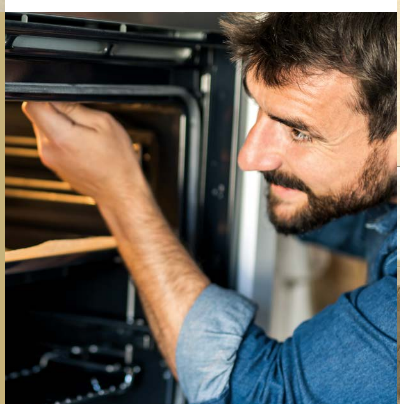
SCALED FOR GROWTH

Unlocking **Value**



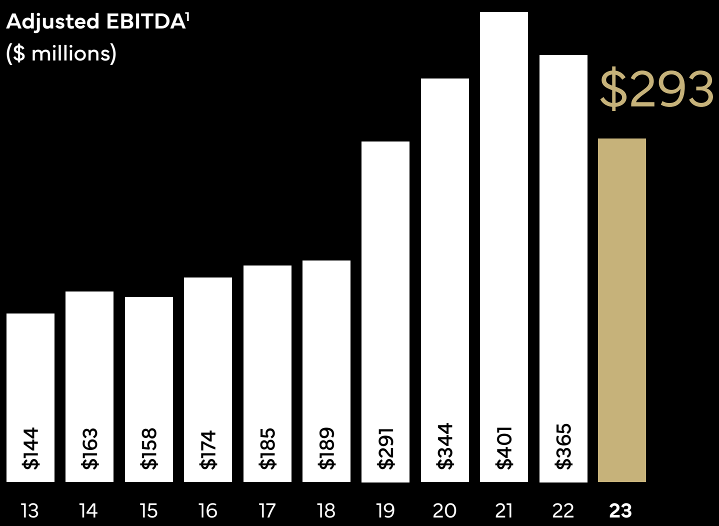
LFL GROUP

Leon's Furniture Limited
Annual Report 2023

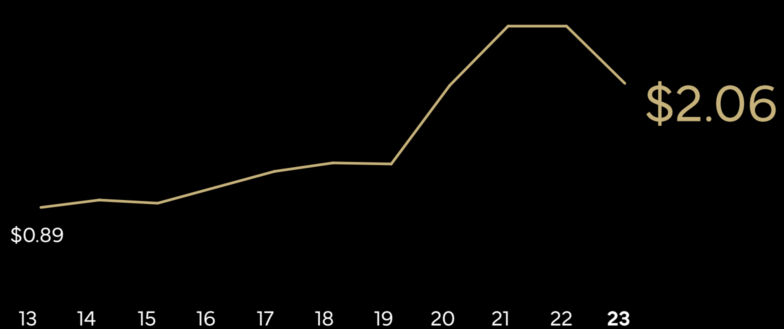
Scaled for Growth

Leon's Furniture Limited ("LFL Group") has built significant scale in its operations, while delivering steady long-term growth. We remain focused on generating sustainable and increasing returns for our shareholders.

Adjusted EBITDA[1]
($ millions)



Earnings Per Common Share[2]

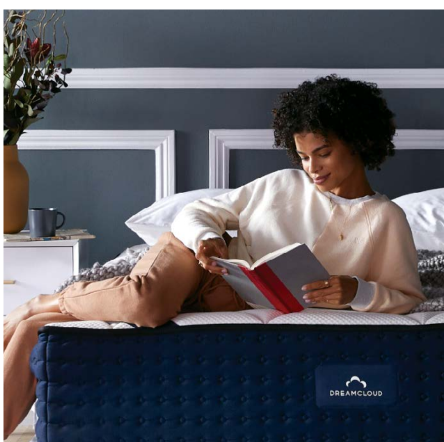


1. Adjusted earnings before interest, income taxes, depreciation and amortization, mark-to-market adjustment due to the changes in the fair value of the Company's financial derivative instruments and any non-recurring charges to income ("Adjusted EBITDA") is a non-IFRS financial measure used by the Company
2. Adjusted Diluted Earnings Per Share (Non-IFRS measure)

Table of Contents

Unlocking **Value**

LFL Group is pursuing a strategy designed to unlock the value embedded in our diversified portfolio of assets. We will take advantage of our scale to expand our addressable market beyond the ecosystem of our traditional retail banners.



Retail Plus

Financial Services

Real Estate

CEO's Message

Michael J. Walsh
President & CEO LFL Group

I am proud of the way our team navigated a challenging environment in 2023. While sales were soft in the first half of the year – partly due to tactical decisions we made – we rebounded in the second half to set us up well for 2024. More importantly, we maintained our margins, managed costs, demonstrated financial strength, and advanced several key strategic initiatives.

2023 in Review

LFL Group experienced a decrease in our top-line results in 2023. Total system-wide sales of $2.97 billion was 2.7% below 2022 levels, and revenue of $2.46 billion was down 2.5%.

A closer look reveals that growth resumed midway through the year, with the declines largely confined to the first half. The slowdown, which was sparked by a decline in consumer discretionary spend, was also partly driven by a choice we made in the final months of 2022 to meaningfully reduce inventory. At that time, global freight costs were unusually high, the economy had slowed and consumers were cautious in a high interest rate environment. We decided not to overcommit to high-cost merchandise.

"LFL Group has always been managed for the long term."

Ten-Year Revenue Growth

43%

Ten-Year Earnings per Share Growth

131%

Careful management of inventory enabled us to continue to offer competitive pricing to our customers without sacrificing margins. Gross margin of 44.1% for the year was up slightly, a solid achievement given the uneven sales volumes and macro environment.

We had largely worked through that dynamic halfway through 2023 and replenished our warehouses with more reasonably-priced product. The fourth quarter was our strongest of the year, and we expect the momentum to carry on into 2024.

Throughout these headwinds, we maintained our financial strength. We generated $253 million of cash from operations in 2023, an improvement of $239 million from the previous year. We repaid $134 million of debt – more than any other year in the Company's history – thereby avoiding some of the financing costs associated with higher interest rates. The Board of Directors made the decision in November to increase the regular quarterly dividend by $0.02 to a new all-time high of $0.18 per common share.

Managing for the Long Term

As we have said in recent years, investors should evaluate our performance on a long-term basis. The COVID-19 pandemic and its aftershocks have caused some anomalies. Early on, LFL Group benefited from the investments we had made in a best-in-class Ecommerce presence that smaller competitors could not match. Our omnichannel capability enabled us to continue to operate through the lockdowns and post very high year-over-year growth rates, particularly in 2021.

By 2022 we were facing different challenges such as supply chain disruptions and high shipping costs. That year also saw the start of unusually high inflation, which led to increased interest rates that affected consumer demand and affordability. We continued to deal with those issues in 2023, as well as a labour strike at our most important port in Vancouver.

One common thread has been the ability of the entire LFL Group team to manage through challenges as they arise. We have made use of the levers available to us to control costs, preserve margins, and grow market share when the opportunity presented.

Another theme has been our ongoing investment in the business. In recent years we have opened new distribution centres, introduced innovations in our stores, formed new partnerships and strengthened our portfolio of businesses.

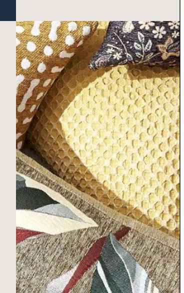
One gains an interesting perspective on our performance by reviewing 10-year trends, which help adjust for the recent volatility by using 2014 as a base year.

Between 2013 to 2023, we grew system-wide sales at a cumulative annual growth rate ("CAGR") of 3.7%, adjusted EBITDA by 7.4%, net income by 7.3% and EPS by 8.8%. We believe these are solid trends. During that same timeframe, we repurchased $410 million of common shares, paid out over $500 million in dividends, and repaid $445 million of debt.

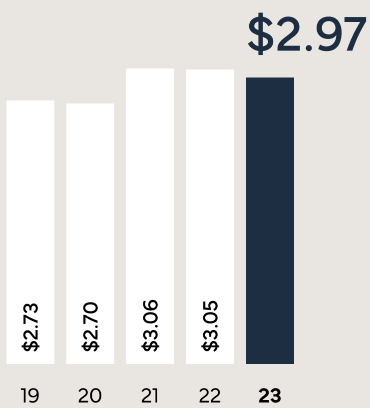
LFL Group has always been managed for the long term. We can withstand some volatility if we know we are creating value. That mindset is deeply ingrained in this Company thanks to the ongoing involvement of the founding Leon family. I believe other shareholders also benefit from this approach.

Ten-Year
EBITDA Growth

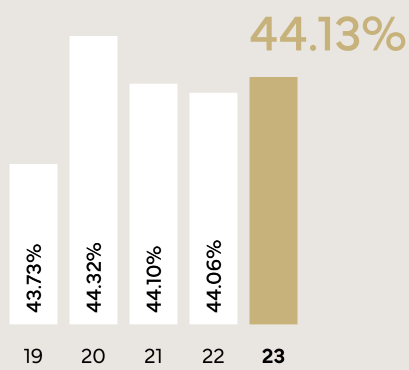
104%



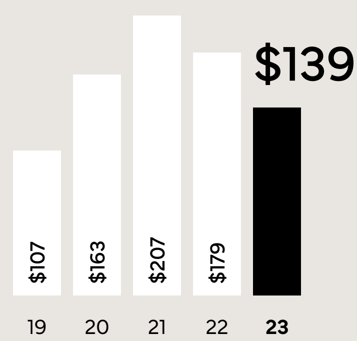
Total system-wide sales
($ billions)



Gross profit
(%)



Net income
($ millions)



Positioned to Unlock Value

A track record of steady growth and forward-thinking investment leaves us in the enviable spot where we stand today.

We have bolstered our competitive position in our core retail business by delivering consistent value and innovation highlighted by a full omnichannel presence. We have quietly built a portfolio of diversified businesses that support the retail core as well as turning a profit in their own right. From warranty and insurance, to distribution, to in-home service, each has the potential for significant growth in the coming years. With the scale we have achieved as a true coast-to-coast operator, we are now in a position to tap into an expanded addressable market.

In 2023, we announced our intention to create a Real Estate Investment Trust ("REIT") that will hold a portion of the real estate LFL Group has acquired over its 115-year history.

The potential capital generated by the monetization of real estate, combined with our ongoing operational strength and rock solid balance sheet, will afford us the financial capacity to pursue additional growth. We will consider further investment in existing businesses as well as opportunities outside our Company. As always, we will set a high bar and evaluate options through the lens of creating long-term value.

Outlook

2024 promises to be an exciting year for LFL Group. We expect to advance our strategic plan and make progress on multiple fronts. We are excited and look forward to sharing with investors the unrecognized value that exists in the Company.

I would like to express sincere thanks to our entire team, which grows ever stronger as we are able to provide new opportunities for long-serving associates in addition to recruiting talent to help execute our plans. I also thank our shareholders, business partners, suppliers and customers for their ongoing support.

"Michael J. Walsh"

Michael J. Walsh
President & Chief Executive Officer
LFL Group

Unlocking **Value**

LFL Group consists of three main pillars: Retail Plus, Financial Services and Real Estate. Each pillar presents unique opportunities to unlock value for our stakeholders.

Retail Plus

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

+ For more information, see page 8

Financial Services

Insurance and warranty services for customers who wish to be protected from hardship due to unforeseen events.

+ For more information, see page 10

Real Estate

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

+ For more information, see page 11

Retail has been the core of our business since the Company's founding 115 years ago. We are proud to have built Canada's preeminent retailer of furniture, appliances, electronics and mattresses, with more than 300 locations nationwide and six Ecommerce sites.

As our network of stores grew, we developed a range of capabilities and assets to support our retail operations. Today, LFL Group sources product from around the world, distributes it across the country, offers warranty and insurance options, and provides after-sales service to customers' homes. We have also amassed a valuable portfolio of real estate holdings.

These businesses have now reached a scale that enables them to expand beyond their original purpose of supporting the LFL Group ecosystem. For example, we have one of the most extensive last-mile delivery networks in Canada, and the largest network of home service technicians. We can make use of this capacity to service new customers, including those introduced by partner organizations.

The LFL Group Ecosystem

Our traditional customers buying goods and services directly from us

Supporting Capabilities

Assets developed to support LFL brands, with the capacity to service third parties

Larger Addressable Market

Attracting new customers buying from other channels supported by LFL Group capabilities

Each business line is profitable, making a positive contribution to our bottom line. And each has the potential for significant growth. At the corporate level, we have been strengthening our team so that senior leaders can focus on each pillar.

In addition to increasing the overall profitability of the Company, a diversified portfolio of thriving businesses helps mitigate the cyclicality we may experience at times in a particular segment.

Over time, cash generated by our portfolio – including from the potential sale of certain assets – can be returned to shareholders or reinvested to fund continued growth.

The following pages describe how we plan to unlock value within each of our three pillars.

Every business line is profitable

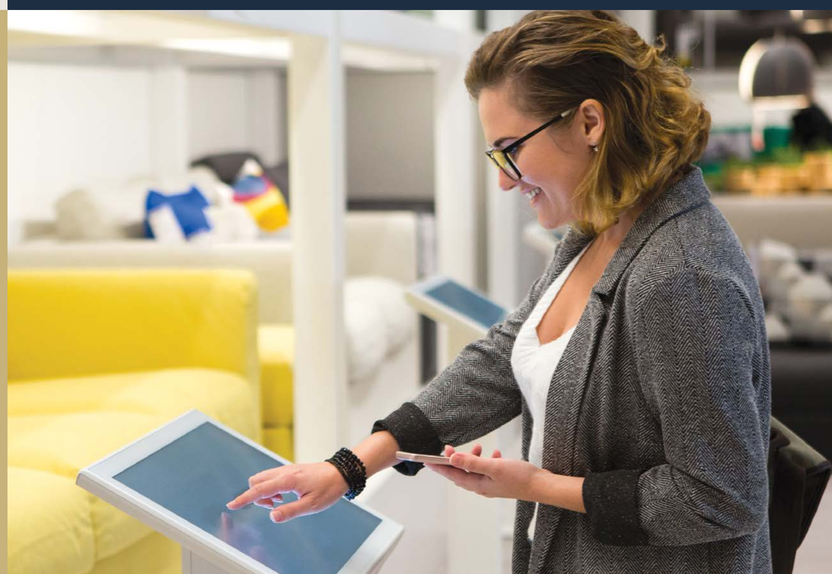
Proportionate contribution to total Company profitability

BACKED BY A

$2.1B

RETAIL BUSINESS

WARRANTY



AFTER SALES SERVICE

ECOMMERCE

COMMERCIAL

INSURANCE

Retail Plus

Retail Plus is the foundation of LFL Group. Our retail business will drive our results for the foreseeable future, and remain a primary focus for our senior management team.

Proven Operators

LFL Group has a well-established track record as a retail operator. There are countless aspects to operational success. To list just a handful:

- Offer product selection and quality that meets consumer expectations;
- Hire good people and provide them with the training and resources they need;
- Invest in innovation;
- Develop information systems that provide timely data;
- Carefully manage margins and costs;
- Act decisively as circumstances change;
- Choose a pricing strategy that is suitable for the current environment;
- Take a long-term view of the business.

Adhering to such principles has enabled us to deliver consistent growth in sales and market share. We have successfully navigated challenges that have adversely affected many retailers, including a shift to online shopping, the COVID-19 pandemic and its after-effects, and swings in economic conditions.

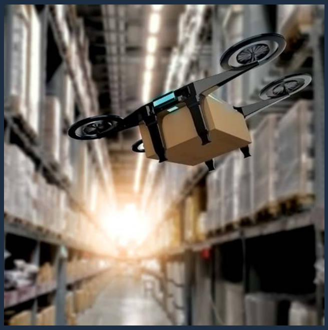
We expect to continue our pattern of steady long-term growth. In addition, within the Retail Plus pillar, we see opportunities to unlock value in our distribution and after-sales service businesses.

Distribution

LFL Group has one of the largest last-mile delivery networks in Canada. Our newest distribution centres and IT systems are designed to manage hundreds of thousands of unique items from all our divisions, as well as external partners. We have the scale and capacity to unlock value by growing this part of the business.

After-Sales Service

LFL Group has Canada's largest network of service technicians, providing household installation and repair services to our customers, including warranty work. Our technicians are authorized to service appliances and electronics from more than 40 manufacturers. We intend to grow the business we carry out for manufacturers and vendors who otherwise lack the scale to service the Canadian market.



Leading the Way in Retail Innovation

LFL Group believes in introducing innovations that can enhance the customer experience or improve efficiency. New technologies we have deployed in recent years include life-sized video walls, touchscreen kiosks, point-of-sale tablets, augmented reality, delivery management tools, and most significantly, a seamless omnichannel sales capability.

In 2023, we became the first retailer in Canada to use drones to assist with inventory management. The technology has applications both in our showrooms and our warehouses.

Retail Plus

The "Plus" means this pillar encompasses much more than our retail stores. It is the combination of all of these pieces that position us as a leading Canadian retailer.

Retail Stores

Bricks & mortar showrooms nationwide under multiple banners.

Sales associates

7,800

Stores nationwide

303

Digital

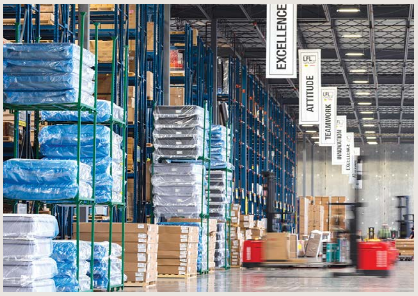
Ecommerce sites that allow customers to shop from anywhere, creating a true omnichannel experience.

eCommerce sales

$251M

Visits per annum

69M+



Distribution

Warehousing, fulfillment and last-mile delivery.

Units moved across all centres

15M+

Delivery stops annually

1M+

After-Sales Service

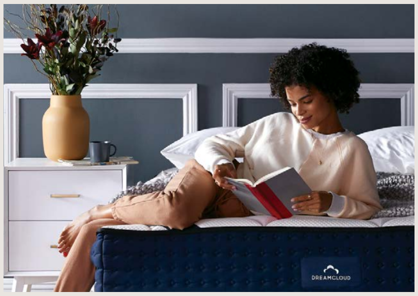
In-home furniture, electronics and appliance installation and repair services.

Home service technicians

775+

Annual home visits

150k



Wholesale

Subsidiary working directly with overseas manufacturers, custom-designing private label product lines.

Contract manufacturers

55+

Total imported containers per year

10,000+

Commercial

Direct B2B sales of appliances and furniture to builders and commercial establishments.

Builder sales

$320M

Financial Services

Financial Services, the second of our three pillars, includes our insurance and warranty businesses. Initially viewed as support for the retail operations, both have grown to become significant profit centres in their own right.

Growing our Financial Services Business

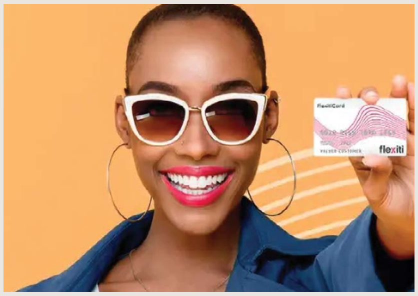
Our Financial Services offering, including our unique and often first-to-market products and services, is a differentiator for LFL Group and increasingly popular with our customers. We have reached a critical size that enables us to further expand our book of business while effectively managing risks.

We have an opportunity to expand the addressable market for our insurance and warranty services through partner relationships. Partners can leverage our scale to offer comparable services. For example, our subsidiaries Trans Global Insurance (TGI) and Trans Global Life Insurance (TGLI) are the insurance providers on all retail transactions completed by Flexiti Financial throughout its Canadian retail network – not just at LFL Group properties. TGI and TGLI are the exclusive providers of creditor insurance for over 8,000 retail locations across Canada.

We believe we can generate as much financial services revenue outside the LFL Group ecosystem as we do within it. TGI already earns nearly half of its credit insurance revenue from third parties.

Financial Services

We offer insurance and warranty services for customers who wish to be protected from hardship due to unforeseen events.



Insurance

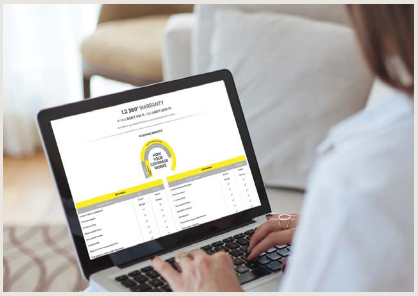
Coverage of outstanding balances on purchases in the event of death, dismemberment, disability, critical illness and involuntary unemployment.

Storefronts that sell our offering

8,000+

Revenue earned from third party partners on creditor insurance

45%



Warranty

Extended warranties to provide repair and replacement service, extending coverage beyond the manufacturer's warranty period.

Customers

2M+

LFL customers purchase warranty

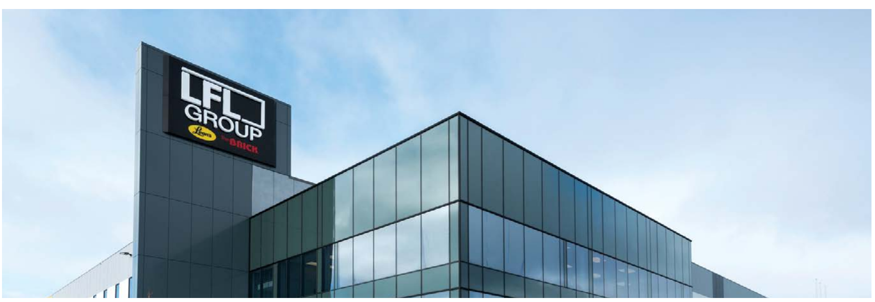
40%+

Real Estate

LFL Group owns a significant portion of the land on which our stores and other facilities reside. Our owned real estate portfolio comprises more than 50 properties totaling 430 acres across Canada.

Land ownership offers a retailer strategic advantages such as stability and lower costs. We have the flexibility to refresh our retail footprint and introduce new showroom formats as consumer preferences evolve.

The market value of our real estate assets is well above the historical cost of $256 million we report for accounting purposes. Our two-part strategy to unlock that value includes (1) creating a Real Estate Investment Trust, and (2) developing the properties that remain within LFL Group.



Real Estate

In 2023, we announced our intention to establish a REIT that will hold a portion of the properties currently owned by LFL Group. We expect the REIT will be operated by an independent management team. We expect them to work with development partners to intensify the use of certain properties and diversify their tenant base beyond LFL Group.

Land Development at LFL Group

LFL Group will retain some real estate assets within the Company. We will pursue opportunities to develop certain properties, typically working with partners who contribute capital and expertise. The most exciting example is our Toronto head office location, which we recently announced would become the site of 4,000 new homes.

The LFL Group Real Estate Portfolio

Total square footage of real estate portfolio owned[1]

5.6M ft²

Total square footage of real estate portfolio leased (excluding franchises)

6.6M ft²

Total acres

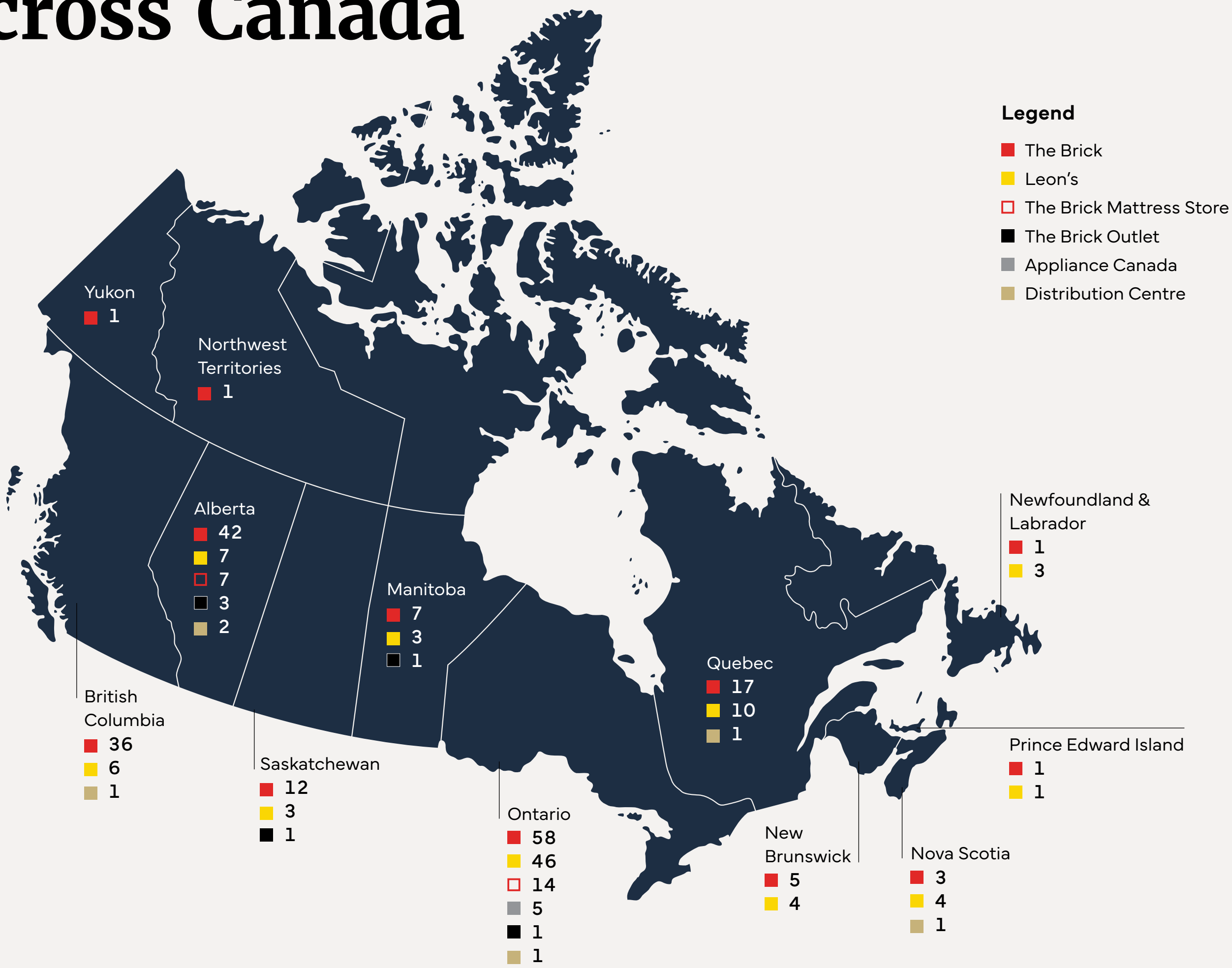
430

New Residential Community

In early 2024 we received a change of use approval to proceed with a new master-planned community at our head office location in Toronto. Subject to further planning and approvals, the 40-acre site at highways 401 and 400 will be home to 4,000 new residential units, in addition to a new corporate headquarters and flagship retail store.

1. Figure includes the full square footage of two distribution centres which are 50% owned by LFL Group (see AIF for details).

Comprehensive Coverage Across Canada



STORES NATIONWIDE	ECOMMERCE SITES	DISTRIBUTION CENTRES
303	6	6

Leon's

87

Appliance Canada

5

The Brick

184

The Brick Mattress Store

21

The Brick Outlet

6

Management **Team**

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

Michael J. Walsh
President and CEO of LFL Group

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

Constantine Pefanis
CFO of LFL Group

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

Darci Walker
Divisional President of The Brick

Darci first joined The Brick in 1982. Over the course of her career, she has held several operational roles spanning franchise stores, customer care, distribution, IT, and most recently Vice President of Operations. Darci was promoted to President of The Brick on January 1, 2024.

Lewis Leon
Divisional President of Leon's

Lewis joined the Company full-time in 2005 within the Marketing department and was most recently in the role of Associate Vice President of Marketing for the Leon's Furniture Division. He was promoted to President of Leon's Furniture Division on May 12, 2023.

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 aim to carry out all manufacturing, transportation, storage and operational activities in a sustainable and energy-efficient manner.

- We continue to increase **recycling** of cardboard, plastics and Styrofoam, utilizing equipment in place at our distribution centres (DCs) and transporting materials there where practical. Our total diversion rate is 85%, including 91% at the DCs. In 2023, recycling efforts by The Brick division conserved the equivalent of 12,064 cubic yards of landfill airspace, 82,501 mature trees, 11,844,253 Kw-hours of electricity and 19,024,181 million gallons of water.
- In 2023 we began to use **electric trucks** at our Delta, BC distribution centre and currently have six in use. We are working to optimize their range and maximize uptime.
- **Electronic price tags** in our stores can be reprogrammed repeatedly, reducing the need for printing and saving over $650,000 annually. Similarly, **electronic receipts** emailed to our customers save paper and ink.

Electric trucks in operation at our Delta, BC distribution centre

6

Responsible Sourcing

- LFL Group has established a **Responsible Sourcing Committee** to oversee practices relating to vendor relationships such as approvals, on-boarding, supplier contracts, audits, correction of deficiencies and potential terminations.
- We have engaged a third party to conduct **independent audits** on our suppliers to ensure their manufacturing processes comply with acceptable labour practices and other ESG standards.

A Safe and Healthy Workplace

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

Giving Back to Our Communities

- The **Leon's Leaf Program** was launched in November 2023 to help replenish Canadian forests in the wake of damage caused by recent wildfires. Customers have the option to donate in-store towards this program, with the Government of Canada matching their contributions. Leon's has pledged to plant at least 10,000 trees per year, in partnership with Tree Canada.
- The Brick is marking the 10-year anniversary of its support for the **Children's Miracle Network**, which funds children's hospitals across Canada. The Brick helped raise more than $2.3 million for the Children's Miracle Network in 2023, bringing the 10-year total to over $15 million raised.
- The Brick partners with the **Homes for Heroes Foundation**, providing furnishings for affordable urban villages designed to help homeless military Veterans successfully integrate back into the community.

Total amount The Brick raised for the Children's Miracle Network in 2023

$2.3M

Protecting the Interests of All Stakeholders

LFL Group has implemented governance policies to help ensure that we consider the needs of multiple stakeholder groups.

- The Company established an ESG Committee to oversee more formal processes related to sustainability initiatives and reporting.
- The Board of Directors is comprised of a majority of independent directors. The Board closely monitors compliance with its Code of Conduct, and is currently updating the Company's Business Continuity Plan.

Five-Year Review

Income Statistics

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

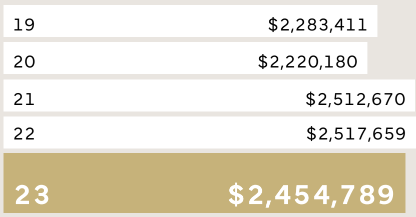
Balance Sheet Statistics

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

1. 2021 and 2018 exclude the amounts of $90,000 and $144,712, respectively, comprised of loans and borrowings due to the classification from non-current liabilities to current liabilities as at December 31.
2. For year-on-year comparability, 2021 excludes the substantial issuer bid and special dividends. 2020 excludes special dividends.

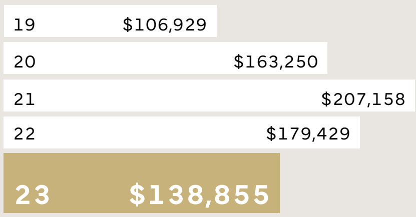
Revenue

($ in thousands)



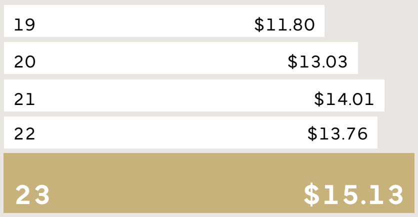
Net Income

($ in thousands)



Shareholders' Equity

($ per share)



Management's **Discussion and Analysis**

For the year ended December 31, 2023

1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at February 21, 2024 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, 2023 and for the years ended December 31, 2023 and 2022. It should be read in conjunction with the fiscal year 2023 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2023 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Leon's Furniture Limited's current results and to assess the Company's future prospects. This MD&A, and in particular the section under heading "Outlook", includes forward-looking statements, which are based on certain assumptions and reflect Leon's Furniture Limited's current plans and expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and future prospects to differ materially from current expectations. Some of the factors that can cause actual results to differ materially from current expectations are: a drop in consumer confidence; dependency on product from third party suppliers, further changes to the Canadian bank lending rates; 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 2023 consolidated financial statements and MD&A were approved on February 21, 2024.

2. Business Overview

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

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

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

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

3. Results of Operations

Summary financial highlights for the three months ended December 31, 2023 and December 31, 2022

For the	Three months ended			
(C$ in millions except %, share and per share amounts)	**December 31, 2023**	December 31, 2022	$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales [(1)]	**836.5**	804.4	32.1	4.0%
Franchise sales [(1)]	**149.6**	143.2	6.4	4.5%
Revenue	**686.9**	661.2	25.7	3.9%
Cost of sales	**378.2**	373.1	5.1	1.4%
Gross profit	**308.7**	288.1	20.6	7.2%
Gross profit margin as a percentage of revenue	**44.94%**	43.57%		
Selling, general and administrative expenses [(2)]	**239.6**	223.1	16.5	7.4%
SG&A as a percentage of revenue	**34.88%**	33.74%		
Income before net finance costs and income tax expense	**69.1**	65.0	4.1	6.3%
Net finance costs	**(4.2)**	(6.0)	(1.8)	(30.0%)
Income before income taxes	**64.9**	59.0	5.9	10.0%
Income tax expense	**16.0**	14.4	1.6	11.1%
Adjusted net income [(1)]	**48.9**	44.6	4.3	9.6%
Adjusted net income as a percentage of revenue [(1)]	**7.12%**	6.75%		
After-tax mark-to-market loss on financial derivative instruments [(1)]	**2.7**	1.4	1.3	92.9%
Net income	**46.2**	43.2	3.0	6.9%
Basic weighted average number of common shares	**68,031,796**	66,957,921		
Basic earnings per share	**$0.68**	$0.65	$0.03	4.6%
Adjusted basic earnings per share [(1)]	**$0.72**	$0.67	$0.05	7.5%
Diluted weighted average number of common shares	**68,646,892**	67,148,859		
Diluted earnings per share	**$0.68**	$0.65	$0.03	4.6%
Adjusted diluted earnings per share [(1)]	**$0.72**	$0.67	$0.05	7.5%
Common share dividends declared	**$0.18**	$0.16	$0.02	12.5%
Convertible, non-voting shares dividends declared	**$0.32**	$0.32	$0.00	0.0%

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.
2. Selling, general and administrative expenses ("SG&A").

Same Store Sales [(1)]

For the	Three months ended			
(C$ in millions, except %)	**December 31, 2023**	December 31, 2022	$ Increase	% Increase
Same store sales [(1)]	**671.4**	648.1	23.3	3.6%

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

Revenue

For the three months ended December 31, 2023, revenue was $686.9 million compared to $661.2 million in the fourth quarter 2022. Revenue increased $25.7 million or 3.9% as compared to the prior year quarter. The improvement was driven by strong growth in the furniture and appliance categories, which were supported by strong inventory positions and effective promotions.

Same Store Sales [1]

Same store sales in the quarter increased by 3.6% compared to the fourth quarter 2022, driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin of 44.94% in the quarter increased by 137 basis points from the fourth quarter 2022. This increase in gross margin percentage during the quarter was primarily driven by more favorable business mix, improved furniture margin due to lower freight costs, optimized promotional initiatives, and continued growth of the warranty and insurance businesses.

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

The Company's SG&A as a percentage of revenue for the fourth quarter of 2023 was 34.88% compared to 33.74% for the fourth quarter 2022, an increase of 114 basis points. The Company's SG&A as a percentage of revenue for the current quarter increased primarily because of an increase in point-of-sale retail financing fees due to the increased Bank of Canada interest rates compared to same quarter last year.

Adjusted Net Income [2] and Adjusted Diluted Earnings Per Share [2]

The adjusted net income in the current quarter totaled $48.9 million, which represents an increase of $4.3 million over the prior year's quarter. The improvement is driven by strong operational results and reduced interest costs due to lower debt.

The adjusted diluted earnings per share in the fourth quarter of 2023 was $0.72 per share, an increase of 7.5% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2023 was $46.2 million, or $0.68 per diluted earnings per share as compared to the net income of $43.2 million in the prior year's quarter, or $0.65 per diluted earnings per share.

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

Summary financial highlights for the year ended December 31, 2023 , 2022 and 2021

For the	Year ended				Year ended			
(C$ in millions except %, share and per share amounts)	**2023**	2022	$ Increase (Decrease)	% Increase (Decrease)	2022	2021	$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales [1]	**2,971.5**	3,053.0	(81.5)	(2.7%)	3,053.0	3,057.6	(4.6)	(0.2%)
Franchise sales [1]	**516.7**	535.3	(18.6)	(3.5%)	535.3	544.9	(9.6)	(1.8%)
Revenue	**2,454.8**	2,517.7	(62.9)	(2.5%)	2,517.7	2,512.7	5.0	0.2%
Cost of sales	**1,371.6**	1,408.2	(36.6)	(2.6%)	1,408.2	1,404.4	3.8	0.3%
Gross profit	**1,083.2**	1,109.4	(26.2)	(2.4%)	1,109.4	1,108.2	1.2	0.1%
Gross profit margin as a percentage of revenue	**44.13%**	44.06%			44.06%	44.10%		
Selling, general and administrative expenses [2]	**897.7**	854.7	43.0	5.0%	854.7	819.1	35.6	4.3%
SG&A as a percentage of revenue	**36.57%**	33.95%			33.95%	32.60%		
Other income [3]	**(20.0)**	–	(20.0)	100%	–	–	–	
Income before net finance costs and income tax expense	**205.5**	254.7	(49.2)	(19.3%)	254.7	289.1	(34.4)	(11.9%)
Net finance costs	**(19.5)**	(21.5)	(2.0)	(9.3%)	(21.5)	(15.0)	6.5	43.3%
Income before income taxes	**186.0**	233.2	(47.2)	(20.2%)	233.2	274.1	(40.9)	(14.9%)
Income tax expense	**44.5**	56.0	(11.5)	(20.5%)	56.0	68.7	(12.7)	(18.5%)
Adjusted net income [1]	**141.5**	177.2	(35.7)	(20.2%)	177.2	205.5	(28.3)	(13.8%)
Adjusted net income as a percentage of revenue [1]	**5.76%**	7.04%			7.04%	8.18%		
After-tax mark-to-market loss/(gain) on financial derivative instruments [1]	**2.6**	(2.2)	4.8	218.2%	(2.2)	(1.7)	(0.5)	(29.4%)
Net income	**138.9**	179.4	(40.5)	(22.6%)	179.4	207.2	(27.8)	(13.4%)
Basic weighted average number of common shares	**67,962,903**	67,512,284			67,512,284	77,623,382		
Basic earnings per share	**$2.04**	$2.66	$(0.62)	(23.3%)	$2.66	$2.67	$(0.01)	(0.4%)
Adjusted basic earnings per share [1]	**$2.08**	$2.62	$(0.54)	(20.6%)	$2.62	$2.65	$(0.03)	(1.1%)
Diluted weighted average number of common shares	**68,654,322**	68,164,937			68,164,937	79,062,376		
Diluted earnings per share	**$2.02**	$2.64	$(0.62)	(23.5%)	$2.64	$2.62	$0.02	0.8%
Adjusted diluted earnings per share [1]	**$2.06**	$2.60	$(0.54)	(20.8%)	$2.60	$2.60	$–	0.0%
Common share dividends declared	**$0.66**	$0.64	$0.02	3.1%	$0.64	$1.89	$(1.25)	(66.1%)
Convertible, non-voting shares dividends declared	**$0.32**	$0.32	$0.00	0.0%	$0.32	$0.32	$–	0.0%

1. Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.
2. Selling, general and administrative expenses ("SG&A").
3. The Company received a $20 million one-time payment to settle the value of warrant rights negotiated as part of the original agreement with CURO. Please refer to Note 20 of the consolidated financial statements.

Same Store Sales [1]

For the	Year ended			
(C$ in millions, except %)	**December 31, 2023**	December 31, 2022	$ Decrease	% Decrease
Same store sales [1]	**2,398.4**	2,462.6	(64.2)	(2.6%)

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

Revenue

For the year ended December 31, 2023, revenue was $2,454.8 million compared to $2,517.7 million in the prior year, a decrease of $62.9 million or 2.5% as compared to the prior year. This is driven by macro-economic factors that led to a decrease in consumer demand in the first half of the year, offset by a return to growth in the second half of the year. Despite the cautious consumer sentiment, the mattress product category grew year-over-year partly as a result of our partnership with Resident, the largest direct-to-consumer mattress company in North America.

Same Store Sales [1]

Same store corporate sales decreased by 2.6% or $64.2 million comparable to the year ended December 31, 2022 driven by the factors discussed in the revenue section above.

Gross Profit

The gross profit margin increased by 7 basis points from 44.06% for the year ended December 31, 2022 to 44.13% in the year ended December 31, 2023. This favourable result is due to a decrease in ocean and overland transportation costs and a more favourable product mix for the year.

Selling, General and Administrative Expenses

The Company's SG&A as a percentage of revenue for the year ended December 31, 2023 increased to 36.57%, an increase of 262 basis points over the prior year of 33.95%. The Company's SG&A as a percentage of revenue for the year increased due to a decline in sales, increases due to provincial wage increases, an increase in point-of-sale retail financing fees due to the continuing Bank of Canada interest rate increases and an overall increase in marketing spend to drive revenue.

Adjusted Net Income [2] and Adjusted Diluted Earnings Per Share [2]

Adjusted net income for the year ended December 31, 2023 totaled $141.5 million, a decrease of $35.7 million or 20.2% over the prior year.

Adjusted diluted earnings per share for the Company decreased to $2.06 per share compared to $2.60 per share in the year ended December 31, 2022, a decrease of $0.54 per share.

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, 2023 was $138.9 million, or $2.02 per diluted earnings per share (net income of $179.4 million, $2.64 per diluted earnings per share in 2022).

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

4. Store Network

The Company has 303 retail stores in Canada at December 31, 2023. The following table illustrates the Company's store count continuity from December 31, 2022 to December 31, 2023 by retail banner:

Banner	Number of stores as at December 31, 2022	Opened	Closed	Number of stores as at December 31, 2023
Corporate Stores				
Leon's	53	–	(1)	**52**
Appliance Canada	5	–	–	**5**
The Brick [1]	117	1	–	**118**
The Brick Mattress Store	21	–	–	**21**
Brick Outlet	6	–	–	**6**
Corporate Subtotal	202	1	(1)	**202**
Franchise Stores				
Leon's	35	–	–	**35**
The Brick	67	–	(1)	**66**
Franchise Subtotal	102	–	(1)	**101**
Total Corporate & Franchise Stores	**304**	**1**	**(2)**	**303**

1. Includes the Midnorthern Appliance banner.

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

5. Summary of Consolidated Quarterly Results

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

For the quarter ended	December 31		September 30		June 30		March 31	
(C$ in millions except per share amounts)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Total system-wide sales [1]	**836.5**	804.4	**791.7**	801.0	**717.6**	784.6	**625.6**	662.9
Franchise sales [1]	**149.6**	143.2	**130.7**	138.8	**123.8**	137.6	**112.6**	115.7
Revenue	**686.9**	661.2	**661.0**	662.2	**593.8**	647.0	**513.0**	547.2
Net income	**46.2**	43.2	**52.3**	61.3	**27.4**	50.1	**12.9**	24.8
Adjusted net income [1]	**48.9**	44.6	**51.7**	59.2	**28.0**	47.5	**12.9**	25.8
Basic earnings per share	**$0.68**	$0.65	**$0.77**	$0.91	**$0.40**	$0.75	**$0.19**	$0.37
Diluted earnings per share	**$0.68**	$0.65	**$0.76**	$0.90	**$0.40**	$0.74	**$0.19**	$0.36
Adjusted basic earnings per share [1]	**$0.72**	$0.67	**$0.76**	$0.88	**$0.41**	$0.71	**$0.19**	$0.38
Adjusted diluted earnings per share [1]	**$0.72**	$0.67	**$0.75**	$0.87	**$0.41**	$0.70	**$0.19**	$0.38

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

6. Financial Position

As at		
(C$ in millions)	**December 31, 2023**	December 31, 2022
Total assets	**2,221.8**	2,193.6
Total non-current liabilities	**571.2**	671.6

Assets

Total assets at December 31, 2023 of $2,221.8 million were $28.2 million higher than the $2,193.6 million reported at December 31, 2022. The movement was primarily driven by increases in trade accounts receivable and property, plant and equipment, offset by a decrease in cash and cash equivalents.

Non-Current Liabilities

Non-current liabilities of $571.2 million were $100.4 million lower than the $671.6 million reported at December 31, 2022. This is primarily a result of a decrease in the term loan of $134.4 million, offset by an increase in the long-term portion of lease liabilities of $30.3 million. Long-term debt and lease liabilities are discussed further in notes 14 and 13, respectively, of the consolidated financial statements.

Net Debt

The table below reflects the Company's net cash balances, excluding its lease liabilities and restricted marketable securities as at December 31, 2023.

As at			
(C$ in millions)	**December 31, 2023**	December 31, 2022	$ Change
Term debt	**100.0**	234.4	(134.4)
Less: cash, cash equivalents, debt and equity instruments	**187.1**	226.0	(38.9)
Net cash/(debt) balance [1]	**87.1**	(8.4)	95.5

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

At December 31, 2023, the Company's total net cash balance, excluding its lease liabilities is $87.1 million. The change in the net debt position is primarily driven by a decrease in the term loan of $134.4 million, offset by a decrease in cash and cash equivalents of $32.4 million.

7. Liquidity and Capital Resources

Liquidity Risk Management

The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at December 31, 2023, unrestricted liquidity is $416.5 million comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

Consolidated Cash Flow Movements

The following table provides a summarized statement of cash flows for the three months and year ended December 31, 2023 and December 31, 2022:

For the	**Three months ended**		
(C$ in millions)	**December 31, 2023**	December 31, 2022	$ Increase (Decrease)
Cash provided by operating activities	**82.1**	92.8	(10.7)
Cash provided by / (used in) investing activities	**10.2**	(20.4)	30.6
Cash used in financing activities	**(97.9)**	(39.2)	(58.7)
Increase (decrease) in cash and cash equivalents	**(5.6)**	33.2	(38.8)

For the	**Year ended**		
(C$ in millions)	**December 31, 2023**	December 31, 2022	$ Increase (Decrease)
Cash provided by operating activities	**253.3**	14.3	239.0
Cash used in investing activities	**(5.4)**	(36.7)	31.3
Cash used in financing activities	**(280.3)**	(244.6)	(35.7)
Increase (decrease) in cash and cash equivalents	**(32.4)**	(267.0)	234.6

	Q4 2023	**Year-to-Date**
Operating Activities	**↓ $10.7 million change** The decrease is primarily driven by changes in working capital related to inventories, trade and other payables and customer deposits. This is offset by a decrease in income taxes paid.	**↑ $239.0 million change** The increase is mainly due to trade and other payables and customer deposits, offset by a gain on the settlement of warrant.
Investing Activities	**↑ $30.6 million change** Majority of the increase is due to proceeds on sale of debt and equity instruments.	**↑ $31.3 million change** The increase is primarily driven by proceeds on settlement of warrant, and by proceeds on sale of debt and equity instruments. This is offset by an increase in the purchases of property, plant and equipment.
Financing Activities	**↓ $58.7 million change** The decrease is due to repayment of long-term debt.	**↓ $35.7 million change** The decrease is primarily due to the movement of the term loan balance, offset by the changes in repurchase of common shares.

Adequacy of Financial Resources

At December 31, 2023, the Company's current assets exceeded its current liabilities by $213.0 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were $187.6 million compared to $226.4 million at December 31, 2022. At December 31, 2023, $229.3 million is available to draw on under the Company's $250 million revolving credit facility as the borrowing capacity has been reduced by ordinary letters of credit of $6.9 million and utilizing $13.8 million of the revolving credit facility. The Company believes that its existing financing resources together with cash flow provided from its current operations and its expanded revolving credit facility will provide a sound liquidity and working capital position throughout the next twelve months.

Contractual Obligations

As at December 31, 2023

(C$ in millions)						Payments Due by Period	
Contractual obligations	**Total**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 & Beyond**
Long-term debt	108.9	12.4	96.5	–	–	–	–
Lease payments	408.6	91.2	64.8	63.4	62.0	59.4	67.8
Total contractual obligations	**517.5**	**103.6**	**161.3**	**63.4**	**62.0**	**59.4**	**67.8**

8. Outlook

Given the Company's strong and continuously improving financial position, our principal objective is to increase our market share and profitability. We remain focused on our commitment to effectively manage our costs but to also continuously invest in digital innovation that we believe will drive more customers to both our online eCommerce sites and our 303 store locations across Canada.

9. Outstanding Common Shares

At December 31, 2023, there were 68,032,028 common shares issued and outstanding. During the year ended December 31, 2023, 9,859 series 2012 shares, 55,892 series 2013 shares, 42,299 series 2014 shares and 62,689 series 2015 shares were converted into common shares. 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, 2023, no common shares were purchased or cancelled. At December 31, 2023, an obligation of $2 million was recognized for the repurchase of common shares under the ASPP (at December 31, 2022 – $2 million).

10. Related Party Transactions

For the year ended December 31, 2023, we had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

11. Critical Assumptions

Use of estimates and judgments

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

Consolidation and classification of joint arrangements

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

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

Extended warranty revenue recognition

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

Inventories

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

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

Impairment of debt instruments

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

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

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

Impairment of goodwill and intangible assets

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

Provisions

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

Leases

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

Materiality

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

Recent Accounting Pronouncements

Adoption of new accounting standards

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); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

In June 2020, the IASB issued amendments to IFRS 17 partly aimed at helping companies implement the standard. IFRS 17, incorporating the amendments, is effective for annual reporting periods beginning on or after January 1, 2023. Retrospective application is required. Under IFRS 17, the Company's insurance contracts are all eligible to be measured by applying the Premium Allocation Approach. This approach simplifies the measurement of insurance contracts in comparison with the general model.

On transition date, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied; and
- Has identified, recognized and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.

The Company has not restated comparative information as the impacts of IFRS 17 are not material.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")
In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments provide clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued *Disclosure of Accounting Policies*, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than its material accounting policies. The amendments also clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendments to IFRS Practice Statement 2 add guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The adoption of these amendments did not have a material impact on the consolidated financial statements.

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

Accounting standards and amendments issued but not yet adopted

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

12. Risks and Uncertainties

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

Readers of this MD&A are also encouraged to refer to Leon's Annual Information Form ("AIF") dated February 21, 2024, which provides information on the risk factors facing the Company. The February 21, 2024 AIF can be found online at www.sedarplus.ca.

Sensitivity to General Economic Conditions

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

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

Maintaining Profitability & Managing Growth

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

Financial Condition of Commercial Sales Customers & Franchisees

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

Competition

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

13. Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer 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, 2023.

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 system's objectives will be met.

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

During the year ended December 31, 2023, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

14. Non-IFRS and Supplementary Financial Measures

Non-IFRS Financial Measures

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

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

Adjusted Net Income

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

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

For the	**Three months ended**		**Year ended**	
(C$ in millions except per share amounts)	**December 31, 2023**	December 31, 2022	**December 31, 2023**	December 31, 2022
Net income	**46.2**	43.2	**138.9**	179.4
After-tax mark-to-market loss/(gain) on financial derivative instruments	**2.7**	1.4	**2.6**	(2.2)
Adjusted net income	**48.9**	44.6	**141.5**	177.2
Basic earnings per share	**$0.68**	$0.65	**$2.04**	$2.66
Diluted earnings per share	**$0.68**	$0.65	**$2.02**	$2.64
Adjusted basic earnings per share	**$0.72**	$0.67	**$2.08**	$2.62
Adjusted diluted earnings per share	**$0.72**	$0.67	**$2.06**	$2.60

Adjusted EBITDA

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

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

For the	Three months ended		Year ended	
(C$ in millions)	**December 31, 2023**	December 31, 2022	**December 31, 2023**	December 31, 2022
Net income	**46.2**	43.2	**138.9**	179.4
Income tax expense	**15.1**	13.9	**43.6**	56.8
Net finance costs	**4.2**	6.0	**19.5**	21.5
Depreciation and amortization	**27.0**	27.1	**107.8**	110.0
Gain on settlement of warrant	**–**	–	**(20.0)**	–
Mark-to-market loss/(gain) on financial derivative instruments	**3.6**	1.9	**3.5**	(3.0)
Adjusted EBITDA	**96.1**	92.1	**293.3**	364.7

Total System Wide Sales

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

Franchise Sales

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

Net Debt

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

Supplementary Financial Measures

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

Same Store Sales

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

Consolidated **Financial Statements**

For the year ended December 31, 2023

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Management's Responsibility for Financial Reporting

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

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

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

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

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

"Michael J. Walsh"

Mike Walsh President and CEO

"Constantine Pefanis"

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, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matter

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill and Indefinite Life intangibles related to The Brick acquisition	
Goodwill and indefinite-life intangible assets arising from the 2013 acquisition of the Brick represent $379 million and $266 million, respectively as of December 31, 2023. 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. Auditing management's annual goodwill and indefinite-life intangibles impairment test was complex, as considerable management judgement was required due to the significant measurement uncertainty related to determining the recoverable amount of the Brick division. Significant assumptions included revenue growth rate, earnings margins and pre-tax discount rate, which are affected by expectations about future market and economic conditions.	To test the estimated recoverable amount of the Brick division, our audit procedures included, among others, assessing valuation methodology and evaluating significant assumptions and the accuracy of underlying data used by management in its analysis. With the assistance of our valuation specialists, we evaluated the Group's model and certain significant assumptions, including the pre-tax discount rate. We assessed the selection and application of the pre-tax discount rate by evaluating the inputs and mathematical accuracy of the calculation with the assistance of our valuation specialists. We assessed the historical accuracy of management's estimates on cash flow projections, revenue growth rate and earnings margins by comparing management's past projections to actual and historical performance. We also compared the revenue growth rate to current industry trends to assess the reasonableness of the revenue growth rate used by management in its analysis. We performed sensitivity analysis on significant assumptions, including the pre-tax discount rate, to evaluate changes in the recoverable amount of the Brick division that would result from changes in the assumptions.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Toronto, Canada
February 21, 2024

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

As at (C$ in thousands)	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	5	82,744	115,127
Restricted marketable securities		414	413
Debt securities		73,718	79,025
Equity securities		30,685	31,804
Trade receivables		197,759	180,482
Income taxes recoverable	21	7,174	8,227
Inventories	6	416,596	410,612
Deferred acquisition costs	7	13,353	12,347
Prepaid expenses and other assets		12,612	12,607
Derivative assets	23	–	1,268
Total current assets		835,055	851,912
Non-current assets			
Deferred acquisition costs	7	22,632	21,940
Loan receivable	15	19,669	20,348
Property, plant and equipment and right-of-use assets	8	651,764	608,465
Investment properties	9	14,090	14,470
Intangible assets	10	271,213	269,741
Goodwill	10	390,120	390,120
Deferred income tax assets	21	17,296	16,647
Total non-current assets		1,386,784	1,341,731
Total assets		2,221,839	2,193,643
Liabilities			
Current liabilities			
Trade and other payables	11	282,937	249,853
Current portion of provisions	12	9,736	9,450
Income taxes payable	21	3,694	2,407
Customers' deposits	17	160,346	175,847
Current portion of lease liabilities	13	75,127	74,389
Dividends payable	16	12,246	10,858
Current portion of deferred warranty plan and insurance revenue	17	68,229	62,894
Current portion of long-term debt	14	7,500	7,500
Derivative liabilities	23	2,265	–
Total current liabilities		622,080	593,198
Non-current liabilities			
Long-term debt	14	92,500	226,875
Lease liabilities	13	278,798	248,466
Deferred warranty plan and insurance revenue	17	111,178	108,527
Provisions	12	20,360	17,044
Deferred income tax liabilities	21	68,399	70,648
Total non-current liabilities		571,235	671,560
Total liabilities		1,193,315	1,264,758
Shareholders' equity			
Common shares	16	164,875	162,636
Retained earnings		856,891	762,899
Accumulated other comprehensive income		6,758	3,350
Total shareholders' equity		1,028,524	928,885
Total liabilities and shareholders' equity		2,221,839	2,193,643

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

On behalf of the Board:

"Terrence T. Leon"

Terrence T. Leon
Director

"Mary Ann Leon"

Mary Ann Leon
Director

Consolidated Statements of Income

For the		Year ended	
(C$ in thousands except share and per share amounts)	Notes	**December 31, 2023**	December 31, 2022
Revenue	17	**2,454,789**	2,517,659
Cost of sales	6	**1,371,612**	1,408,226
Gross profit		**1,083,177**	1,109,433
Selling, general and administrative expenses	18	**897,708**	854,693
Other income	20	**(16,467)**	(3,010)
Net finance costs	19	**19,458**	21,529
Net income before income tax		**182,478**	236,221
Income tax expense	21	**43,623**	56,792
Net income for the year		**138,855**	179,429
Weighted average number of common shares outstanding	22		
Basic		**67,962,903**	67,512,284
Diluted		**68,654,322**	68,164,937
Earnings per share	22		
Basic		**$2.04**	$2.66
Diluted		**$2.02**	$2.64
Dividends declared per share			
Common		**$0.66**	$0.64
Convertible, non-voting		**$0.32**	$0.32

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

Consolidated Statements of Comprehensive Income

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Net income for the year	**138,855**	179,429
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit or loss:		
Gain (loss) on debt instruments arising during the year	**2,465**	(4,506)
Reclassification adjustment for loss on disposal of debt instruments	**(249)**	–
Item that will not be reclassified to profit or loss:		
Gain (loss) on equity instruments arising during the year	**1,294**	(6,801)
Income tax (recovery) expense on the above	**(102)**	673
Other comprehensive income (loss) for the year	**3,408**	(10,634)
Comprehensive income for the year	**142,263**	168,795

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

Consolidated Statements of Changes in Shareholders' Equity

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

(C$ in thousands)	Common shares	Accumulated other comprehensive income	Retained earnings	Total
As at December 31, 2021	149,966	13,984	627,243	791,193
Comprehensive income (loss)				
Net income for the year	–	–	179,429	179,429
Other comprehensive loss for the year	–	(10,634)	–	(10,634)
Total comprehensive income (loss)	–	(10,634)	179,429	168,795
Transactions with shareholders				
Dividends declared	–	–	(43,238)	(43,238)
Management share purchase plan [note 15]	13,409	–	–	13,409
Share repurchase commitment [note 16]	3,625	–	39,375	43,000
Repurchase of common shares [note 16]	(4,364)	–	(39,910)	(44,274)
Total transactions with shareholders	12,670	–	(43,773)	(31,103)
As at December 31, 2022	162,636	3,350	762,899	928,885

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, 2023	December 31, 2022
Operating activities			
Net income before income tax		**182,478**	236,221
Add (deduct) items not involving an outlay of cash:			
Depreciation of property, plant and equipment, right-of-use assets and investment properties		**106,739**	108,497
Amortization of intangible assets		**1,052**	1,470
Amortization of deferred warranty plan revenue		**(63,333)**	(58,359)
Amortization of deferred insurance revenue		**(24,408)**	(17,016)
Amortization of premium		**(117)**	281
Net finance costs	19	**19,458**	21,529
Gain on sale of property, plant and equipment and investment properties		**(85)**	(34)
Gain on settlement of warrant	20	**(20,000)**	–
Loss on sale of marketable securities		**249**	–
Fair value gain on loan receivable		**(1,067)**	(638)
		200,966	291,951
Change in operating working capital	27	**903**	(272,552)
Cash received on warranty plan sales		**71,319**	72,153
Cash received on insurance sales		**24,408**	17,016
Income taxes paid		**(44,283)**	(94,271)
Cash provided by operating activities		**253,313**	14,297
Investing activities			
Purchase of property, plant and equipment	8	**(42,103)**	(26,798)
Purchase of intangible assets	10	**(2,524)**	(1,038)
Proceeds on sale of property, plant and equipment and investment properties		**118**	322
Purchase of debt and equity instruments		**(44,501)**	(36,816)
Proceeds on sale of debt and equity instruments		**54,304**	22,265
Repayment of loan receivable		**1,746**	1,604
Proceeds on settlement of warrant	20	**20,000**	–
Interest received		**7,512**	3,758
Cash used in investing activities		**(5,448)**	(36,703)
Financing activities			
Payment of lease liabilities	13	**(76,518)**	(75,661)
Dividends paid		**(43,475)**	(44,667)
Decrease of employee loans-redeemable shares		**2,239**	611
Repurchase of common shares	16	**–**	(244,274)
Repayment of term loan	14	**(134,375)**	(5,625)
Issuance of term loan	14	**–**	150,000
Interest paid		**(28,119)**	(24,989)
Cash used in financing activities		**(280,248)**	(244,605)
Net decrease in cash and cash equivalents during the year		**(32,383)**	(267,011)
Cash and cash equivalents, beginning of year		**115,127**	382,138
Cash and cash equivalents, end of year		**82,744**	115,127

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

Notes to the **Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022
Amounts in thousands of Canadian dollars, except share amounts and earnings per share

1. Reporting Entity

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

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

2. Basis of Presentation

Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors for issuance on February 21, 2024.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

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

Consolidation and classification of joint arrangements

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

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

Extended warranty revenue recognition

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

Inventories

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

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

Impairment of debt instruments

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

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

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

Impairment of goodwill and intangible assets

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

Provisions

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

Leases

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

3. Summary of Material Accounting Policies

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

Basis of consolidation

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

Business combinations

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

Segment reporting

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

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

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

Foreign currency translation

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

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

Financial instruments

Fair value measurement

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

Financial assets and liabilities

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

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

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

a) FVOCI – non-derivative financial assets that are either designated in this category or not classified in any other category and include marketable securities, which consist primarily of quoted bonds, equities and debentures. These assets are measured at fair value with the changes in FVOCI, and specifically for equity instruments, with no reclassification of gains or losses to profit and loss on derecognition;

b) Amortized cost – non-derivative financial assets with fixed or determinable payments. This includes trade receivables, and these are recorded at amortized cost with gains and losses recognized in profit or loss in the period that the asset is no longer recognized or becomes impaired; and

c) FVTPL – financial assets, which are classified as FVTPL.

Classifications that the Company has used for financial liabilities include:

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

b) FVTPL – financial liabilities, which are classified as FVTPL.

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

Impairment of financial assets

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

Derivative instruments

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are amounts due for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

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

Inventories

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

Property, plant and equipment

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

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

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

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

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

Leases

The Company as lessee

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

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

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

The Company as a lessor

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

Investment properties

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

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

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

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

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

Goodwill and intangible assets

Goodwill

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

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

Intangible assets

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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

Income taxes

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

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

Current income tax

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

Deferred income tax

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

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

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

Trade and other payables

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

Provisions

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

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

Liability for incured claims

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

Unpaid warranty claims

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

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

Product returns

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

Long-term debt

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

Share capital

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

Revenue

Revenue recognition

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

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

Sale of goods and related services

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

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

Franchise operations

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

Insurance contracts and revenue

The Company issues insurance contracts through its subsidiaries: TGI and TGLI.

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

Insurance contracts are accounted for under IFRS 17 *Insurance Contracts*. Insurance contracts are contracts under which the Company has accepted significant risk, other than financial risk, from another party (the "policyholders") by agreeing to compensate the policyholders on the occurrence of a specified uncertain future event (the "insured event") that adversely affects the policyholders.

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

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

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

Deferred warranty plan revenue

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

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

Deferred acquisition costs

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

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

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

Sale of gift cards

Revenue from the sale of gift cards is recognized when the gift cards are redeemed (i.e., 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 ("MSPP") are included in net income for the year. The redeemable shares convertible under the Plan are included in the calculation of diluted number of common shares to the extent the redemption price was less than the average annual market price of the Company's common shares.

Joint arrangements

Under IFRS 11, *Joint Arrangements* ("IFRS 11"), a joint arrangement is a contractual arrangement wherein two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement when the strategic, financial and operating decisions relating to the arrangement require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. Refer to Note 2 for significant judgments affecting the classification of joint arrangements as either joint operations or joint ventures. The parties to a joint operation have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas joint ventures have rights to the net assets of the arrangement.

In accordance with IFRS 11, the Company accounts for joint operations by recognizing its share of any assets held jointly and any liabilities incurred jointly, along with its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly. Joint ventures are accounted for using the equity method of accounting in accordance with IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Under the equity method of accounting, the Company's investments in joint ventures and associates are carried at cost and adjusted for post-acquisition changes in the net assets of the investment. Profit or loss reflects the Company's share of the results of these investments. Distributions received from an investee reduce the carrying amount of the investment. The consolidated statements of comprehensive income also include the Company's share of any amounts recognized by joint ventures and associates in other comprehensive income (OCI). Where there has been a change recognized directly in the equity of the joint venture or associate, the Company recognizes its share of that change in equity.

The financial statements of the joint ventures and associates are generally prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the joint venture and/or associate. Adjustments are made in the consolidated financial statements to eliminate the Company's share of unrealized gains and losses on transactions between the Company and its joint ventures and associates. In transactions with joint operations where the Company contributes or sells assets to a joint operation, the Company recognizes only that portion of the gain or loss that is attributable to the interests of the other parties. Where the Company purchases assets from a joint operation, the Company does not recognize its share of the profit or loss of the joint operation from the transaction until it resells the assets to an independent party. The Company adjusts joint operation financial statement amounts, if required, to reflect consistent accounting policies.

Associates

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

Government grants

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

4. Adoption of Accounting Standards and Amendments

Adoption of new accounting standards

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); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

In June 2020, the IASB issued amendments to IFRS 17 partly aimed at helping companies implement the standard. IFRS 17, incorporating the amendments, is effective for annual reporting periods beginning on or after January 1, 2023. Retrospective application is required. Under IFRS 17, the Company's insurance contracts are all eligible to be measured by applying the PAA. This approach simplifies the measurement of insurance contracts in comparison with the general model.

On transition date, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied; and
- Has identified, recognized and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.

The Company has not restated comparative information as the impacts of IFRS 17 are not material.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")
In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments provide clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued *Disclosure of Accounting Policies*, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than its material accounting policies. The amendments also clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendments to IFRS Practice Statement 2 add guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The adoption of these amendments did not have a material impact on the consolidated financial statements.

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

Accounting standards and amendments issued but not yet adopted

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

5. Cash and Cash Equivalents

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Cash and cash equivalents	**82,744**	115,127

6. Inventories

The amount of inventory recognized as an expense for the year ended December 31, 2023 was $1,311,170 (2022 – $1,363,358), which is presented within cost of sales in the consolidated statements of income.

There were $744 in inventory write-down reversals recognized for the year ended December 31, 2023 (inventory write downs recognized for the year ended December 31, 2022 – $1,746). As at December 31, 2023, the inventory markdown provision totaled $6,829 (2022 – $7,573).

7. Deferred Acquisition Costs

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Balance as at January 1	**34,287**	31,190
Costs of new policies sold	**14,712**	14,781
Policy sales costs recognized	**(13,014)**	(11,684)
Balance as at December 31	**35,985**	34,287
Reported as:		
Current	**13,353**	12,347
Non-current	**22,632**	21,940
Balance as at December 31	**35,985**	34,287

8. Property, Plant and Equipment and Right-Of-Use Assets

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

(C$ in thousands)	Land	Buildings	Equipment	Vehicles	Building improvements	Leased property	Leased equipment	Total
Cost								
Balance as at December 31, 2021	104,112	287,555	184,131	61,846	249,439	574,069	2,138	1,463,290
Additions	7,192	4,810	8,069	4,399	4,130	30,516	154	59,270
Disposals	–	–	(4,386)	(581)	(3,816)	(23,269)	–	(32,052)
Balance as at December 31, 2022	111,304	292,365	187,814	65,664	249,753	581,316	2,292	1,490,508
Accumulated depreciation								
Balance as at December 31, 2021	–	167,599	141,121	41,082	210,034	244,762	883	805,481
Depreciation	–	7,271	7,947	5,468	9,478	77,635	318	108,117
Disposals	–	–	(4,194)	(560)	(3,742)	(23,059)	–	(31,555)
Balance as at December 31, 2022	–	174,870	144,874	45,990	215,770	299,338	1,201	882,043
Net book value as at December 31, 2022	111,304	117,495	42,940	19,674	33,983	281,978	1,091	608,465

Included in the above balances as at December 31, 2023, are assets not being amortized with a net book value of approximately $27,558 (2022 – $3,119) being construction in progress. Depreciation of property, plant and equipment is included within selling, general and administration expenses on the consolidated statements of income.

9. Investment Properties

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

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

The estimated fair value of the investment properties portfolio as at December 31, 2023, was approximately $40,500 (2022 – $42,000). This recurring fair value disclosure is categorized within Level 3 of the fair value hierarchy (Note 23 for definition of levels). This was compiled internally by management based on available market evidence.

10. Intangible Assets and Goodwill

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

(C$ in thousands)	Customer relationships, brand name and franchise agreements	Computer software	Total
Cost			
Balance as at December 31, 2021	275,500	22,088	297,588
Additions	–	1,038	1,038
Disposals	–	(4,778)	(4,778)
Balance as at December 31, 2022	275,500	18,348	293,848
Accumulated amortization			
Balance as at December 31, 2021	9,500	17,915	27,415
Amortization	–	1,470	1,470
Disposals	–	(4,778)	(4,778)
Balance as at December 31, 2022	9,500	14,607	24,107
Net book value as at December 31, 2022	266,000	3,741	269,741

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, 2023**	December 31, 2022
The Brick brand name (allocated to The Brick division)	**245,000**	245,000
The Brick franchise agreements (allocated to The Brick division)	**21,000**	21,000
Total	**266,000**	266,000

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

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

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Computer software	**5,213**	3,741
Total	**5,213**	3,741

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

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Appliance Canada (included within Leon's division)	**11,282**	11,282
The Brick division	**378,838**	378,838
Total	**390,120**	390,120

Impairment tests

The Company performed impairment tests of goodwill, brand and franchise agreements intangible assets as at December 31, 2023 and 2022 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, 2023 and 2022 were as follows:

As at	**December 31, 2023**	December 31, 2022
Growth rate	**2.0%**	2.0%
Pre-tax discount rate	**11.9%**	10.0%

The impairment tests performed resulted in no impairment of the goodwill and indefinite-life intangible assets as at December 31, 2023 and December 31, 2022.

11. Trade and Other Payables

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Trade payables	**151,648**	141,199
Other payables	**131,289**	108,654
Total	**282,937**	249,853

Included in the other payables balance above as at December 31, 2023, is an obligation to repurchase shares of $2,000 under an automatic share purchase plan ("ASPP"), (2022 – $2,000). The ASPP is further discussed in Note 16.

12. Provisions

(C$ in thousands)	**Unpaid insurance claims**	**Warranties**	**Other**	**Total**
Balance as at January 1, 2023	**553**	**22,395**	**3,546**	**26,494**
Provisions made during the year	**450**	**7,677**	**808**	**8,935**
Provisions used during the year	**(425)**	**(4,120)**	**(593)**	**(5,138)**
Unused provisions reversed	**–**	**(195)**	**–**	**(195)**
Balance as at December 31, 2023	**578**	**25,757**	**3,761**	**30,096**

Liability for incurred claims

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

Warranties

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

13. Leases

Company as a lessee

Leasing arrangements

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

Lease liabilities

Carrying amounts of lease liabilities are as follows:

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**322,855**	366,254
Additions	**107,588**	32,472
Disposals	**–**	(210)
Interest	**16,669**	17,739
Payments	**(93,187)**	(93,400)
Balance, end of year	**353,925**	322,855
Reported as:		
Current	**75,127**	74,389
Non-current	**278,798**	248,466
Total	**353,925**	322,855

For the year ended December 31, 2023, the Company recognized rent expenses from short-term leases, leases of low-value assets and variable lease payments of $3,476, $2,801, and $40,946, respectively (2022 – $2,587, $1,581, and $37,087, respectively).

Company as a lessor

Lease revenue receivable

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

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

(C$ in thousands)	**Total**
No later than 1 year	**1,916**
Later than 1 year and no later than 5 years	**6,711**
Later than 5 years	**3,524**
Total	**12,151**

14. Long-term Debt

Bank indebtedness

On August 8, 2023, the Company completed an amendment to its existing Senior Secured Credit Agreement ("SSCA"). Under this amendment, the Company's total credit facility was adjusted to $340,000. Out of the total amount, $90,000 was related to its term loan and the remaining $250,000 is attributable to the Company's revolving credit facility. The amount borrowed under this amendment must be repaid in full by May 31, 2025. During the year, the company repaid a total of $134,375 towards its total credit facility. The Company has drawn $13,750 under the revolving credit facility and has $86,250 outstanding for its term loan as at December 31, 2023.

Bank indebtedness bears interest based on Canadian prime rate, Secured Overnight Financing Rate ("SOFR") and Bankers' Acceptance ("BA") rates plus an applicable standby fee on undrawn amounts. The Company has the ability to choose the type of advance required. Interest is based on the market rate plus an applicable margin. The term credit facility is repayable in the annual amounts of $7,500, with the remainder due on maturity. Currently, the Company has entered into a 32-day BA with a cost of borrowing of 6.31% that was renewed on December 29, 2023.

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, 2023, 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 2022, a total of 903,013 of the 2022 series of common shares were issued under the 2022 MSPP to senior management employees at $17.29 per share. The Company recognized a loan receivable in the amount of $11,274 (recognized at fair value) and a deferred compensation expense of $1,517. The common shares issued of $12,791 are shown within common shares on the consolidated statements of financial position.

Loan receivable

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**20,348**	10,039
Issuance of 2022 series	**–**	11,275
Fair value adjustment	**1,067**	638
Dividends paid	**(1,045)**	(742)
Loan repayment	**(701)**	(862)
Balance, end of year	**19,669**	20,348

Deferred compensation expense

	December 31, 2023	December 31, 2022
Balance, beginning of year	**2,811**	1,569
Recognition of 2022 series	**–**	1,517
Compensation expense	**(376)**	(275)
Balance, end of year	**2,435**	2,811

Redeemable share liability

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Authorized		
306,500 convertible, non-voting, series 2012 shares		
1,485,000 convertible, non-voting, series 2013 shares		
740,000 convertible, non-voting, series 2014 shares		
880,000 convertible, non-voting, series 2015 shares		
Issued and fully paid		
46,113 series 2012 shares (December 31, 2022 – 55,972)	**572**	695
232,081 series 2013 shares (December 31, 2022 – 287,973)	**2,644**	3,280
132,887 series 2014 shares (December 31, 2022 – 175,186)	**2,000**	2,637
203,762 series 2015 shares (December 31, 2022 – 266,451)	**2,743**	3,586
Less employee share purchase loans	**(7,952)**	(10,191)
Total	**7**	7

Under the terms of the Plan, the Company advanced non-interest bearing loans to certain of its employees in 2012, 2013, 2014 and 2015 to allow them to acquire convertible, non-voting series 2012 shares, series 2013 shares, series 2014 shares and series 2015 shares, respectively, of the Company. These loans are repayable through the application against the loans of any dividends on the shares with any remaining balance repayable on the date the shares are converted to common shares. Each issued and fully paid for series 2012 shares may be converted into one common share at any time after the fifth anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. Each issued and fully paid for series 2013, series 2014 and series 2015 shares may be converted into one common share at any time after the third anniversary date of the issue of these shares and prior to the thirteenth anniversary of such issue. The series 2012, series 2013, series 2014 and series 2015 shares are redeemable at the option of the holder for a period of one business day following the date of issue of such shares. The Company has the option to redeem the series 2012 shares at any time after the fifth anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The Company has the option to redeem the series 2013, series 2014 and series 2015 shares at any time after the third anniversary date of the issue of these shares and must redeem them prior to the thirteenth anniversary of such issue. The redemption price is equal to the original issue price of the shares adjusted for subsequent subdivisions of shares plus accrued and unpaid dividends. The purchase prices of the shares are $12.41 per series 2012 share, $11.39 per series 2013 share, $15.05 per series 2014 share and $13.46 per series 2015 share. Dividends paid to holders of series 2012, 2013, 2014 and 2015 shares of approximately $197 (2022 – $251) 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, 2023, 9,859 series 2012 shares, 55,892 series 2013 shares, 42,299 series 2014 shares and 62,689 series 2015 shares (year ended December 31, 2022 – 4,295 series 2009 shares, 14,756 series 2012 shares, 22,118 series 2013 shares, 3,804 series 2014 shares and 6,483 series 2015 shares) were converted into common shares with a stated value of approximately $122, $637, $636 and $844, respectively (year ended December 31, 2022 – $38, $183, $252, $57 and $87, respectively).

During the year ended December 31, 2023, the Company did not cancel any shares from any of the series of shares (year ended December 31, 2022 – no shares were cancelled in any of the series of shares).

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

16. Common Shares

As at		
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Authorized – Unlimited common shares		
Issued		
68,032,028 common shares (2022 – 67,861,289)	**164,875**	162,636

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

Normal course issuer bid

On September 15, 2023, the Company received Toronto Stock Exchange (TSX) approval of its notice of intention to renew its common share repurchase program. The Company intends to repurchase for cancellation a maximum of 3,394,691 common shares representing 4.99% of the total number of its 68,029,894 issued and outstanding common shares as at September 1, 2023. The average daily trading volume for the six months ending August 31, 2023, was 16,383 common shares. Therefore, other than block purchase exemptions, daily purchases will be limited to 4,095 common shares on the TSX. The bid commenced on September 15, 2023, and will terminate on the earliest of the purchase of 3,394,691 common shares, the issuer providing a notice of termination, and September 14, 2024. Purchases will be executed through the facilities of the TSX at market price under the normal course issuer bid rules of the TSX.

On September 30, 2023, the Company entered into an automatic share purchase plan ("ASPP") with the Company's broker in order to facilitate the repurchase of its common shares under the normal course issuer bid during self-imposed blackout periods. During the year ended December 31, 2023, the Company did not repurchase or cancel any common shares under the ASPP. During the year ended December 31, 2022 the Company repurchased and cancelled 1,594,300 common shares under the ASPP for a total cost of $39,384, of which $3,562 represents a reduction in share capital and the remaining $35,822 was charged to retained earnings. As at December 31, 2023, an obligation of $2,000 was recognized for the repurchase of common shares under the ASPP. As at December 31, 2022, an obligation for the repurchase of shares of $2,000 was recognized under the ASPP, as this was not utilized this amount was reversed during the first quarter of 2023.

During the year ended December 31, 2023, and excluding the common shares repurchased under the ASPP, no common shares were purchased or cancelled. During the year ended December 31, 2022, the Company repurchased 299,200 shares of its common shares on the open market pursuant to the terms and conditions of normal course issuer bid at a net cost of $4,890. The repurchase of common shares resulted in a reduction of share capital in the amount of $669. The excess net cost over the average carrying value of the shares of $4,221 has been recorded as a reduction in retained earnings. As at December 31, 2022, the Company had cancelled all of these repurchased shares.

As at December 31, 2023 and 2022, dividends payable were $12,246 ($0.18 per share) and $10,858 ($0.16 per share), respectively.

17. Revenue

a) Disaggregation of revenue

For the	**Year ended**	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Sales of goods by corporate stores	**2,332,273**	2,405,986
Income from franchise operations	**33,061**	34,736
Extended warranty revenue	**63,333**	58,359
Insurance sales revenue	**24,408**	17,016
Rental income from investment property	**1,714**	1,562
Total	**2,454,789**	2,517,659

b) Customers' deposits

For the	**Year ended**	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Opening balance as at January 1	**175,847**	362,099
Revenue recognized that was included in the customers' deposit balance at the beginning of the year	**(153,428)**	(322,682)

c) Deferred warranty plan and insurance revenue

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Opening balance as at January 1	**171,421**	157,627
Revenue recognized that was included in the deferred warranty and insurance balance at the beginning of the year	**(87,741)**	(75,375)
Recognition of deferred warranty and insurance during the year	**95,727**	89,169
Total	**179,407**	171,421
Reported as:		
Current	**68,229**	62,894
Non-current	**111,178**	108,527
Total	**179,407**	171,421

18. Expenses by Nature

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Salaries and benefits	**432,937**	425,579
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**106,739**	108,497
Amortization of intangible assets	**1,052**	1,470
Occupancy expenses	**102,408**	100,030

19. Net Finance Costs

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Interest expense on lease obligations	**16,669**	17,739
Interest expense on term credit facilities and revolving credit facilities	**11,511**	8,276
Finance income	**(8,722)**	(4,486)
Total	**19,458**	21,529

20. Other Income

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Gain on settlement of warrant [(1)]	**(20,000)**	–
Change in fair value of derivative instruments	**3,533**	(3,010)
Total	**(16,467)**	(3,010)

1. During 2023, point of sale financing partner FLX Holding Corp ("Flexiti") was acquired by Questrade Financial Group Inc. from CURO Intermediate Holdings ("CURO"). Leon's Furniture Limited entered into an amended agreement with Flexiti, and the Company received a $20 million one-time payment to settle the value of warrant rights negotiated as part of the original agreement with CURO.

21. Income Tax Expense

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

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Consolidated statements of income		
Current income tax expense:		
Based on taxable income of the current year	**46,652**	58,644
Deferred income tax expense:		
Origination and reversal of temporary differences	**(3,029)**	(1,852)
Income tax expense reported in the consolidated statements of income	**43,623**	56,792

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

For the	Year ended			
(C$ in thousands, except %)	**December 31, 2023**		December 31, 2022	
Income before income taxes	**182,478**		236,221	
Income tax expense based on statutory tax rate	**47,919**	**26.26%**	61,725	26.13%
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:				
Non-deductible items	**250**	**0.14%**	244	0.10%
Remeasurement of deferred income tax asset for rate changes	**(24)**	**(0.01%)**	147	0.06%
Income exempt from tax	**(124)**	**(0.07%)**	(128)	(0.05%)
Prior year adjustments	**(61)**	**(0.03%)**	(1,183)	(0.50%)
Other	**(4,337)**	**(2.38%)**	(4,013)	(1.70%)
Income tax expense reported in the consolidated statements of income	**43,623**	**23.91%**	56,792	24.04%

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

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

As at		
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Deferred income tax assets (liabilities)		
Deferred tax income assets	**17,296**	16,647
Deferred tax income liabilities	**(68,399)**	(70,648)
Total deferred income tax liabilities	**(51,103)**	(54,001)

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

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

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

22. Earnings Per Share

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

For the	Year ended	
(C$ in thousands except share and per share amounts)	**December 31, 2023**	December 31, 2022
Net income for the period for basic earnings per share	**138,855**	179,429
Net income for the period for diluted earnings per share	**139,004**	179,619
Weighted average number of common shares outstanding	**67,962,903**	67,512,284
Dilutive effect	**691,419**	652,653
Dilutive weighted average number of common shares outstanding	**68,654,322**	68,164,937
Basic earnings per share	**$2.04**	$2.66
Diluted earnings per share	**$2.02**	$2.64

23. Financial Instruments

Classification of financial instruments and fair value

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

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

As at				December 31, 2022
(C$ in thousands)	Classification and measurement	Total carrying amount	Fair value	Fair value hierarchy
Financial assets				
Cash and cash equivalents	Amortized cost	115,127	115,127	Level 1
Trade receivables	Amortized cost	180,482	180,482	Level 2
Restricted marketable securities	FVOCI	413	413	Level 1
Equity securities	FVOCI	31,804	31,804	Level 1
Debt securities	FVOCI	78,925	78,925	Level 1
Debt securities	FVTPL	100	100	Level 2
Loan receivable	FVTPL	20,348	20,348	Level 2
Derivative assets	FVTPL	1,268	1,268	Level 2
Financial liabilities				
Trade and other payables	Amortized cost	249,853	249,853	Level 2
Long-term debt	Amortized cost	234,375	234,375	Level 2

The fair value hierarchy of financial instruments measured at fair value, as at December 31, 2023 includes financial assets of $187,461, $217,528 and $nil for Levels 1, 2 and 3 respectively, and financial liabilities of $nil, $385,202 and $nil for Levels 1, 2 and 3, respectively.

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

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

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

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

The Company maintains financial derivatives, which comprise of foreign exchange forwards, with maturities that do not exceed past December 2025. As at December 31, 2023, the fair value of derivative liabilities is $2,265 (2022 – $1,268 derivative assets).

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

Fair value hierarchy

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

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

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

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

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate 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**	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Cash and cash equivalents	**82,744**	115,127
Restricted marketable securities	**414**	413
Debt securities	**73,718**	79,025
Trade receivables	**197,759**	180,482
Total	**354,635**	375,047

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

For commercial trade and other receivables, credit risk is mitigated through customer agreements specifying payment terms and credit limits. For franchise trade receivables, personal guarantees are obtained. As well, liens are placed against the goods and the Company may repossess goods for non-payment. Credit risk is also limited due to the large number of customers and their dispersion across geographic areas and market sectors (i.e., retail, commercial and franchise). Accordingly, the Company believes it has no significant concentrations of credit risk related to trade receivables. The Company's trade receivables totalled $197,759 as at December 31, 2023, (2022 – $180,482). The amount of trade receivables that the Company has determined to be past due (which is defined as a balance that is more than 90 days past due) is $8,865 as at December 31, 2023 (2022 – $11,515). IFRS 9 requires that a forward-looking ECL model be followed. The guidance allows for a simplified approach for assets, including trade receivables, that do not contain a significant financing component. This does not require the tracking of changes in credit risk but requires recognition of lifetime ECLs at all times. The Company's ECL based on the total receivables, past due invoices, historical data and future analysis was $1,334 as at December 31, 2023 (2022 – $1,292).

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, 2023, unrestricted liquidity was $416,454, comprising cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

The following tables summarize the Company's contractual maturity for its financial liabilities and includes both principal and interest payments for the Company's long-term debt:

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

								Payments due by period
(C$ in thousands)	Carrying amount	Contractual cash flows	2023	2024	2025	2026	2027	2028 & beyond
As at December 31, 2022								
Trade and other payables	249,853	249,853	249,846	–	–	–	–	7
Lease liabilities	322,855	373,395	89,185	55,693	55,179	53,773	52,315	67,250
Long-term debt	234,375	252,578	20,439	232,139	–	–	–	–
Total	807,083	875,826	359,470	287,832	55,179	53,773	52,315	67,257

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

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

Market risk

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

(a) Interest rate risk

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

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

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

(i) *Interest rate sensitivity analysis*

The Company's net income is sensitive to the impact of a change in interest rates on the average indebtedness under the term credit facility and the revolving credit facility during the year. For the year ended December 31, 2023, the Company's long-term debt was $100,000 (2022 – $234,375). Accordingly, a change during the year ended December 31, 2023 of a one percentage point increase or decrease in the applicable interest rate would have impacted the Company's net income by approximately $740 (2022 – $1,734).

(b) Currency risk

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

(c) Other price risk

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

24. Insurance Contract Risk

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

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

25. Capital Management

The Company's objectives when managing capital are to:

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

The capital structure currently includes debt and equity securities, lease liabilities, term credit facility and borrowing capacity available under the revolving credit facilities (Note 14). As at December 31, 2023, $229,307 is available to draw on under our $250,000 revolving credit facility, as the borrowing capacity is reduced by ordinary letters of credit of $6,943 (2022 – $6974) and utilizing $13,750 of the revolving credit facility.

As at

(C$ in thousands)	**December 31, 2023**	December 31, 2022
Current portion of lease liabilities	**75,127**	74,389
Current portion of long-term debt	**7,500**	7,500
Lease liabilities	**278,798**	248,466
Long-term debt	**92,500**	226,875
Total shareholders' equity	**1,028,524**	928,885
Total capital under management	**1,482,449**	1,486,115

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

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

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

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

In addition, the Company is subject to the regulatory capital requirements defined by The Office of the Superintendent of Insurance of Alberta and the *Insurance Act* of Alberta (the "Insurance Act"). Notwithstanding that a company may meet the supervisory target standard, The Office of the Superintendent of Insurance of Alberta may direct a company to increase its capital under the Insurance Act. As at December 31, 2023, TGI's Minimum Capital Test ratio was 388% (2022 – 456%), 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, 2023, TGLI's LICAT ratio was 388% (2022 – LICAT 367%), which is in compliance with the requirements of The Office of the Superintendent of Insurance of Alberta and the Insurance Act.

26. Commitments and Contingencies

a) Pursuant to a reinsurance agreement relating to the extended warranty sales, the Company has pledged debt instruments amounting to $414 (2022 – $413).

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

27. Consolidated Statements of Cash Flows

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

For the	Year ended	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Trade receivables	**(17,277)**	(20,388)
Inventories	**(5,984)**	(14,966)
Prepaid expenses and other assets	**(5)**	4,508
Trade and other payables	**34,233**	(51,192)
Customers' deposits	**(15,501)**	(186,252)
Derivative assets and liabilities	**3,533**	(3,010)
Provisions	**3,602**	1,845
Deferred acquisition costs	**(1,698)**	(3,097)
Total	**903**	(272,552)

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

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

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

28. Related Party Transactions

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

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

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**	
(C$ in thousands)	**December 31, 2023**	December 31, 2022
Salaries and other employee benefits	**5,828**	6,376

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, 2023 consolidated financial statements.

Corporate & Shareholder **Information**

BOARD OF DIRECTORS

Mark J. Leon
Toronto, ON

Terrence T. Leon
Toronto, ON

Edward F. Leon[1]
King City, ON

Joseph M. Leon II
Ridgeway, ON

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

Mary Ann Leon
Financial Executive
Toronto, ON

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

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

OFFICERS

Mark J. Leon[1]
Chairman of the Board

Terrence T. Leon[1]
Vice Chairman

Michael J. Walsh
President and CEO

Constantine Pefanis
CFO

John A. Cooney
Vice President, Legal and
Corporate Secretary

CORPORATE OFFICE

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

AUDITORS

Ernst & Young LLP Toronto

REGISTRAR AND TRANSFER AGENT

TSX Trust Company (Canada)

LISTING

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

ANNUAL MEETING

Wednesday, May 8, 2024, 2:00pm
Fairmont Royal York
100 Front Street West
Toronto, Ontario

1. On January 1, 2024, Terrence Leon succeeded Mark J. Leon as Chairman of the Board of Directors, and Edward Leon became Vice Chairman. Mark J. Leon has assumed the title of Chairman Emeritus and continues to serve as a Director of LFL Group.

Design: Craib Design & Communications www.craib.com Printed in Canada

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

LEON'S

@leonsfurniture
leonsfurniture
leonsfurniture

THE BRICK

@brickwarehouse
TheBrick
thebrick

FURNITURE.CA

@furniture.ca
furnituredotca

APPLIANCE CANADA

@appliancecanada
ApplianceCanada

LFLGROUP.CA

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