statistics

(\$ in thousands, except amounts per share)	2020	2019	2018	2017	2016
Shareholders' equity	\$ 1,016,003	\$ 915,764	\$ 857,362	\$ 773,048	\$ 659,553
Total assets	2,418,589	2,146,461	1,723,572	1,661,455	1,611,662
Purchase of capital assets	43,493	32,931	19,650	55,041	25,689
Working capital	161,286	100,206	198,445	162,328	128,788
Shareholders' equity per common share	13.30	11.80	11.23	10.60	9.20
Common share price range on the Toronto Stock Exchange					
High	\$ 21.68	\$ 17.29	\$ 19.50	\$ 19.57	\$ 18.75
Low	\$ 10.25	\$ 14.01	\$ 14.70	\$ 16.19	\$ 13.08

Revenue

(\$ in thousands)

\$2,220,180

16	\$2,143,736
17	\$2,215,379
18	\$2,241,437
19	\$2,283,411
20	\$2,220,180

Net Income

(\$ in thousands)

\$163,250

16	\$83,591
17	\$96,593
18	\$111,030
19	\$106,929
20	\$163,250

Shareholders' Equity

(\$ per share)

\$13.30

16	\$9.20
17	\$10.60
18	\$11.23
19	\$11.80
20	\$13.30

Management's Discussion and Analysis

For the year ended December 31, 2020

1. Preface	18
2. Business Overview	18
3. Results of Operations	19
4. Store Network	23
5. Summary of Consolidated Quarterly Results	23
6. Financial Position.....	24
7. Liquidity and Capital Resources	25
8. Outlook.....	26
9. Outstanding Common Shares.....	27
10. Related Party Transactions.....	27
11. Critical Assumptions.....	28
12. Risks and Uncertainties.....	30
13. Controls and Procedures	31
14. Non-IFRS Measures.....	31

1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at February 23, 2021 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, 2020 and for the years ended December 31, 2020 and 2019. It should be read in conjunction with the fiscal year 2020 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2020 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

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

Financial Statements Governance Practice

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

The Audit Committee of the Board of Directors of Leon's Furniture Limited reviewed the MD&A and the consolidated financial statements, and recommended that the Board of Directors approve them. Following review by the full Board, the fiscal year 2020 consolidated financial statements and MD&A were approved on February 23, 2021.

2. Business Overview

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

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

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

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

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus, which has the potential to cause severe respiratory illness ("COVID-19"), a global pandemic. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty. The COVID-19 pandemic has increased the uncertainties around key assumptions used by the Company in estimating the recoverable amount for the purpose of testing for impairment of property, plant and equipment, goodwill and intangible assets. These key estimates include future cash flows, margins and discount rates. Accordingly, estimates of the extent to which the COVID-19 pandemic could materially and adversely affect the Company's operations, financial results and condition in future periods, including the use of estimates and judgements described in Note 2 in the fiscal year 2020 consolidated financial statements, are also subject to significant uncertainty.

3. Results of Operations

Summary financial highlights for the three months ended December 31, 2020 and December 31, 2019

For the	Three months ended			
	December 31, 2020	December 31, 2019	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	830.9	751.3	79.6	10.6%
Franchise sales ⁽¹⁾	155.8	129.8	26.0	20.0%
Revenue	675.1	621.4	53.7	8.6%
Cost of sales	366.5	342.6	23.9	7.0%
Gross profit	308.7	278.9	29.8	10.7%
Gross profit margin as a percentage of revenue	45.73%	44.88%		
Selling, general and administrative expenses ⁽²⁾	230.8	220.4	10.4	4.7%
SG&A as a percentage of revenue	34.19%	35.47%		
Income before net finance costs and income tax expense	77.9	58.5	19.4	33.2%
Net finance costs	(3.9)	(6.1)	(2.2)	(36.1%)
Income before income taxes	74.0	52.3	21.7	41.5%
Income tax expense	17.7	13.0	4.7	36.2%
Adjusted net income ⁽¹⁾	56.3	39.3	17.0	43.3%
Adjusted net income as a percentage of revenue ⁽¹⁾	8.34%	6.32%		
After-tax mark-to-market loss on financial derivative instruments ⁽¹⁾	3.0	-	3.0	100%
Net Income	53.3	39.3	14.0	35.6%
Basic weighted average number of common shares	78,356,607	77,475,740		
Basic earnings per share	\$0.68	\$0.51	\$0.17	33.3%
Adjusted basic earnings per share ⁽¹⁾	\$0.72	\$0.51	\$0.21	41.2%
Diluted weighted average number of common shares	80,285,965	83,529,721		
Diluted earnings per share	\$0.67	\$0.48	\$0.19	39.6%
Adjusted diluted earnings per share ⁽¹⁾	\$0.71	\$0.48	\$0.23	47.9%
Common share dividends declared	\$0.46	\$0.14	\$0.32	228.6%
Convertible, non-voting shares dividends declared	\$0.29	\$0.28	\$0.01	3.6%

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

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

Same Store Sales ⁽¹⁾

For the	Three months ended				
	(C\$ in millions except %)	December 31, 2020	December 31, 2019	\$ Increase	% Increase
Same store sales ⁽¹⁾		653.1	608.8	44.3	7.3%

Revenue

For the three months ended December 31, 2020, revenue was \$675.1 million compared to \$621.4 million in the fourth quarter 2019. Revenue increased \$53.7 million or 8.6% as compared to the prior year quarter due to increases in all product categories which were driven by increased consumer demand that began in the second quarter 2020 and continued during most of the remainder of 2020. The Company's continued focus on eCommerce, including its live chat initiatives, generated a year over year 227% increase in eCommerce driven sales during the quarter. The ongoing strength in eCommerce sales in the quarter also continue to validate that the Company's digital platform is quite scalable and capable of significantly contributing higher operating profit margin percentages due to its current operating cost structure. The digital platform is key to allowing the Company to attract new customers as they begin their shopping experience online and then continue in store to be assisted by our knowledgeable sales associates.

However, due to the provincially mandated retail showroom closures that began on November 12, 2020, in Manitoba for non-essential items and which then continued to impact the municipalities of Toronto and Peel in the province of Ontario beginning on November 23, 2020, the Company was forced to temporarily restrict or temporarily close its retail showrooms in these affected areas. Notwithstanding these showroom restrictions, the provincial governments continued to allow the Company to offer curbside pickup at our retail showrooms and warehouses and to continue to offer home deliveries to our customers. All the Company's retail showrooms in Ontario and Quebec were temporarily closed to our customers beginning on December 26, 2020, due to province-wide temporary closures of all non-essential retail showrooms. These further closures did not impact curbside pickup at our retail stores and warehouse locations and it did not impact our ability to perform customer deliveries. In addition, it did not restrict our ability to provide sales and service to our customers by phone, to perform repair or installation services at their required locations or to continue to maximize the Company's use of our live chat initiatives online. This continued focus on eCommerce driven sales, has generated a five-fold increase to the annualized run rate in eCommerce sales subsequent to the quarter end December 31, 2020. These activities and results are due to the ongoing dedication and loyalty exhibited by all of our associates across all divisions and subsidiaries of the Company. Subsequent to the fourth quarter ended 2020, the vast majority of these provincial shutdown measures have been lifted and most of the affected retail stores have been reopened as of February 22, 2021, albeit with certain indoor capacity restrictions.

The Company is very pleased that we now can recall and return almost all associates, back to their positions. To financially assist our associates during these unprecedented times, the Company approved special payments related to the fourth quarter totaling several million dollars and distributed these funds to both active and laid-off associates. Since the start of this pandemic, the Company chose to provide special payments, assistance and benefits to both our actively employed and temporarily laid-off associates. The aggregate total of these Company funded amounts for the 2020 fiscal year is approximately \$10 million over and above the Company's customary compensation practices. These extra amounts demonstrate how important our associates financial and physical wellbeing continues to be to the Company.

Same Store Sales ⁽¹⁾

The Company was able to achieve a 7.3% increase in same store sales in the quarter compared to the fourth quarter 2019, despite two important factors, first the significant restrictions imposed by the provincial governments of Ontario and Quebec related to allowing the Company's customers into its retail showrooms and second, the Company has over 50% of its retail store count in these two provinces.

Gross Profit

The gross profit margin of 45.73% in the quarter increased by 85 basis points from the fourth quarter 2019. This was due to increases in gross profit across all the Company's product categories.

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

SG&A as a percentage of revenue in the current quarter was down by 128 basis points due to effectively managing overall SG&A expenses throughout the quarter while at the same time adjusting advertising spend to drive traffic to both the retail stores and to the Company's websites.

Adjusted Net Income ⁽¹⁾ and Adjusted Diluted Earnings Per Share ⁽¹⁾

As a result of the above and a continued reduction in net finance costs, adjusted net income in the current quarter totaled \$56.3 million, an increase of \$17.0 million over the prior year's quarter. This resulted in adjusted diluted earnings per share to increase to \$0.71 per share in the current quarter, an increase of 47.9% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2020 was \$53.3 million, or \$0.67 per diluted earnings per share as compared to the net income of \$39.3 million in the prior year's quarter, or \$0.48 per diluted earnings per share.

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

Summary financial highlights for the year ended December 31, 2020 and December 31, 2019

For the	Year ended			
	December 31, 2020	December 31, 2019	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	2,701.6	2,728.6	(27.0)	(1.0%)
Franchise sales ⁽¹⁾	481.4	445.2	36.2	8.1%
Revenue	2,220.2	2,283.4	(63.2)	(2.8%)
Cost of sales	1,236.3	1,284.8	(48.5)	(3.8%)
Gross profit	983.9	998.6	(14.7)	(1.5%)
Gross profit margin as a percentage of revenue	44.32%	43.73%		
Selling, general and administrative expenses ^{(2) (3)}	751.0	830.5	(79.5)	(9.6%)
SG&A as a percentage of revenue ⁽³⁾	33.83%	36.37%		
Income before net finance costs and income tax expense	233.0	168.1	64.9	38.6%
Net finance costs	(17.9)	(25.2)	(7.3)	(29.0%)
Income before income taxes	215.1	142.9	72.2	50.5%
Income tax expense	48.4	36.1	12.3	34.1%
Adjusted net income ⁽¹⁾	166.7	106.8	59.9	56.1%
Adjusted net income as a percentage of revenue ⁽¹⁾	7.51%	4.68%		
After-tax mark-to-market (gain)/loss on financial derivative instruments ⁽¹⁾	3.4	(0.1)	3.5	
Net Income	163.3	106.9	56.4	52.8%
Basic weighted average number of common shares	79,798,908	77,594,496		
Basic earnings per share	\$2.05	\$1.38	\$0.67	48.6%
Adjusted basic earnings per share ⁽¹⁾	\$2.09	\$1.38	\$0.71	51.5%
Diluted weighted average number of common shares	82,113,879	83,746,040		
Diluted earnings per share	\$1.99	\$1.30	\$0.69	53.1%
Adjusted diluted earnings per share ⁽¹⁾	\$2.04	\$1.30	\$0.74	56.9%
Common share dividends declared	\$0.88	\$0.56	\$0.32	57.1%
Convertible, non-voting shares dividends declared	\$0.29	\$0.28	\$0.01	3.6%

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

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

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

Same Store Sales ⁽¹⁾

For the	Year ended				
	(C\$ in millions except %)	December 31, 2020	December 31, 2019	\$ (Decrease)	% (Decrease)
Same store sales ⁽¹⁾		2,157.6	2,239.0	(81.4)	(3.6%)

Revenue

For the year ended December 31, 2020, revenue was \$2,220.2 million compared to \$2,283.4 million in the prior year, a decrease of \$63.2 million or 3% as compared to the prior year. This reduction in revenue was driven by substantial reductions in physical store traffic due to COVID-19 retail store closures across the country primarily during the months of April and May 2020. Total written merchandise sales increased significantly during the period where all physical stores were permitted to reopen as compared to the same period last year.

Same Store Sales ⁽¹⁾

Same store corporate sales decreased 3.6% compared to the year ended December 31, 2019. Since the Company has over 50% of its retail store count in Ontario and Quebec, the mandatory store closures during primarily the months of April and May 2020 in these two provinces had a profound impact on the Company's ability to generate positive same store sales growth.

Gross Profit

The gross profit margin increased slightly from 43.73% for the year ended December 31, 2019 to 44.32% in the year ended December 31, 2020. This was due primarily to increases in gross profit margin across all product categories.

Selling, General and Administrative Expenses

As a result of COVID-19, and the ensuing rapid deterioration of customer traffic that began quickly near the end of March 2020 and continued during most of the second quarter, the Company undertook the necessary steps to right-size its operations and preserve its liquidity.

In the second quarter, the Government of Canada announced the Canadian Emergency Wage Subsidy (CEWS) in order to help employers return and keep their employees on their payrolls. The Company determined that it met the eligibility criteria and applied for the CEWS in order to be better positioned to return most of its valued associates back to work by the end of the third quarter.

Excluding the CEWS, the Company's SG&A as a percentage of revenue for the year ended December 31, 2020 was 35.25%, a decrease of 112 basis points over the prior year of 36.37%. Including the CEWS, the Company's SG&A as a percentage of revenue was 33.83%, an improvement of 254 basis points over the prior year.

Adjusted Net Income ⁽¹⁾ and Adjusted Diluted Earnings Per Share ⁽¹⁾

Including the impact of the CEWS, adjusted net income for the year ended December 31, 2020 totaled \$166.7 million an increase of \$59.9 million or 56.1% over the prior year. Adjusted diluted earnings per share for the Company increased by \$0.74 to \$2.04 per share, an increase of 56.9% over the prior year.

Excluding the impact of the CEWS, adjusted net income for the year ended December 31, 2020 totaled \$143.4 million an increase of \$36.6 million or 34.3% over the prior year. Adjusted diluted earnings per share for the Company increased by \$0.45 to \$1.75 per share, an increase of 34.6% over the prior year.

Net Income and Diluted Earnings Per Share

Including the mark-to-market impact of the Company's financial derivatives, net income for the year ended December 31, 2020 was \$163.3 million, \$1.99 per diluted earnings per share (net income \$106.9 million, \$1.30 per diluted earnings per share in 2019).

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

4. Store Network

The Company has 304 retail stores in Canada at December 31, 2020. The following table illustrates the Company's store count continuity from December 31, 2019 to December 31, 2020 by retail banner:

Banner	Number of stores as at December 31, 2019	Opened	Closed	Number of stores as at December 31, 2020
Corporate Stores				
Leon's	52	2	-	54
Appliance Canada	5	-	-	5
The Brick ⁽¹⁾	115	5	(3)	117
The Brick Mattress Store	24	-	(3)	21
Brick Outlet	9	-	(2)	7
Corporate Subtotal	205	7	(8)	204
Franchise Stores				
Leon's	34	1	-	35
The Brick	65	1	(1)	65
Franchise Subtotal	99	2	(1)	100
Total Corporate & Franchise Stores	304	9	(9)	304

1. Includes the Midnorthern Appliance banner.

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

5. Summary of Consolidated Quarterly Results

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

For the quarter ended	December 31		September 30		June 30		March 31	
	2020	2019	2020	2019	2020	2019	2020	2019
(C\$ in millions)								
Total system-wide sales ⁽¹⁾	830.9	751.3	762.8	712.6	509.9	667.7	598.1	597.2
Franchise sales ⁽¹⁾	155.8	129.8	132.0	111.2	93.2	106.8	100.5	97.4
Revenue	675.1	621.4	630.8	601.4	416.7	560.9	497.6	499.7
Net income	53.3	39.3	49.1	33.2	47.2	25.0	13.7	9.3
Adjusted net income ⁽¹⁾	56.3	39.3	49.3	33.0	47.2	25.0	13.9	9.4
Basic earnings per share	\$0.68	\$0.51	\$0.62	\$0.43	\$0.59	\$0.32	\$0.17	\$0.12
Diluted earnings per share	\$0.67	\$0.48	\$0.60	\$0.40	\$0.58	\$0.30	\$0.17	\$0.12
Adjusted basic earnings per share ⁽¹⁾	\$0.72	\$0.51	\$0.62	\$0.43	\$0.59	\$0.32	\$0.17	\$0.12
Adjusted diluted earnings per share ⁽¹⁾	\$0.71	\$0.48	\$0.61	\$0.40	\$0.58	\$0.30	\$0.16	\$0.12

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

6. Financial Position

As at	December 31, 2020	December 31, 2019
(C\$ in millions)		
Total assets	2,418.6	2,146.5
Total non-current liabilities	581.8	628.5

Assets

Total assets at December 31, 2020 of \$2,418.6 million were \$272.1 million higher than the \$2,146.5 million reported at December 31, 2019. This change was driven by an increase in cash and cash equivalents.

Non-Current Liabilities

Non-current liabilities of \$581.8 million were \$46.7 million lower than the \$628.5 million reported at December 31, 2019. This is primarily as a result of the conversion of \$50 million of the convertible debenture to 3,924,426 common shares at the holder's option.

Net Debt

The table below reflects the Company's net debt balances, excluding its lease liabilities and restricted marketable securities as at December 31, 2020.

As at	December 31, 2020	December 31, 2019	\$ Change
(C\$ in millions)			
Term debt	90.0	95.0	(5.0)
Convertible debenture	0.4	48.8	(48.4)
Total long-term debt (excluding lease liabilities)	90.4	143.8	(53.4)
Less: Cash, cash equivalents, debt and equity instruments	490.8	197.2	293.6
Net cash balance ⁽¹⁾	400.4	53.4	347.0

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

At December 31, 2020, the Company's total net debt balance, excluding its lease liabilities, continues to reflect a net positive cash position of \$400.4 million. This positive result was achieved mainly due to generating over \$400 million in free cash flow⁽¹⁾ in the year ended December 31, 2020.

7. Liquidity and Capital Resources

Liquidity Risk Management

The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at December 31, 2020, unrestricted liquidity was \$661.5 million comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

In response to the COVID-19 pandemic, the Company has taken the following actions to support its current operating environment and its liquidity position:

- In order to protect the health and safety of our customers and associates, the Company introduced several measures in the year to provide support to our associates and customers. These measures included: reduced store hours, contactless home delivery and customer pickup protocols, enhanced cleaning protocols and actions to support physical distancing including limiting the number of customers allowed in-store. The Company continued to operate its distribution centres and warehouse locations across the country with enhanced safety protocols.
- During the year the Company exercised its \$125 million credit accordion available under its Senior Secured Credit Agreement, thereby increasing its total revolving credit facility to \$175 million. No amounts have been borrowed under this revolving credit facility, except for the reduction due to ordinary letters of credit drawn against this facility. This revolving credit facility will not expire until May 31, 2024. As at December 31, 2020, the Company's unrestricted liquidity is \$661.5 million, excluding its unencumbered real estate portfolio comprising of land and buildings.

Consolidated Cash Flow Movements

The following table provides a summarized statement of cash flows for the three months and year ended December 31, 2020 and December 31, 2019:

For the	Three months ended			Year ended		
	December 31, 2020	December 31, 2019	\$ Increase (Decrease)	December 31, 2020	December 31, 2019	\$ Increase
(C\$ in millions)						
Cash provided by operating activities before changes						
in operating working capital items	97.1	78.6	18.5	293.8	246.2	47.6
Changes in operating working capital items	(25.1)	49.5	(74.6)	217.7	(11.6)	229.3
Cash provided by operating activities	72.1	128.1	(56.0)	511.4	234.6	276.8
Cash used in investing activities	(10.0)	(11.3)	1.3	(43.1)	(43.4)	0.3
Cash used in financing activities	(43.1)	(60.3)	17.2	(188.8)	(192.5)	3.7
Increase/(decrease) in cash and cash equivalents	19.0	56.6	(37.6)	279.6	(1.2)	280.8

Cash Provided By Operating Activities

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

For the three months ended December 31, 2020, cash provided by operating activities decreased by \$56 million compared to the prior year's quarter. This movement is primarily driven by a change in customers' deposits and inventory of \$27.9 million and \$42.4 million respectively. This is offset by a movement in trade receivables of \$20.1 million.

For the year ended December 31, 2020, cash provided by operating activities increased by \$276.8 million compared to the prior year. This movement is primarily driven by an increase in customers' deposits and trade and other payables of \$148.2 million and \$42.8 million respectively as well as a decrease in trade receivables of \$28.4 million. Additionally, cash provided by operating activities before changes in non-cash working capital increased by \$54.7 million.

Cash Used In Investing Activities

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

For the three months ended December 31, 2020, cash used in investing activities decreased by \$1.3 million compared to the prior year's quarter. This change is driven by an increase in the proceeds on the sale of debt and equity instruments of \$5.9 million. This is offset by an increase in the purchase of debt and equity instruments of \$6.7 million.

For the year ended December 31, 2020, cash used in investing activities remained relatively consistent with the prior year, decreasing slightly by \$0.3 million. This movement is a result of an increase in the purchase of property plant and equipment of \$10.6 million. This is offset by an increase in the proceeds on the sale of debt and equity instruments and an increase in interest received of \$8.5 million and \$1 million respectively.

Cash Used in Financing Activities

Financing activities consist primarily of cash used to pay dividends, loans and borrowings and lease liabilities.

For the three months ended December 31, 2020, cash used in financing activities decreased by \$17.2 million compared to the prior year's quarter. The movement is primarily driven by the reduction in the repayment of the term loan of \$20 million offset by an increase in the payment of lease liabilities of \$2.3 million.

For the year ended December 31, 2020, cash used in financing activities decreased by \$3.7 million compared to the prior year. The movement is driven by a reduction in the repayment of the term loan of \$45 million. This is offset by an increase in the repurchase of common shares of \$38 million as well as an increase in the payment of lease liabilities of \$4.9 million.

Adequacy of Financial Resources

At December 31, 2020, the Company's current assets exceeded its current liabilities by \$161 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were \$493.3 million compared to \$203 million at December 31, 2019. Under the Company's Senior Secured Credit Agreement, the Company had unused borrowing capacity of \$174 million as at December 31, 2020 (\$49.4 million as at December 31, 2019). The Company believes that its existing financing resources together with cash flow provided from its current operations and its expanded revolving credit facility will provide a sound liquidity and working capital position throughout the next twelve months.

Contractual Obligations

As at December 31, 2020

(C\$ in millions)

Contractual Obligations	Total	2021	2022	2023	2024	Payments Due by Period	
						2025	2026 & Beyond
Loans and borrowings	92.1	1.2	90.9	-	-	-	-
Convertible debentures	0.4	-	-	-	0.4	-	-
Lease liability	473.2	92	70.6	68.2	66.4	65.8	110.2
Total Contractual Obligations	565.7	93.2	161.5	68.2	66.8	65.8	110.2

8. Outlook

In the short term, the duration and full financial effect of COVID-19 is unknown, as is the efficacy of government and central bank interventions to curb the spread of COVID-19 and stimulate the economy. Federal and provincial governments have instituted social distancing requirements, temporary store closures, bans on non-essential travel and other measures that have directly led to uncertainty regarding customer demand. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, our customer and employee reactions and any further government actions, none of which can be predicted with any degree of certainty.

Management anticipates that actions taken to date have positioned the Company strongly to weather the current crisis and to take advantage of any accretive opportunities that may arise, including:

- The essential nature of some of the Company's products and services. Household appliances that are necessary to cook and clean have been deemed essential by provincial governments. The Company also owns the largest third-party appliance service company in Canada, Transglobal Service, that has been operating across the country with enhanced health and safety protocols to protect both our customers and our technicians.
- Rapid scalability of our eCommerce business. The Company's eCommerce sales have continued to grow significantly in the fourth quarter. Since the Company moved its online stores to the Shopify Plus platform, the eCommerce offering has become a better customer experience and a more interactive offering. The platform has resulted in improved scalability and enabled significant operating leverage, which has and continues to provide a competitive advantage to the Company.
- Unencumbered ownership of substantial real estate assets across the country. The Company owns 4.8 million square feet (office, retail, industrial) of approximately 13 million square feet in use today by the Company. This is a significant competitive advantage in the current environment, resulting in a far lower carrying cost for closed stores or other properties than similar leased properties. In addition, the value inherent in this portfolio could enable the Company to readily access additional liquidity to support existing operations and take advantage of accretive opportunities as they arise.
- A strong balance sheet as evidenced by the Company's repayment of \$440 million in various forms of debt over the last 7 years. The Company has unrestricted liquidity of approximately \$661.5 million as at December 31, 2020, with room to expand further if necessary.

On a longer-term basis, we still believe that the underlying Canadian economy remains relatively strong. Although it is difficult to gauge future consumer confidence and what impact it may have on retail, we remain cautiously optimistic that our sales and profitability will increase. Given the Company's strong and continuously improving financial position, our principal objective is to increase our market share and profitability. We remain focused on our commitment to effectively manage our costs but to also continuously invest in digital innovation that we believe will drive more customers to both our online eCommerce sites and our 304 store locations across Canada.

9. Outstanding Common Shares

At December 31, 2020, there were 78,650,418 common shares issued and outstanding. During the year ended December 31, 2020, 26,410 series 2009 shares, 6,363 series 2012 shares, 47,296 series 2013 shares, 53,665 series 2014 shares and 62,393 series 2015 shares were converted into common shares. For details on the Company's commitments related to its redeemable share liability please refer to Note 15 of the consolidated financial statements.

During the year ended December 31, 2020, the Company repurchased 2,008,726 of its common shares on the open market pursuant to the terms and conditions of its Normal Course Issuer Bids at a net cost of \$35.6 million. As at December 31, 2020, the Company has cancelled 2,005,626 of these repurchased shares and the remaining amount of 3,100 shares were held as Treasury shares, which have a value of \$0.1 million and were subsequently cancelled in January 2021.

10. Related Party Transactions

For the year ended December 31, 2020, we had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

11. Critical Assumptions

Use of Estimates and Judgments

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

Extended warranty revenue recognition

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

Inventories

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

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

Impairment of 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.

Leases

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

Materiality

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

Recent Accounting Pronouncements

Adoption of new accounting standards and amendments

The Company has adopted the new IFRS accounting standards listed below as at January 1, 2020, in accordance with the transitional provisions outlined in the respective standard.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") and IAS 8, *Changes in Accounting Estimates and Errors* ("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to make it easier to understand. The definition of material in IAS 8 has been replaced by a definition of material in IAS 1. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The adoption of this amendment did not have a material impact on the consolidated financial statements.

Amendments to IFRS 16, *Leases* ("IFRS 16")

The amendments to IFRS 16 provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and is to be applied retrospectively.

The Company has adopted the amendment effective June 1, 2020 and elected to apply the practical expedient to all rent concessions that have met the criteria under the amendment.

Accounting standards and amendments issued but not yet adopted

IFRS 17, *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4, *Insurance Contracts* ("IFRS 4"). IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2023. Retrospective application is required. The Company plans to adopt the new standard on the effective date. The Company is currently analyzing the impact these standards will have on its financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

In January 2020, IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IFRS 9, *Financial Instruments*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is still assessing the impact of adopting these amendments on its financial statements.

12. Risks and Uncertainties

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

Readers of this MD&A are also encouraged to refer to Leon's Annual Information Form ("AIF") dated February 23, 2021, which provides information on the risk factors facing the Company. The February 23, 2021 AIF can be found online at www.sedar.com.

For additional potential risks associated with COVID-19 refer to section 2 in this MD&A.

Sensitivity to General Economic Conditions

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

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

Maintaining Profitability & Managing Growth

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

Financial Condition of Commercial Sales Customers & Franchisees

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

Competition

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

13. Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer 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, 2020.

Internal Controls over Financial Reporting

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

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met. During the year ended December 31, 2020, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

14. Non-IFRS Financial Measures

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

Adjusted Net Income

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

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

For the	Three months ended		Year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
(C\$ in millions except per share amounts)				
Net income	53.3	39.3	163.3	106.9
After-tax mark-to-market (gain)/loss on financial derivative instruments	3.0	–	3.4	(0.1)
Adjusted net income	56.3	39.3	166.7	106.8
Basic earnings per share	\$0.68	\$0.51	\$2.05	\$1.38
Diluted earnings per share	\$0.67	\$0.48	\$1.99	\$1.30
Adjusted basic earnings per share	\$0.72	\$0.51	\$2.09	\$1.38
Adjusted diluted earnings per share	\$0.71	\$0.48	\$2.04	\$1.30

Adjusted EBITDA

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

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

For the	Three months ended		Year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
(C\$ in millions)				
Net income	53.3	39.3	163.3	106.9
Income tax expense	16.6	13.0	47.2	36.1
Net finance costs	3.9	6.1	17.9	25.2
Depreciation and amortization	28.1	29.8	111.3	122.7
Mark-to-market (gain)/loss on financial derivative instruments	4.1	–	4.6	(0.1)
Adjusted EBITDA	106.0	88.2	344.3	290.8

Same Store Sales

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

Total System Wide Sales

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

Franchise Sales

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

Free Cash Flow

Free cash flow refers to cash provided by operating activities less total capital expenditure. Free cash flow is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure financial performance. We believe that disclosing this measure is meaningful to investors because it serves as an indicator of the financial strength of the Company.

Net Debt

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

Consolidated Financial Statements

For the year ended December 31, 2020

Management's Responsibility for Financial Reporting	34
Independent Auditor's Report.....	35

Consolidated Financial Statements

Consolidated Statements of Financial Position	38
Consolidated Statements of Income	39
Consolidated Statements of Comprehensive Income.....	39
Consolidated Statements of Changes in Shareholders' Equity.....	40
Consolidated Statements of Cash Flows.....	41

Notes to the Consolidated Financial Statements

Note 1	Reporting Entity.....	42	Note 15	Management Share Purchase Plan	62
Note 2	Basis of Presentation	42	Note 16	Common Shares.....	63
Note 3	Summary of Significant Accounting Policies ..	44	Note 17	Revenue.....	64
Note 4	Adoption of Accounting Standards and Amendments.....	53	Note 18	Expenses by Nature	64
Note 5	Cash and Cash Equivalents.....	54	Note 19	Net Finance Costs.....	65
Note 6	Inventories.....	54	Note 20	Income Tax Expense	65
Note 7	Deferred Acquisition Costs.....	54	Note 21	Earnings Per Share	67
Note 8	Property, Plant and Equipment.....	55	Note 22	Financial Instruments	67
Note 9	Investment Properties	56	Note 23	Insurance Contract Risk.....	71
Note 10	Intangible Assets and Goodwill.....	57	Note 24	Capital Management.....	72
Note 11	Trade and Other Payables	58	Note 25	Commitments and Contingencies.....	72
Note 12	Provisions	59	Note 26	Consolidated Statements of Cash Flows.....	73
Note 13	Leases	60	Note 27	Related Party Transactions.....	74
Note 14	Loans and Borrowings.....	61	Note 28	Government Grants	74
			Note 29	Comparative Financial Information.....	74

Management's Responsibility for Financial Reporting

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

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

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

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

The Audit Committee is appointed by the Board and reviews these consolidated financial statements; considers the report of the external auditors; assesses the adequacy of the internal controls of the Company; examines the fees and expenses for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The Committee reports its findings to the Board of Directors for consideration when approving these consolidated financial statements for issuance to the shareholders. These consolidated financial statements have been audited by Ernst & Young, 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.



Edward F. Leon CEO



Constantine Pefanis CFO

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Leon's Furniture Limited/Meubles Leon Ltée and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill and Indefinite Life intangibles related to The Brick acquisition	
<p>The Group's goodwill and indefinite-life intangible assets arising from the 2013 acquisition of the Brick represent \$379 million and \$266 million, respectively as of December 31, 2020. The indefinite-life intangible assets are comprised of brand name and franchise agreements. As disclosed in Note 10 of the consolidated financial statements, the Group allocated these assets to the Brick division (a group of cash generating units ("CGUs")) and assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. When performing impairment tests, the Group estimates the recoverable amount of the group of CGUs to which goodwill and indefinite-life intangible assets have been allocated using a discounted cash flow model.</p> <p>Auditing management's annual goodwill and indefinite-life intangibles impairment tests was complex, as considerable management judgement was required due to the significant measurement uncertainty related to determining the recoverable amount of the Brick division. Significant assumptions included revenue growth rate, earnings margins and pre-tax discount rate, which are affected by expectations about future market and economic conditions such as the impact of the COVID-19 global pandemic.</p>	<p>To test the estimated recoverable amount of the Brick division, our audit procedures included, among others, assessing valuation methodology and evaluating significant assumptions and the accuracy of underlying data used by management in its analysis. With the assistance of our valuation specialists, we evaluated the Group's model, valuation methodology, and certain significant assumptions, including the pre-tax discount rate. We assessed the selection and application of the pre-tax discount rate by evaluating the inputs and mathematical accuracy of the calculation.</p> <p>We assessed the historical accuracy of management's estimates on cash flow projections, revenue growth rate and earnings margins by comparing management's past projections to actual and historical performance. We also compared the revenue growth rate to current industry trends to assess the reasonableness of the revenue growth rate used by the management in its analysis. We performed sensitivity analysis on significant assumptions, including revenue growth rate and pre-tax discount rate, to evaluate changes in the recoverable amount of the Brick division that would result from changes in the assumptions.</p>

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Toronto, Canada

February 23, 2021

Ernst + Young LLP

Chartered Professional Accountants

Licensed Public Accountants

Consolidated Statements of Financial Position

As at			
(C\$ in thousands)	Notes	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	5	368,635	89,032
Restricted marketable securities		2,451	5,777
Debt securities		73,565	65,859
Equity securities		48,634	42,286
Trade receivables		130,582	140,535
Income taxes receivable		4,266	3,578
Inventories	6	332,072	334,443
Deferred acquisition costs	7	10,725	10,994
Prepaid expenses and other assets		11,095	9,273
Other assets	22	–	625
Total current assets		982,025	702,402
Non-current assets			
Deferred acquisition costs	7	17,614	16,870
Loan receivable	15	12,721	13,053
Property, plant and equipment	8	714,423	720,794
Investment properties	9	16,212	16,633
Intangible assets	10	270,481	271,810
Goodwill	10	390,120	390,120
Deferred income tax assets	20	14,993	14,779
Total non-current assets		1,436,564	1,444,059
Total assets		2,418,589	2,146,461
Liabilities			
Current liabilities			
Trade and other payables	11	304,844	256,539
Provisions	12	25,608	23,274
Income taxes payable	20	15,479	6,505
Customers' deposits	17	305,460	151,817
Lease liability	13	73,476	70,601
Dividends payable	16	36,163	10,822
Deferred warranty plan revenue	17	55,733	57,638
Loans and borrowings	14	–	25,000
Other liabilities	22	3,976	–
Total current liabilities		820,739	602,196
Non-current liabilities			
Loans and borrowings	14	90,000	70,000
Convertible debentures	14	441	48,788
Lease liability	13	327,227	342,093
Deferred warranty plan revenue	17	88,604	85,305
Redeemable share liability	15	13	13
Deferred income tax liabilities	20	75,562	82,302
Total non-current liabilities		581,847	628,501
Total liabilities		1,402,586	1,230,697
Equity			
Common shares	16	164,669	115,728
Equity component of convertible debentures	14	31	3,542
Retained earnings		842,604	793,116
Accumulated other comprehensive income		8,699	3,378
Total shareholders' equity		1,016,003	915,764
Total liabilities and shareholders' equity		2,418,589	2,146,461

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

On behalf of the Board:



Mark J. Leon
Director



Mary Ann Leon
Director

Consolidated Statements of Income

For the	Notes	Year ended	
		December 31, 2020	December 31, 2019
(C\$ in thousands except share and share amounts)			
Revenue	17	2,220,180	2,283,411
Cost of sales	6	1,236,258	1,284,826
Gross profit		983,922	998,585
Operating expenses			
Selling, general and administrative expenses	18	750,951	830,495
Operating profit		232,971	168,090
Finance costs	19	(22,413)	(28,689)
Finance income	19	4,526	3,505
Change in fair value of derivative instruments		(4,599)	140
Net income before income tax		210,485	143,046
Income tax expense	20	47,235	36,117
Net income for the year		163,250	106,929
Weighted average number of common shares outstanding			
Basic		79,798,908	77,594,496
Diluted		82,113,879	83,746,040
Earnings per share	21		
Basic		\$2.05	\$1.38
Diluted		\$1.99	\$1.30
Dividends declared per share			
Common		\$0.88	\$0.56
Convertible, non-voting		\$0.29	\$0.28

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

Consolidated Statements of Comprehensive Income

For the	Year ended	
	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Net income for the year	163,250	106,929
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Gain on debt instruments arising during the year	2,053	805
Reclassification adjustment for gains on disposal of debt instruments	135	13
Items that will not be reclassified to profit or loss:		
Gain on equity instruments arising during the year	3,133	4,099
Other comprehensive income for the year	5,321	4,917
Comprehensive income for the year	168,571	111,846

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

Consolidated Statements of Changes in Shareholders' Equity

(C\$ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income	Retained earnings	Total
As at December 31, 2019	3,542	115,728	3,378	793,116	915,764
Comprehensive income					
Net income for the year	-	-	-	163,250	163,250
Other comprehensive income for the year	-	-	5,321	-	5,321
Total comprehensive income	-	-	5,321	163,250	168,571
Transactions with shareholders					
Dividends declared	-	-	-	(69,977)	(69,977)
Management share purchase plan [note 15]	-	2,499	-	-	2,499
Convertible debentures [note 14]	(3,511)	51,859	-	-	48,348
Treasury Shares [note 16]	-	(6)	-	(59)	(65)
Share repurchase commitment [note 16]	-	(159)	-	(841)	(1,000)
Repurchase of common shares [note 16]	-	(5,252)	-	(42,885)	(48,137)
Total transactions with shareholders	(3,511)	48,941	-	(113,762)	(68,332)
As at December 31, 2020	31	164,669	8,699	842,604	1,016,003

(C\$ in thousands)	Equity component of convertible debentures	Common shares	Accumulated other comprehensive income (loss)	Retained earnings	Total
As at December 31, 2018	3,546	111,956	(1,539)	743,399	857,362
Comprehensive income					
Net income for the year	-	-	-	106,929	106,929
Other comprehensive income for the year	-	-	4,917	-	4,917
Total comprehensive income	-	-	4,917	106,929	111,846
Transactions with shareholders					
Dividends declared	-	-	-	(43,445)	(43,445)
Management share purchase plan [note 15]	-	5,063	-	-	5,063
Convertible debentures [note 14]	(4)	100	-	-	96
Share repurchase commitment [note 16]	-	(443)	-	(4,557)	(5,000)
Repurchase of common shares [note 16]	-	(948)	-	(9,210)	(10,158)
Total transactions with shareholders	(4)	3,772	-	(57,212)	(53,444)
As at December 31, 2019	3,542	115,728	3,378	793,116	915,764

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

Consolidated Statements of Cash Flows

For the	Year ended		
(C\$ in thousands)	Notes	December 31, 2020	December 31, 2019
Operating activities			
Net income before income tax		210,485	143,046
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment and investment properties		108,970	118,775
Amortization of intangible assets		2,319	3,920
Amortization of deferred warranty plan revenue	17	(64,736)	(71,449)
Amortization of premium		222	144
Net finance costs		18,050	25,472
Gain on sale of property, plant and equipment and investment properties		(831)	(424)
Fair value gain on loan receivable	15	(714)	(528)
Gain (loss) on sale of debt and equity instruments		(139)	5
		273,626	218,961
Change in operating working capital	26	217,674	(11,627)
Cash received on warranty plan sales		66,130	66,086
Income taxes paid		(46,006)	(38,806)
Cash provided by operating activities		511,424	234,614
Investing activities			
Purchase of property, plant and equipment	8	(43,493)	(32,931)
Purchase of intangible assets	10	(995)	(1,236)
Proceeds on sale of property, plant and equipment		1,298	1,004
Purchase of debt and equity instruments		(36,038)	(36,497)
Proceeds on sale of debt and equity instruments		30,586	22,097
Repayment of loan receivable	15	1,046	666
Interest received		4,526	3,505
Cash used in investing activities		(43,070)	(43,392)
Financing activities			
Payment of lease liability	13	(71,076)	(66,149)
Dividends paid		(44,636)	(43,313)
Decrease of employee loans-redeemable shares	15	2,499	5,063
Repurchase of common shares	16	(48,202)	(10,158)
Repayment of term loan	14	(5,000)	(50,000)
Interest paid		(22,336)	(27,900)
Cash used in financing activities		(188,751)	(192,457)
Net increase (decrease) in cash and cash equivalents during the year		279,603	(1,235)
Cash and cash equivalents, beginning of year		89,032	90,267
Cash and cash equivalents, end of year		368,635	89,032

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

1. Reporting Entity

Leon's Furniture Limited ("Leon's" or the "Company") was incorporated by the Articles of Incorporation under the Business Corporations Act on February 28, 1969. Leon's is a retailer of home furnishings, mattresses, appliances and electronics across Canada. Leon's is a public company listed on the Toronto Stock Exchange (TSX – LNF, 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.

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

2. Basis of Presentation

Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors for issuance on February 23, 2021.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

On March 11, 2020, the World Health Organization declared the novel coronavirus, ("COVID-19"), which has the potential to cause severe respiratory illness, a global pandemic. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty. The COVID-19 pandemic has increased the uncertainties around key assumptions used by the Company in estimating the recoverable amount for the purpose of testing for impairment of property, plant and equipment, goodwill and intangible assets. These key estimates include future cash flows, margins and discount rates. Accordingly, estimates of the extent to which the COVID-19 pandemic could materially and adversely affect the Company's operations, financial results and condition in future periods, including the use of estimates and judgements are also subject to significant uncertainty.

The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

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

Consolidation and classification of joint arrangements

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

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

Extended warranty revenue recognition

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

Inventories

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

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

Impairment of debt instruments

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

Impairment of property, plant and equipment

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

Impairment of goodwill and intangible assets

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

Provisions

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

Leases

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

3. Summary of Significant Accounting Policies

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

Basis of consolidation

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

Business combinations

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

Segment reporting

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

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

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

Foreign currency translation

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

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

Financial instruments

Fair value measurement

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

Financial assets and liabilities

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

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

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

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

Classifications that the Company has used for financial liabilities include:

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

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

Impairment of financial assets

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

Derivative instruments

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

Cash and cash equivalents

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

Trade receivables

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

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

Inventories

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

Property, plant and equipment

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

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

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

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

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

Leases

The Company as lessee

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

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

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

The Company as a lessor

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

Investment properties

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

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

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

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

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

Goodwill and intangible assets

Goodwill

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

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

Intangible assets

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Product returns

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

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

Revenue recognition

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

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

Sale of goods and related services

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

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

Franchise operations

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

Insurance contracts and revenue

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

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 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.

Deferred insurance revenue

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

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

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

Deferred warranty plan revenue

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

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

Deferred acquisition costs

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

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

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

Sale of gift cards

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

Rental income on investment properties

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

Store pre-opening costs

Store pre-opening costs are expensed as incurred.

Borrowing costs

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

Earnings per share

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

Joint arrangements

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

Associates

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

Government grants

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

4. Adoption of Accounting Standards and Amendments

Adoption of new accounting standards

The Company has adopted the new IFRS accounting standards listed below as at January 1, 2020, in accordance with the transitional provisions outlined in the respective standard.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") and IAS 8, *Changes in Accounting Estimates and Errors* ("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to make it easier to understand. The definition of material in IAS 8 has been replaced by a definition of material in IAS 1. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendment is effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this amendment did not have a material impact on the consolidated financial statements.

Amendments to IFRS 16 – COVID-19 Related Rent Concessions

The amendments to IFRS 16 provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and is to be applied retrospectively.

The Company has adopted the amendment effective June 1, 2020 and elected to apply the practical expedient to all rent concessions that have met the criteria under the amendment.

Accounting standards and amendments issued but not yet adopted

IFRS 17, *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4, *Insurance Contracts*. IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2023. Retrospective application is required. The Company plans to adopt the new standard on the effective date. The Company is currently analyzing the impact this standard will have on its financial statements.

Amendments to IAS 1

In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IFRS 9

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is still assessing the impact of adopting these amendments on its financial statements.

5. Cash and Cash Equivalents

As at	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Cash and cash equivalents	368,635	89,032

6. Inventories

The amount of inventory recognized as an expense for the December 31, 2020 was \$1,184,162 (2019 - \$1,232,486), which is presented within cost of sales in the consolidated statement of income.

There were \$41 in inventory write-downs recognized during 2020 (as at December 31, 2019 - \$1,682 inventory write-down reversals). As at December 31, 2020, the inventory markdown provision totaled \$5,354 (as at December 31, 2019 - \$5,313).

7. Deferred Acquisition Costs

(C\$ in thousands)	Total
Balance as at January 1, 2019	28,940
Costs of new policies sold	7,177
Policy sales costs recognized	(8,253)
Balance as at December 31, 2019	27,864
Cost of new policies sold	11,761
Policy sales costs recognized	(11,286)
Balance as at December 31, 2020	28,339
Reported as:	
Current	10,994
Non-current	16,870
Balance as at December 31, 2019	27,864
Current	10,725
Non-current	17,614
Balance as at December 31, 2020	28,339

8. Property, Plant and Equipment

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improve- ments	Leased property	Leased equipment	Total
Cost								
Balance as at January 1, 2020	104,468	261,421	171,918	56,293	239,103	503,944	1,963	1,339,110
Additions	–	25,110	9,041	5,840	7,189	55,446	–	102,626
Disposals	(344)	–	(919)	(1,374)	(1,200)	(143)	(469)	(4,449)
Balance as at December 31, 2020	104,124	286,531	180,040	60,759	245,092	559,247	1,494	1,437,287
Accumulated depreciation								
Balance as at January 1, 2020	–	153,932	129,953	31,711	197,238	104,866	616	618,316
Depreciation	–	6,417	7,087	5,643	8,471	80,451	466	108,535
Disposals	–	–	(877)	(1,357)	(1,200)	(84)	(469)	(3,987)
Balance as at December 31, 2020	–	160,349	136,163	35,997	204,509	185,233	613	722,864
Net book value	104,124	126,182	43,877	24,762	40,583	374,014	881	714,423

(C\$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improve- ments	Leased property	Leased equipment	Total
Cost								
Balance as at January 1, 2019	101,091	254,361	168,440	50,876	235,765	450,296	949	1,261,778
Additions	3,770	7,060	7,529	6,387	8,185	53,688	1,014	87,633
Disposals	(393)	–	(4,051)	(970)	(4,847)	(40)	–	(10,301)
Balance as at December 31, 2019	104,468	261,421	171,918	56,293	239,103	503,944	1,963	1,339,110
Accumulated depreciation								
Balance as at January 1, 2019	–	147,649	126,672	27,658	193,080	14,643	–	509,702
Depreciation	–	6,283	7,281	4,954	8,978	90,224	616	118,336
Disposals	–	–	(4,000)	(901)	(4,820)	(1)	–	(9,722)
Balance as at December 31, 2019	–	153,932	129,953	31,711	197,238	104,866	616	618,316
Net book value	104,468	107,489	41,965	24,582	41,865	399,078	1,347	720,794

Included in the above balances as at December 31, 2020, are assets not being amortized with a net book value of approximately \$21,046 (as at December 31, 2019 – \$3,760) being construction in progress. Also included are fully depreciated assets still in use with a cost of \$284,166 (as at December 31, 2019 – \$276,392). Depreciation of property, plant and equipment is included within selling, general and administration expenses on the consolidated statements of income.

9. Investment Properties

(C\$ in thousands)	Land	Buildings	Buildings improvements	Total
Cost				
Balance as at January 1, 2020	10,946	17,333	1,097	29,376
Additions	-	-	14	14
Balance as at December 31, 2020	10,946	17,333	1,111	29,390
Accumulated depreciation				
Balance as at January 1, 2020	-	12,209	534	12,743
Depreciation	-	377	58	435
Balance as at December 31, 2020	-	12,586	592	13,178
Net book value as at December 31, 2020	10,946	4,747	519	16,212

(C\$ in thousands)	Land	Buildings	Buildings improvements	Total
Cost				
Balance as at January 1, 2019	10,946	17,333	1,097	29,376
Balance as at December 31, 2019	10,946	17,333	1,097	29,376
Accumulated depreciation				
Balance as at January 1, 2019	-	11,831	473	12,304
Depreciation	-	378	61	439
Balance as at December 31, 2019	-	12,209	534	12,743
Net book value as at December 31, 2019	10,946	5,124	563	16,633

The estimated fair value of the investment properties portfolio as at December 31, 2020, was approximately \$44,000 (as at December 31, 2019 - \$44,000). This recurring fair value disclosure is categorized within Level 3 of the fair value hierarchy (Note 22 for definition of levels). This was compiled internally by management based on available market evidence.

10. Intangible Assets and Goodwill

(C\$ in thousands)	Customer relationships	Brand name and franchise agreements	Computer software	Total
Cost				
Balance as at January 1, 2020	7,000	268,500	19,694	295,194
Additions	–	–	995	995
Disposals	–	–	(103)	(103)
Balance as at December 31, 2020	7,000	268,500	20,586	296,086
Accumulated amortization				
Balance as at January 1, 2020	6,218	2,500	14,666	23,384
Depreciation	625	–	1,694	2,319
Disposals	–	–	(98)	(98)
Balance as at December 31, 2020	6,843	2,500	16,262	25,605
Net book value as at December 31, 2020	157	266,000	4,324	270,481

(C\$ in thousands)	Customer relationships	Brand name and franchise agreements	Computer software	Total
Cost				
Balance as at January 1, 2019	7,000	268,500	18,458	293,958
Additions	–	–	1,236	1,236
Balance as at December 31, 2019	7,000	268,500	19,694	295,194
Accumulated amortization				
Balance as at January 1, 2019	5,594	2,500	11,370	19,464
Depreciation	624	–	3,296	3,920
Balance as at December 31, 2019	6,218	2,500	14,666	23,384
Net book value as at December 31, 2019	782	266,000	5,028	271,810

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

As at (C\$ in thousands)	December 31, 2020	December 31, 2019
The Brick brand name (allocated to Brick division)	245,000	245,000
The Brick franchise agreements (allocated to Brick division)	21,000	21,000
Total	266,000	266,000

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

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

As at	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Brick division customer relationships	157	782
Computer software	4,324	5,028
Total	4,481	5,810

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, 2020	December 31, 2019
(C\$ in thousands)		
Appliance Canada (included within Leon's division)	11,282	11,282
Brick division	378,838	378,838
Total	390,120	390,120

Impairment tests

The Company performed impairment tests of goodwill, brand and franchise agreements intangible as at December 31, 2020 and 2019 in accordance with the accounting policy as described in Note 3. The recoverable amount of the CGUs was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates stated below. The key assumptions used for the value-in-use calculation as at December 31, 2020 and 2019 were as follows:

As at	December 31, 2020	December 31, 2019
Growth rate	2.0%	2.0%
Pre-tax discount rate	8.4%	9.0%

The impairment tests performed resulted in no impairment of the goodwill and indefinite life intangibles as at December 31, 2020 and December 31, 2019.

11. Trade and Other Payables

As at	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Trade payables	171,616	134,013
Other payables	133,228	122,526
Total	304,844	256,539

12. Provisions

(C\$ in thousands)	Unpaid insurance claims	Unpaid warranty claims	Product returns	Full circle	Other	Total
Balance as at December 31, 2019	574	8,077	2,090	11,606	927	23,274
Provisions made during the year	574	–	407	4,263	2,005	7,249
Provisions used during the year	(510)	(2,882)	–	(957)	–	(4,349)
Unused provisions reversed	–	(15)	(551)	–	–	(566)
Balance as at December 31, 2020	638	5,180	1,946	14,912	2,932	25,608

Unpaid insurance claims

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

Unpaid warranty claims

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

Product returns

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

Full circle

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

13. Leases

Company as a lessee

Leasing arrangements

The Company leases various items of real estate property, vehicles and equipment used in its operations. The lease terms are generally between 5 and 15 years. There are some leases with renewal options which are included when management is reasonably certain they will be exercised. Management uses significant judgement in determining whether these extensions are reasonably certain to be exercised.

Lease liabilities

Carrying amounts of lease liabilities are as follows:

(C\$ in thousands)	Total
Balance as at December 31, 2019	412,694
Additions	59,147
Disposals	(62)
Interest	20,472
Payments	<u>(91,548)</u>
Balance as at December 31, 2020	400,703
Reported as:	
Current	73,476
Non-current	<u>327,227</u>
Total	400,703

(C\$ in thousands)	Total
Balance as at December 31, 2018	–
Additions	424,139
Disposals	57,814
Interest	21,711
Payments	<u>(90,970)</u>
Balance as at December 31, 2019	412,694
Reported as:	
Current	70,601
Non-current	<u>342,093</u>
Total	412,694

For the year ended December 31, 2020, the Company recognized rent expense from short-term leases of \$1,475, leases of low-value assets of \$1,667 and variable lease payments of \$36,116. For the year ended December 31, 2019, the Company recognized rent expense from short-term leases of \$603, leases of low-value assets of \$388 and variable lease payments of \$39,222.

Company as a lessor

Lease revenue receivable

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

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

(C\$ in thousands)	Total
No later than 1 year	1,729
Later than 1 year and no later than 5 years	5,406
Later than 5 years	<u>4,521</u>
Total	11,656

14. Loans and Borrowings

Convertible debentures

On March 28, 2013 (the "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 (the "Maturity Date"). Interest is due semi-annually in arrears on March 31 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 80.39310 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 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 to their contractual face value of \$442 through a charge to net income over their term. This charge will be included in finance costs.

During the year ended December 31, 2020, convertible debentures with a stated value of \$49,583 were converted to 3,924,426 common shares, at the holder's option (year ended December 31, 2019 - \$100 were converted to 7,912 common shares).

(C\$ in thousands)	Total
Carrying value of convertible debentures as at December 31, 2019	48,772
Accretion expense for the year ended December 31, 2020	19
Conversion of convertible debentures for the year ended December 31, 2020	(48,350)
Carrying value of convertible debentures as at December 31, 2020	441

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

Bank indebtedness

On January 31, 2013, a Senior Secured Credit Agreement ("SSCA") was obtained to fund the acquisition of The Brick. The Company completed an amendment to the original SSCA on November 25, 2016. After giving effect to the amendment, the total credit facility was reduced from \$500,000 to \$300,000 with the term credit facility being reduced from \$400,000 to \$250,000 and the revolving credit facility being reduced from \$100,000 to \$50,000. The revolving credit facility continues to include a swing-line of \$20,000. The Company completed a second amendment on May 31, 2019. The amounts borrowed under the term credit facility must be repaid in full by May 31, 2022.

The Company completed a third amendment on April 27, 2020, whereby it exercised its \$125,000 credit accordion primarily as a precaution due to the COVID-19 pandemic. Therefore, the Company's total revolving credit facility is \$175,000. The amounts borrowed under the revolving credit facility must be repaid in full by May 31, 2024. As at December 31, 2020, there are no amounts outstanding against the revolving credit facility.

Bank indebtedness bears interest based on Canadian prime, London Interbank Offered Rate ("LIBOR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. Transaction costs in the amount of \$775 were previously deferred and amortized over the life of the agreement in relation to the first amendment of the SSCA. The remaining balance, as at May 31, 2019, of \$148 was written off. No additional transaction costs were incurred for the second and third amendments. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. The term credit facility is repayable in yearly amounts of \$25,000 in 2019 and 2020 with the remainder due on maturity. The payments for 2019 and 2020 have been fully paid in advance. Currently, the Company has entered into a 29-day Bankers' Acceptance with a cost of borrowing of 1.16% that was renewed on December 31, 2020.

The Company can prepay without penalty amounts outstanding under the facilities at any time. The agreement includes a general security agreement which constitutes a lien on all property of the Company. In addition to this, there are financial covenants related to the credit facility. As at December 31, 2020, the Company is in full compliance of these financial and non-financial covenants.

15. Management Share Purchase Plan

Employee benefit plan

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

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

During the year ended December 31, 2020, the Company recognized compensation expense of \$231 (year ended December 31, 2019 - \$231). Dividends paid to MSPP holders, for the year ended December 31, 2020, of \$1,046 were credited against the loan receivable (year ended December 31, 2019 - \$666). The loan receivable is recognized at fair value and during the year ended December 31, 2020, finance income of \$714 was recognized by the Company (year ended December 31, 2019 - \$528).

Redeemable share liability

As at

(C\$ in thousands)

December 31, 2020 December 31, 2019

Authorized

1,224,000 convertible, non-voting, series 2009 shares
306,500 convertible, non-voting, series 2012 shares
1,485,000 convertible, non-voting, series 2013 shares
740,000 convertible, non-voting, series 2014 shares
880,000 convertible, non-voting, series 2015 shares

Issued and fully paid

194,087 series 2009 shares (December 31, 2019 - 220,497)	1,718	1,951
107,171 series 2012 shares (December 31, 2019 - 113,534)	1,330	1,409
666,740 series 2013 shares (December 31, 2019 - 714,036)	7,594	8,133
378,694 series 2014 shares (December 31, 2019 - 432,359)	5,699	6,507
478,839 series 2015 shares (December 31, 2019 - 541,232)	6,445	7,285
Less employee share purchase loans	(22,773)	(25,272)
Total	13	13

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2009, 2012, 2013, 2014 and 2015 to allow them to acquire convertible, non-voting series 2009 shares, series 2012 shares, series 2013 shares, series 2014 shares and series 2015 shares, respectively, of the Company. These loans are repayable through the application against the loans of any dividends on the shares with any remaining balance repayable on the date the shares are converted to common shares. Each issued and fully paid for shares series 2009 and series 2012 may be converted into one common share at any time after the fifth anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. Each issued and fully paid for series 2013, series 2014 and series 2015 may be converted into one common share at any time after the third anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. The series 2009, series 2012, series 2013, series 2014 and series 2015 are redeemable at the option of the holder for a period of one business day following the date of issue of such shares. The Company has the option to redeem the series 2009 and series 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The Company has the option to redeem the series 2013, series 2014 and series 2015 shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The redemption price is equal to the original issue price of the shares adjusted for subsequent subdivisions of shares plus accrued and unpaid dividends. The purchase prices of the shares are \$8.85 per series 2009 share, \$12.41 per series 2012 share, \$11.39 per series 2013 share, \$15.05 per series 2014 share and \$13.46 per series 2015 share. Dividends paid to holders of series 2009, 2012, 2013, 2014 and 2015 shares of approximately \$566 (2019 - \$614) 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, 2020, 26,410 series 2009 shares, 6,363 series 2012 shares, 47,296 series 2013 shares, 53,665 series 2014 shares and 62,393 series 2015 shares (year ended December 31, 2019 - 75,705 series 2009 shares, 11,823 series 2012 shares, 109,809 series 2013 shares, 64,026 series 2014 shares and 150,950 series 2015 shares) were converted into common shares with a stated value of approximately \$234, \$79, \$539, \$807 and \$840, respectively (year ended December 31, 2019 - \$670, \$147, \$1,251, \$964 and \$2,032 respectively).

During the year ended December 31, 2020, the Company did not cancel any shares from any of the series of shares (year ended December 31, 2019 - no shares were cancelled in any of the series of shares).

Employee share purchase loans have been netted against the redeemable share liability, as the Company has the legally enforceable right of set-off and the positive intent to settle on a net basis.

16. Common Shares

As at

(C\$ in thousands)

	December 31, 2020	December 31, 2019
Authorized - Unlimited common shares		
Issued		
78,650,418 common shares (2019 - 77,241,047)	164,669	115,728

During the year ended December 31, 2020, 26,410 series 2009 shares, 6,363 series 2012 shares, 47,296 series 2013 shares, 53,665 series 2014 shares and 62,393 series 2015 shares (year ended December 31, 2019 - 75,705 series 2009 shares, 11,823 series 2012 shares, 109,809 series 2013 shares, 64,026 series 2014 shares and 150,950 series 2015 shares) were converted into common shares with a stated value of approximately \$234, \$79, \$539, \$807 and \$840, respectively (year ended December 31, 2019 - \$670, \$147, \$1,251, \$964 and \$2,032 respectively).

On September 11, 2020, the Company received TSX approval of its notice of intention to renew its common share repurchase programme. The Company intends to repurchase for cancellation a maximum of 4,010,999 common shares representing 4.99% of the total number of its 80,380,746 issued and outstanding common shares as at September 4, 2020. The average daily trading volume for the six months ended August 31, 2020 was 12,497. Therefore, other than block purchase exemptions, daily purchases will be limited to 3,124 common shares. The bid commenced on September 15, 2020 and will terminate on the earliest of the purchase of 4,010,999 common shares, the issuer providing a notice of termination, and September 14, 2021. Purchases will be executed through the facilities of the Toronto Stock Exchange at market price under the normal course issuer bid rules of the Toronto Stock Exchange.

On December 30, 2019, the Company entered into an automatic share purchase plan ("ASPP") with the Company's broker in order to facilitate the repurchase of its Common Shares under the NCIB during self-imposed blackout periods. During the first quarter of 2020, the Company repurchased and cancelled 298,546 common shares under the ASPP for a total cost of \$5,000, of which \$447 represents a reduction in share capital and the remaining \$4,553 was charged to retained earnings.

During the year ended December 31, 2020, and excluding the common shares repurchased under the ASPP, the Company repurchased 2,008,726 shares (year ended December 31, 2019 - 639,401 shares) of its common shares on the open market pursuant to the terms and conditions of Normal Course Issuer Bids at a net cost of \$35,638 (year ended December 31, 2019 - \$10,158). The repurchase of common shares resulted in a reduction of share capital in the amount of \$3,966 (year ended December 31, 2019 - \$948). The excess net cost over the average carrying value of the shares of \$31,672 (year ended December 31, 2019 - \$9,210) has been recorded as a reduction in retained earnings. As at December 31, 2020, the Company has cancelled 2,005,626 of these repurchased shares and the remaining amount of 3,100 shares were held as Treasury shares, which have a value of \$65 and were subsequently cancelled in January 2021. As at December 31, 2019, the Company had cancelled all of the 639,401 repurchased shares.

On September 30, 2020, the Company announced that it had entered into an ASPP with the Company's broker in order to facilitate the repurchase of its Common Shares under the NCIB during self-imposed blackout periods. During the fourth quarter of 2020, the Company repurchased and cancelled 407,010 common shares under the ASPP for a total cost of \$7,564, of which \$845 represents a reduction in share capital and the remaining \$6,719 was charged to retained earnings. As at December 31, 2020, an obligation for the repurchase of shares of \$6,000 was recognized under the ASPP (as at December 31, 2019 - \$5,000).

During the year ended December 31, 2020, convertible debentures with a stated value of \$49,583 were converted to 3,924,426 common shares, at the holder's option (year ended December 31, 2019 - \$100 were converted to 7,912 common shares).

As at December 31, 2020 and 2019, dividends payable were \$36,163 (\$0.46 per share) and \$10,822 (\$0.14 per share), respectively.

17. Revenue

a) Disaggregation of revenue

For the (C\$ in thousands)	Year ended	
	December 31, 2020	December 31, 2019
Sales of goods by corporate stores	2,134,563	2,199,650
Income from franchise operations	30,521	28,885
Extended warranty revenue	40,883	39,171
Insurance sales revenue	12,738	14,195
Rental income from investment property	1,475	1,510
Total	2,220,180	2,283,411

b) Customers' deposits

For the (C\$ in thousands)	Year ended	
	December 31, 2020	December 31, 2019
Opening balance as at January 1	151,817	146,362
Revenue recognized that was included in the customer deposit balance at the beginning of the year	(145,954)	(139,474)

c) Deferred warranty plan revenue

For the (C\$ in thousands)	Year ended	
	December 31, 2020	December 31, 2019
Opening balance as at January 1	142,943	148,306
Revenue recognized that was included in the deferred warranty balance at the beginning of the year	(64,736)	(71,449)
Recognition of deferred warranty during the year	66,130	66,086
Total	144,337	142,943
Reported as:		
Current	55,733	57,638
Non-current	88,604	85,305
Total	144,337	142,943

18. Expenses by Nature

For the (C\$ in thousands)	Year ended	
	December 31, 2020	December 31, 2019
Salaries and benefits ⁽¹⁾	391,178	388,279
Depreciation of property, plant and equipment and investment properties	108,970	118,775
Amortization of intangible assets	2,319	3,920
Occupancy expenses	87,470	92,745

1. Salaries and benefits for the year ended December 31, 2020 include Canada Emergency Wage Subsidy ("CEWS") instalments of \$31,559 (note 28).

19. Net Finance Costs

For the	Year ended	
	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Interest expense on lease obligations	20,472	21,711
Interest expense on term credit facilities and revolving credit facilities	1,787	5,027
Interest expense on convertible debentures	154	1,951
Finance income	(4,526)	(3,505)
Total	17,887	25,184

20. Income Tax Expense

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

For the	Year ended	
	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Consolidated statements of income		
Current income tax expense:		
Based on taxable income of the current year	54,378	42,808
Deferred income tax expense:		
Origination and reversal of temporary differences	(7,143)	(6,691)
Income tax expense reported in the consolidated statements of income	47,235	36,117

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

For the	Year ended			
	December 31, 2020		December 31, 2019	
(C\$ in thousands, except %)				
Income before income taxes	210,485		143,046	
Income tax expense based on statutory tax rate	55,568	26.40%	38,165	26.68%
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:				
Non-deductible items	410	0.19%	609	0.43%
Remeasurement of deferred income tax asset for rate changes	(461)	(0.22%)	(421)	(0.29%)
Income exempt from tax	(138)	(0.07%)	(204)	(0.14%)
Prior year adjustments	(2,307)	(1.10%)	–	–
Other	(5,837)	(2.77%)	(2,032)	(1.42%)
Income tax expense reported in the consolidated statements of income	47,235	22.44%	36,117	25.25%

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

(i) Deferred income tax relates to the following:

As at	December 31, 2020		December 31, 2019	
	(C\$ in thousands)			
Deferred income tax assets (liabilities)				
Deferred tax income assets	14,993		14,779	
Deferred tax income liabilities	(75,562)		(82,302)	
Total deferred income tax assets (liabilities)	(60,569)		(67,523)	

(ii) Deferred income tax movements are as follows:

As at	December 31, 2020			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Balance, end of year
Deferred warranty plan	(98)	–	–	(98)
Deferred financing fees	56	–	(45)	11
Deferred acquisition costs	(359)	–	40	(319)
Property, plant and equipment	(98,914)	–	7,813	(91,101)
Intangible assets	(76,793)	–	221	(76,572)
Lease liabilities	91,804	–	(6,627)	85,177
Other	18,158	(189)	3,246	21,215
Mark to market	(95)	–	1,214	1,119
Net deferred income tax expense - statements of income	(66,241)	(189)	5,862	(60,568)
Movement in convertible debenture	(1,282)	–	1,281	(1)
Net deferred income tax expense (benefit) - equity	(1,282)	–	1,281	(1)
Total deferred income tax expense (benefit)	(67,523)	(189)	7,143	(60,569)

As at	December 31, 2019			
(C\$ in thousands)	Balance, beginning of year	Other	Expense (benefit)	Consolidated Balance, end of year
Deferred warranty plan	(5)	–	(93)	(98)
Deferred financing fees	27	–	29	56
Deferred acquisition costs	(121)	–	(238)	(359)
Property, plant and equipment	(13,954)	–	(84,960)	(98,914)
Intangible assets	(77,104)	–	311	(76,793)
Deferred rent liabilities	1,841	–	(1,841)	–
Lease liabilities	2,485	–	89,319	91,804
Unused tax losses	21	–	(21)	–
Other	14,046	(111)	4,223	18,158
Mark to market	(57)	–	(38)	(95)
Net deferred income tax expense - statements of income	(72,821)	(111)	6,691	(66,241)
Movement in convertible debenture	(1,282)	–	–	(1,282)
Net deferred income tax expense (benefit) - equity	(1,282)	–	–	(1,282)
Total deferred income tax expense (benefit)	(74,103)	(111)	6,691	(67,523)

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 79,798,908 for the year ended December 31, 2020 (2019 - 77,594,496). The following table reconciles the net income for the period and the number of shares for the basic and diluted earnings per share calculations:

For the	Year ended	
	December 31, 2020	December 31, 2019
(C\$ in thousands except share and share amounts)		
Net income for the year for basic earnings per share	163,250	106,929
Net income for the year for diluted earnings per share	163,751	108,789
Weighted average number of common shares outstanding	79,798,908	77,594,496
Dilutive effect	2,314,971	6,151,544
Dilutive weight average number of common shares outstanding	82,113,879	83,746,040
Basic earnings per share	\$2.05	\$1.38
Diluted earnings per share	\$1.99	\$1.30

22. Financial Instruments

Classification of financial instruments and fair value

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

As at	Classification and measurement	December 31, 2020		
		Total carrying amount	Fair value	Fair value hierarchy
(C\$ in thousands)				
Financial assets				
Cash and cash equivalents	Amortized cost	368,635	368,635	Level 1
Trade receivables	Amortized cost	130,582	130,582	Level 2
Restricted marketable securities	FVOCI	2,451	2,451	Level 1
Equity instruments	FVOCI	45,324	45,324	Level 1
Equity instruments	FVOCI	3,310	3,310	Level 3
Debt instruments	FVOCI	73,465	73,465	Level 1
Debt instruments	FVTPL	100	100	Level 2
Loan receivables	FVTPL	12,721	12,721	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	304,844	304,844	Level 2
Provisions	Amortized cost	25,608	25,608	Level 2
Loans and borrowings	Amortized cost	90,000	90,000	Level 2
Convertible debentures	Amortized cost	441	647	Level 2
Redeemable share liability	Amortized cost	13	13	Level 2
Other liabilities	FVTPL	3,976	3,976	Level 2

As at	December 31, 2019			
(C\$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
Cash and cash equivalents	Amortized cost	89,032	89,032	Level 1
Trade receivables	Amortized cost	140,535	140,535	Level 2
Restricted marketable securities	FVOCI	5,777	5,777	Level 1
Equity instruments	FVOCI	38,976	38,976	Level 1
Equity instruments	FVOCI	3,310	3,310	Level 3
Debt instruments	FVOCI	65,759	65,759	Level 1
Debt instruments	FVTPL	100	100	Level 2
Loan receivables	FVTPL	13,053	13,053	Level 2
Other assets	FVTPL	625	625	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	256,539	256,539	Level 2
Provisions	Amortized cost	13,984	13,984	Level 2
Loans and borrowings	Amortized cost	95,000	95,000	Level 2
Convertible debentures	Amortized cost	48,788	73,282	Level 2
Redeemable share liability	Amortized cost	13	13	Level 2

The fair value hierarchy of financial instruments measured at fair value, as at December 31, 2020 includes financial assets of \$489,875, \$143,403 and \$3,310 for Levels 1, 2 and 3 respectively, and financial liabilities of \$nil, \$425,088 and \$nil for Levels 1, 2 and 3, respectively.

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

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

The fair values of debt and equity instruments 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, 2020, the fair value of the convertible debentures was determined using their closing quoted market price (not in thousands of dollars) of \$146.49 per \$100.00 of face value (2019 - \$146.49 per \$100.00 of face value). For the convertible debentures as at December 31, 2020, fair value is calculated based on the face value of the convertible debentures of \$442.

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

The Company maintains other financial derivatives which comprise of foreign exchange forwards, with maturities that do not exceed past December 2020. As at December 31, 2020, a \$3,976 unrealized loss was recorded in other liabilities (December 31, 2019 - \$625 unrealized gain).

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

Fair value hierarchy

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

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

Financial risk management

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

Credit risk

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

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

As at	Carrying amount	
	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Cash and cash equivalents	368,635	89,032
Restricted marketable securities	2,451	5,777
Debt instruments	73,565	65,859
Trade receivables	130,582	140,535
Total	575,233	301,203

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

For commercial trade and other receivables, credit risk is mitigated through customer agreements specifying payment terms and credit limits. For franchise trade receivables, personal guarantees are obtained. As well, liens are placed against the goods and the Company may repossess goods for non-payment. Credit risk is also limited due to the large number of customers and their dispersion across geographic areas and market sectors (i.e., retail, commercial and franchise). Accordingly, the Company believes it has no significant concentrations of credit risk related to trade receivables. The Company's trade receivables totaled \$130,582 as at December 31, 2020, (2019 - \$140,535). 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 \$7,095 as at December 31, 2020 (2019 - \$5,523). IFRS 9 requires that a forward-looking ECL model is followed. The guidance allows for a simplified approach for assets, including trade receivables, that do not contain a significant financing component. This does not require the tracking of changes in credit risk, but requires recognition of lifetime ECL's at all times. The Company's ECL based on the total receivables, past due invoices, historical data and future analysis was \$1,355 as at December 31, 2020 (2019 - \$1,350).

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

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

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business is within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at December 31, 2020, unrestricted liquidity was \$661,531 comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

In response to the COVID-19 pandemic, the Company has taken the following actions to support its liquidity position:

- The Company applied for the Canada Emergency Wage Subsidy, which has materially contributed towards the Company's cost savings initiatives and allowed for more of its employees to be returned to work during the year.
- During the year the Company exercised its \$125,000 credit accordion available under its Senior Secured Credit Agreement, thereby increasing its total revolving credit facility to \$175,000, with a standby fee of 20 basis points. Any amounts borrowed under the revolving credit facility must be repaid in full by May 31, 2024. As at December 31, 2020, the Company's unrestricted liquidity is \$661,531, excluding its unencumbered real estate portfolio comprising of land and buildings.

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

	Carrying amount	Contractual cash flows	Payments due by period					2026 & Beyond
			2021	2022	2023	2024	2025	
As at December 31, 2020								
Trade payables	304,844	304,844	304,844	-	-	-	-	-
Lease liability	400,703	473,208	92,019	70,597	68,209	66,353	65,820	110,210
Loans and borrowings	90,000	92,053	1,170	90,883	-	-	-	-
Convertible debentures	441	471	13	13	445	-	-	-
Redeemable share liability	13	13	-	-	-	-	-	13
Total	796,001	870,589	398,046	161,493	68,654	66,353	65,820	110,223

	Carrying amount	Contractual cash flows	Payments due by period					2025 & Beyond
			2020	2021	2022	2023	2024	
As at December 31, 2019								
Trade payables	256,539	256,539	256,539	-	-	-	-	-
Lease liability	412,694	453,986	86,662	68,710	66,280	63,959	62,350	106,025
Loans and borrowings	95,000	100,625	27,625	26,875	46,125	-	-	-
Convertible debentures	48,788	54,920	1,506	1,506	1,506	50,402	-	-
Redeemable share liability	13	13	-	-	-	-	-	13
Total	813,034	866,083	372,332	97,091	113,911	114,361	62,350	106,038

The contractual cash flows have been included in the tables above based on the contractual arrangements that exist at the reporting date and do not factor in any assumptions for early repayment. The amount and timing of actual payments may be materially different. Contractual cash flows presented in the above maturity analysis table for lease liabilities, 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 credit facilities and convertible debentures are further discussed in Note 14.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk 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 lease liabilities and convertible debentures due to fluctuations in interest rates. Fair value risk related to the lease liabilities 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, 2020, the Company's average indebtedness under the term credit facility was \$90,000 (2019 - \$120,000) and under the revolving credit facility was \$nil (2019 - \$nil). Accordingly, a change during the year ended December 31, 2020 of a one percentage point increase or decrease in the applicable interest rate would have impacted the Company's net income by approximately \$666 (2019 - \$888).

(b) Currency risk

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

(c) Other price risk

The Company is exposed to fluctuations in the market prices of its portfolio of debt securities. Changes in the fair value of these financial assets are recorded, net of income taxes, in accumulated other comprehensive income (loss) 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. TGL provides group insurance coverage for life, accident and sickness covering personal credit card debt; and group coverage for life, accident and sickness covering other personal short-term debt. TGI provides group coverage for loss of income and property covering personal credit card debt; group coverage for loss of income and property covering other personal short-term debt; and four and five-year term commercial property coverage. The principal risks faced under insurance contracts are that (i) the actual claims and benefit payments or the timing thereof, differ from expectations. This risk is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims; (ii) the risk of loss arising from expense experience being different than expected; and (iii) the risk arising due to policyholder experiences (lapses) being different than expected. The Company's objective with respect to this risk is to ensure that sufficient reserves are available to cover these liabilities.

The overall risk of the insurance operations is managed by diversifying across a large portfolio of insurance contracts and 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.

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 favorable supplier agreements both in respect of early payment discounts and overall payment terms.

The capital structure currently includes debt and equity securities, lease liabilities, convertible debentures, term credit facility and borrowing capacity available under the revolving credit facilities (note 14). As at December 31, 2020, \$174,007 is available to draw on under our \$175,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of \$993 primarily with respect to buildings under construction or being completed (December 31, 2019 - \$649). The Company exercised its \$125,000 credit accordion, during the current fiscal year, as a precaution due to the COVID-19 pandemic.

As at	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Current portion of lease liabilities	73,476	70,601
Current portion of loans and borrowings	–	25,000
Convertible debentures	441	48,788
Lease liabilities	327,227	342,093
Loans and borrowings	90,000	70,000
Total shareholders' equity	1,016,003	915,764
Total capital under management	1,507,147	1,472,246

Under the SSCA, the financial and non-financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreement. The Company was in compliance with these covenants as at December 31, 2020.

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

The Company is not subject to any externally imposed capital requirements, other than with respect to its insurance subsidiaries.

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

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

In addition, the Company is subject to the regulatory capital requirements defined by The Office of the Superintendent of Insurance of Alberta and the Insurance Act of Alberta (the "Insurance Act"). Notwithstanding that a company may meet the supervisory target standard; The Office of the Superintendent of Insurance of Alberta may direct a company to increase its capital under the Insurance Act. As at December 31, 2020, TGI's Minimum Capital Test ratio was 513% (December 31, 2019 - 443%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

For TGLI, the Life Insurance Capital Adequacy Test ("LICAT") replaced the Minimum Continuing Capital and Surplus Requirements ("MCCSR") effective January 1, 2018. As at December 31, 2020, TGLI's LICAT ratio was 534% (December 31, 2019 - MCCRS 416%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

25. Commitments and Contingencies

- Pursuant to a reinsurance agreement relating to the extended warranty sales, the Company has pledged debt instruments amounting to \$2,451 (2019 - \$5,777).
- In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its financial position.

26. Consolidated Statements of Cash Flows

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

For the (C\$ in thousands)	Year ended	
	December 31, 2020	December 31, 2019
Trade receivables	9,953	(18,403)
Inventories	2,371	(5,126)
Prepaid expenses and other assets	(1,822)	(938)
Trade and other payables	47,069	4,312
Customers' deposits	153,643	5,455
Other assets	625	-
Other liabilities	3,976	(141)
Provisions	2,334	11,587
Deferred acquisition costs	(475)	(8,214)
Deferred rent liabilities and lease inducements	-	(159)
Total	217,674	(11,627)

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

(C\$ in thousands)	Convertible Debentures (including equity component)	Leases	Loans and borrowings
Balance as at December 31, 2019	52,330	412,694	95,000
Cash changes:			
Long-term debt repayment	-	-	(5,000)
Lease obligation repayment	-	(91,548)	-
Non-cash changes:			
Additions	-	59,147	-
Disposals	-	(62)	-
Conversions of debenture	(51,877)	-	-
Amortization	-	20,472	-
Accretion	19	-	-
Balance as at December 31, 2020	472	400,703	90,000

(C\$ in thousands)	Convertible Debentures (including equity component)	Leases	Loans and borrowings
Balance as at December 31, 2018	51,981	424,139	144,712
Cash changes:			
Long-term debt repayment	-	-	(50,000)
Lease obligation repayment	-	(90,970)	-
Finance costs	-	-	288
Non-cash changes:			
Additions	-	57,814	-
Conversions of debenture	(100)	-	-
Amortization	-	21,711	-
Accretion	449	-	-
Balance as at December 31, 2019	52,330	412,694	95,000

27. Related Party Transactions

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

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

Key management compensation

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

For the	Year ended	
	December 31, 2020	December 31, 2019
(C\$ in thousands)		
Salaries and other employee benefits	7,462	5,904

28. Government Grants

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return employees to work in response to challenges posed by the COVID-19 pandemic. In the second quarter of 2020, the Company determined that it met the employer eligibility criteria and applied for the CEWS in order to be better positioned to return many of its valued associates back to work as soon as possible. As at December 31, 2020, the Company has received instalments of \$31,559. The total amount claimed for the year ended December 31, 2020 was reflected as a reduction to selling, general and administrative expenses. There are no unfulfilled conditions or other contingencies attaching to the current CEWS.

29. Comparative Financial Information

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2020 consolidated financial statements.

Corporate & Shareholder Information

BOARD OF DIRECTORS

Mark J. Leon
Toronto

Terrence T. Leon
Toronto

Edward F. Leon
King City

Joseph M. Leon II
Mississauga

Alan J. Lenczner
Founding Partner in
Lenczner Slaght, Toronto

Mary Ann Leon
Financial Executive, Toronto

Frank Gagliano
Vice Chairman,
St. Joseph Communications,
Toronto

Hon. Lisa Raitt
Vice Chair, CIBC Global
Investment Banking, Milton

OFFICERS

Mark J. Leon
Chairman of the Board

Terrence T. Leon
Vice Chairman

Edward F. Leon
CEO

Mike Walsh
President and COO

Constantine Pefanis
CFO

John A. Cooney
Vice President, Legal and
Corporate Secretary

CORPORATE OFFICE

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

AUDITORS

Ernst & Young LLP Toronto

REGISTRAR AND TRANSFER AGENT

AST Trust Company (Canada)

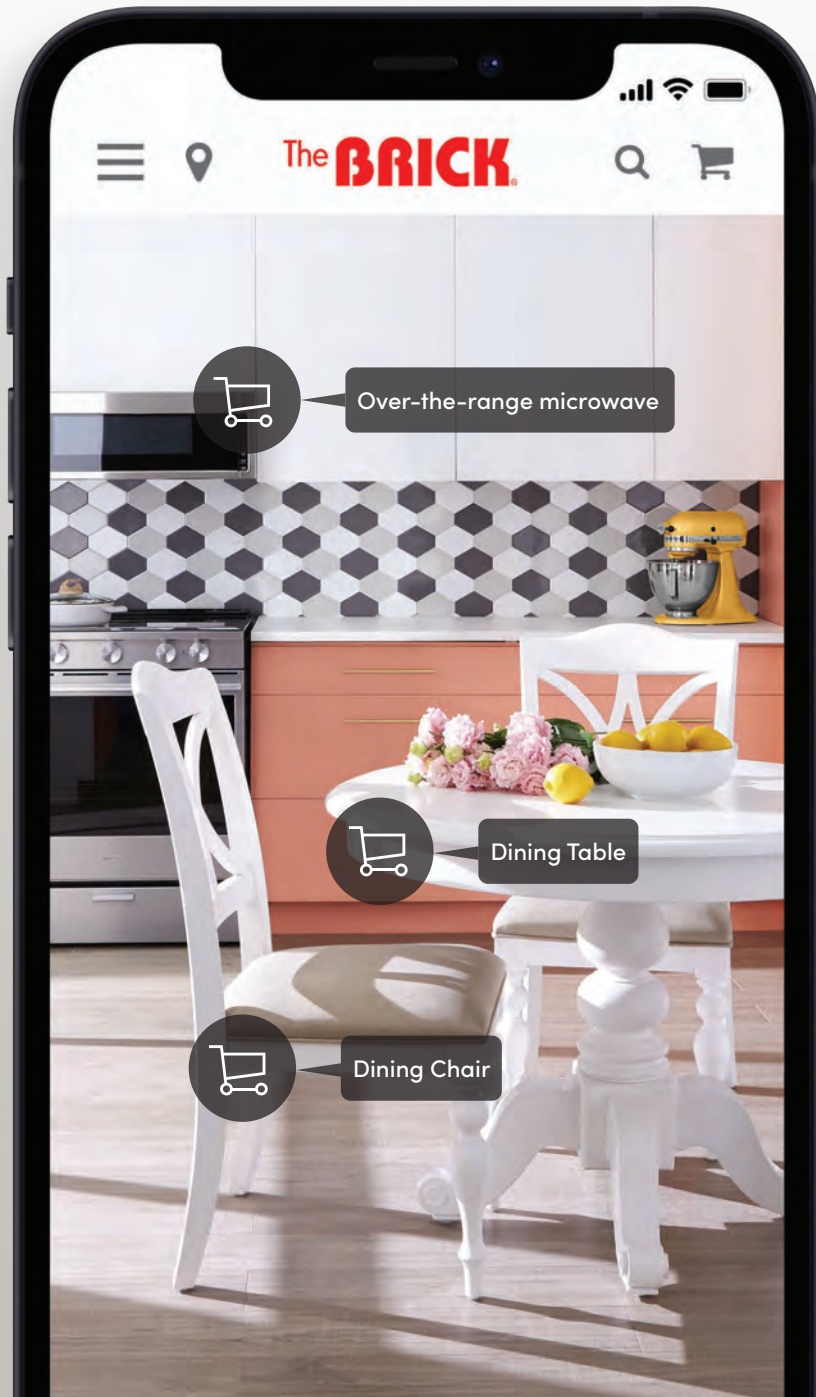
LISTING

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

ANNUAL GENERAL MEETING

Thursday, May 13, 2021,
2pm EST Via Webcast
<https://leons.postelwebcast.com/live/login.php>
Password: Leons2021

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



LEON'S

 @leonsfurniture

 leonsfurniture

 leonsfurniture

THE BRICK

 @brickwarehouse

 TheBrick

 thebrick

FURNITURE.CA

 @furniture.ca

 furnituredotca