

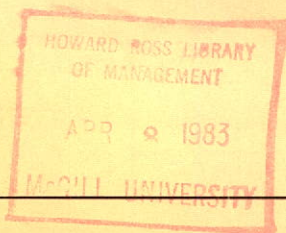
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ANNUAL REPORT



1982

Leon's Furniture Limited.



Corporate Directory

Board of Directors

LEWIE LEON,
Port Colborne

ANTHONY T. LEON,
Thornhill

EDWARD M. LEON,
Thornhill

GEORGE LEON, JR.
Toronto

JOSEPH M. LEON,
Doctor of Medicine, Welland

PETER B. EBY,
Director of Corporate and Government Services,
Burns Fry Limited, Toronto

RICHARD E. SHIBLEY,
Barrister,
Partner in Shibley, Righton & McCutcheon

Officers

LEWIE LEON,
Chairman of the Board

ANTHONY T. LEON,
President

EDWARD M. LEON,
Vice-President

MARJORIE LEON,
Secretary Treasurer

Corporate Offices

88 Gordon Mackay Road,
P.O. Box 460
Weston, Ontario M9N 3N2

Auditors

CLARKSON GORDON
Chartered Accountants—Toronto

Registrar & Transfer Agent

NATIONAL TRUST COMPANY, LIMITED,
Toronto

Listing

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

Annual Meeting of Shareholders

April 27th, 1983
10:00 a.m.
The Westin Hotel
Richmond Room
145 Richmond Street West, Toronto, Ontario

Financial Highlights

	1982	1981	% decrease (increase) from 1981
Sales	<u>\$83,908,000</u>	<u>\$116,188,000</u>	27.8%
Income before income taxes	<u>2,335,000</u>	<u>7,752,000</u>	69.9%
Income taxes	<u>1,280,000</u>	<u>4,016,000</u>	68.1%
Net income	<u>\$ 1,055,000</u>	<u>\$ 3,736,000</u>	71.8%
Number of shares outstanding (Weighted average)	1,225,700	1,222,850	
Earnings per share:			
Net income per share	\$.86	\$3.06	71.9%
Dividends per share	.35	.90	61.1%
Shareholders' equity per share	19.68	19.16	(2.7%)
Share Price on The Toronto Stock Exchange			
High	\$ 17.50	\$ 20.00	
Low	13.00	17.00	
Close	15.75	17.50	
Total assets	<u>\$49,367,000</u>	<u>\$ 50,371,000</u>	2.0%
Number of employees	773	864	

The dividend record is as follows:

1974, 1975	20¢ per share
1976, 1977	49¢ per share
1978, 1979, 1980	75¢ per share
1981	90¢ per share
1982	35¢ per share

EARNINGS PER SHARE FOR EACH QUARTER

	MAR 31	JUNE 30	SEPT 30	DEC 31	TOTAL
From operations:					
1982	(42¢)	30¢	69¢	29¢	\$.86
1981	46¢	\$1.25	83¢	52¢	\$3.06
1980	26¢	51¢	73¢	71¢	\$2.21
From extraordinary item:					
1980		30¢			30¢

Chairman's and President's Report

The past year must be recorded as the most difficult year encountered by our Company to date. While certainly "put to the test" we are gratified that though a struggle and a strain, in the end we weren't found lacking. The immense challenge of retailing home durables in the face of a serious recession confirmed many of our strengths but also revealed some areas with room for improvement. As we enter the new year, it is apparent that this challenge is not yet behind us and we must and will develop new strengths, especially in any areas where we currently recognize a need for improvement.

The Company suffered a large decline in sales and profits compared to 1981, a decline vividly accentuated by the record levels we had attained. Sales were down 27.8% from 1981 with all divisions, furniture, appliances and carpeting, experiencing a major decline. Welland, Ontario was our only location to register a sales gain over the preceding year. This store was completely renovated early in 1982 and its results clearly demonstrate that a "better mousetrap" will bring success even in difficult markets. An important objective for 1983 will be to increase sales through increased market share — a difficult goal in the face of the near hysteric pitch and tenor of the promotions by our competitors.

In the first quarter of 1982 we registered a 42¢ loss per share — not only our first quarterly loss since we issued shares to the public in 1969 but our first recorded loss ever. However, we ended the year on a profitable basis by actually improving gross margins and by rigidly controlling our expenses. Nonetheless, profits were reduced from the record \$3,736,000 (\$3.06 per share) in 1981 to \$1,055,000 (\$.86 per share) in 1982. At this point in time it does not seem realistic to increase margins or even maintain them and improved profit levels appear dependent on an increase in sales volume.

While we are disappointed by our sales and profits for 1982 as judged by our own high standards, nevertheless as measured by what happened to most in our industry, we enjoyed relative success.

In November 1982 our dividend was reduced from the 90¢ declared in 1981 to 35¢. This was our first dividend reduction since we started dividend payments in 1974 but the level is consistent with our traditional financial prudence.

Our consolidated loss in the United States (expressed in U.S. dollars) was \$464,000 in 1982 compared to \$441,000 in 1981. We did not meet our internal forecast of breaking even in 1982 and our plan for future expansion in the U.S. remains on temporary hold. Our resolve and expectations for success in the U.S. are undiminished and we are committed to make whatever adjustments are required to produce positive results for our shareholders.

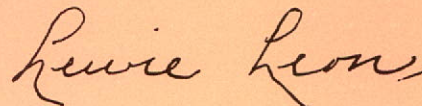
We are currently undertaking substantial renovations to the 15,000 sq. ft. Leon's Showroom we operate in St. Catharines, Ontario. This company owned facility will become part of our "Carriage House Fine Furniture" division and will cater to the higher end of the St. Catharines and Niagara area home furnishings market.

As we have described our difficulties, it also seems appropriate to highlight a number of our positive accomplishments shown in the financial statements. Working capital increased to \$9.7 million from \$8.1 million in 1981; the current ratio increased slightly from a healthy 1.5:1 to 1.6:1; deposit receipts (net of bank indebtedness) was \$3.2 million compared to \$393,000 the previous year; shareholders' equity also increased from \$23,490,000 (\$19.16 per share) in 1981 to \$24,116,000 (\$19.68 per share) in 1982.

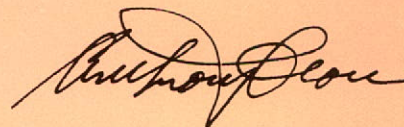
The road ahead to general economic health still has some distance to go and presently consumers are still quite cautious about purchasing home furnishings. However there are ample purchasing dollars available for those retailers enterprising enough to attract them and increased housing starts and resales auger well for future improvement of our market potential.

There are no new stores or acquisitions imminent but both internal and external growth will continue as our company is constantly monitoring the market, seeking development opportunities.

We thank all of our employees for the extra effort given to successfully overcome many of the difficulties of 1982.

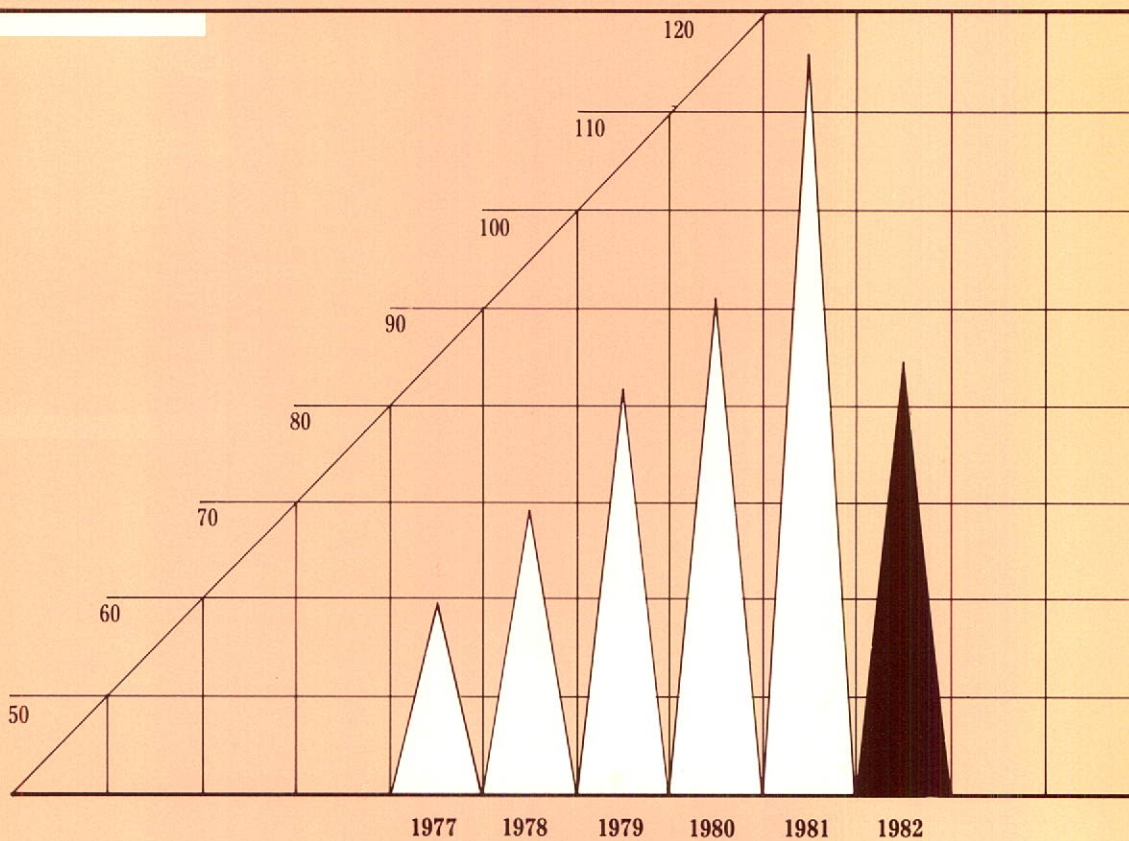


LEWIE LEON

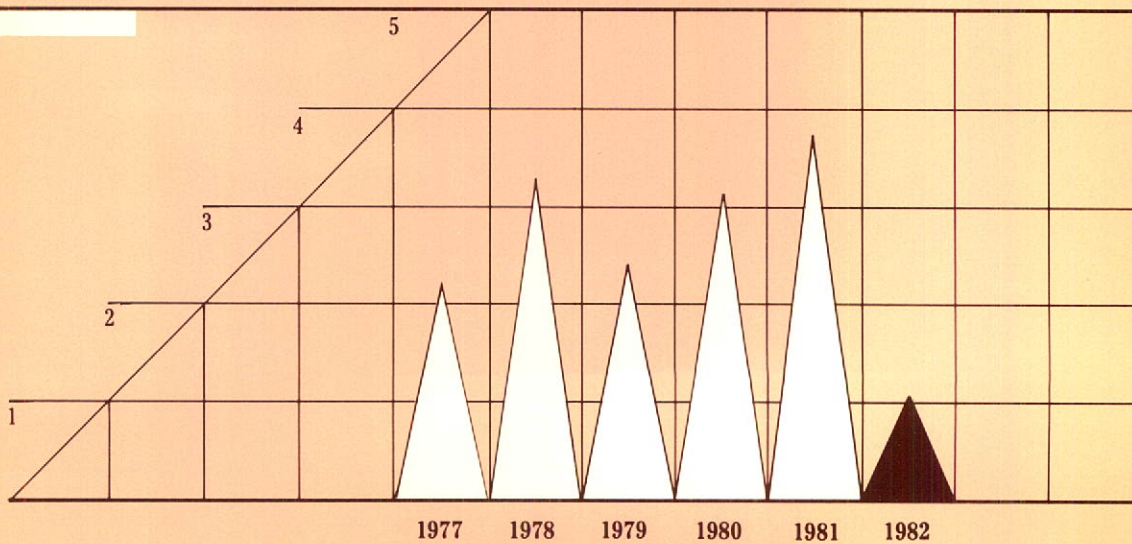


ANTHONY T. LEON

SALES IN MILLIONS



NET INCOME IN MILLIONS



Income Statistics

(in thousands)

	1977	1978	1979	1980	1981	1982
Sales	\$59,540	\$69,620	\$81,312	\$91,277	\$116,188	\$83,908
Cost of Sales	39,057	44,804	52,548	56,940	73,739	52,425
Gross Profit	20,483	24,816	28,764	34,337	42,449	31,483
Operating expenses (net of interest and sundry income)	13,206	15,301	19,417	23,265	30,189	24,760
Rent and property taxes	1,106	1,107	1,199	1,296	1,395	1,621
Depreciation and amortization	962	1,241	1,555	1,887	1,823	1,715
Interest on long-term debt	1,188	1,157	1,246	1,610	1,290	1,052
	16,462	18,806	23,417	28,058	34,697	29,148
Income before items shown below	4,021	6,010	5,347	6,279	7,752	2,335
Income taxes	1,754	2,733	2,896	3,616	4,016	1,280
Income before extraordinary item	2,267	3,277	2,451	2,663	3,736	1,055
Extraordinary item: Expropriation of land (net of tax)				363		
Net income	\$ 2,267	\$ 3,277	\$ 2,451	\$ 3,026	\$ 3,736	\$ 1,055
Shares outstanding (000's) (weighted average)	1,186	1,194	1,197	1,206	1,223	1,226
Earnings per share						
Income before extraordinary item	\$1.91	\$2.75	\$2.05	\$2.21	\$3.06	\$.86
Net income for the year	\$1.91	\$2.75	\$2.05	\$2.51	\$3.06	\$.86
Percent annual increase in sales	5.6%	16.9%	16.8%	12.3%	27.3%	(27.8%)
Income before extraordinary item as a percentage of sales	3.8%	4.7%	3.0%	2.9%	3.2%	1.3%
Dividends	\$ 585	\$ 898	\$ 898	\$ 906	\$ 1,103	\$ 429

Balance Sheet Statistics

(in thousands)

Shareholders' equity	\$14,586	\$16,989	\$18,544	\$20,746	\$23,490	\$24,116
Total assets	35,664	41,673	48,406	51,944	50,371	49,367
Additions to fixed assets	222	7,009	8,900	599	872	438
Increase (decrease) in long-term debt-net	(362)	(255)	2,344	(3,699)	(368)	(241)
Working capital	11,570	8,057	4,777	4,724	8,058	9,685
Current ratio	2.3:1	1.6:1	1.3:1	1.2:1	1.5:1	1.6:1
Shareholders' equity per share	\$12.22	\$14.20	\$15.49	\$17.17	\$19.16	\$19.68
Share price range on The Toronto Stock Exchange						
High	\$8.50	\$16.88	\$18.00	\$22.00	\$20.00	\$17.50
Low	6.50	7.38	13.50	11.00	17.00	13.00

LEON'S FURNITURE LIMITED
(Incorporated under the laws of Ontario)
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1982
(with comparative figures at December 31, 1981)

ASSETS

	1982	1981
Current assets:		
Deposit receipts	\$ 6,283,000	\$ 393,000
Accounts receivable	1,557,000	921,000
Income taxes recoverable	520,000	
Inventory	16,831,000	23,536,000
Total current assets	<u>25,191,000</u>	<u>24,850,000</u>
Fixed assets:		
Buildings and leasehold improvements	20,976,000	20,820,000
Vehicles	2,347,000	2,250,000
Equipment, signs and paving	4,940,000	4,845,000
	<u>28,263,000</u>	<u>27,915,000</u>
Less accumulated depreciation and amortization	12,033,000	10,373,000
	<u>16,230,000</u>	<u>17,542,000</u>
Land, including \$551,000 (1981-\$544,000) for future outlets	<u>7,809,000</u>	<u>7,802,000</u>
Net fixed assets	<u>24,039,000</u>	<u>25,344,000</u>
Sundry investments and advances, at cost	<u>137,000</u>	<u>177,000</u>
	<u>\$49,367,000</u>	<u>\$50,371,000</u>

Auditors' Report

To the Shareholders of
Leon's Furniture Limited:

We have examined the consolidated balance sheet of Leon's Furniture Limited as at December 31, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada,
February 23, 1983.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1982	1981
Current liabilities:		
Bank indebtedness	\$ 3,107,000	
Accounts payable and accrued liabilities	10,909,000	\$14,333,000
Customers' deposits	694,000	728,000
Current portion of long-term debt	367,000	340,000
Dividend payable	429,000	1,103,000
Income taxes payable		288,000
Total current liabilities	<u>15,506,000</u>	<u>16,792,000</u>
Long-term debt (note 2)	<u>9,735,000</u>	<u>9,976,000</u>
Deferred taxes	<u>10,000</u>	<u>113,000</u>
Shareholders' equity:		
Capital stock (note 3) -		
Authorized:		
3,000,000 shares without par value		
Issued:		
1,225,700 shares	3,442,000	3,442,000
Retained earnings	<u>20,674,000</u>	<u>20,048,000</u>
Total shareholders' equity	<u>24,116,000</u>	<u>23,490,000</u>
	<u>\$49,367,000</u>	<u>\$50,371,000</u>

(See accompanying notes)

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

On behalf of the Board:

Levie Leon

Director

Richard Leon

Director

Clarkson Gordon
Chartered Accountants

LEON'S FURNITURE LIMITED
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1982
(with comparative figures for the year ended December 31, 1981)

	1982	1981
Sales	\$83,908,000	\$116,188,000
Cost of sales	<u>52,425,000</u>	<u>73,739,000</u>
Gross profit	<u>31,483,000</u>	<u>42,449,000</u>
Operating expenses (income):		
Salaries and commissions	12,051,000	14,452,000
Employee deferred profit-sharing plan (note 6)	114,000	408,000
Advertising	7,318,000	10,637,000
Rent and property taxes	1,621,000	1,395,000
Depreciation and amortization	1,715,000	1,823,000
Interest on bank indebtedness	381,000	
Interest on long-term debt	1,052,000	1,290,000
Interest income on deposit receipts	(384,000)	(305,000)
Other operating expenses and income (net)	<u>5,280,000</u>	<u>4,997,000</u>
	<u>29,148,000</u>	<u>34,697,000</u>
Income before income taxes	2,335,000	7,752,000
Income taxes (note 4)	<u>1,280,000</u>	<u>4,016,000</u>
Net income	1,055,000	3,736,000
Retained earnings, beginning of year	20,048,000	17,415,000
Dividends	<u>(429,000)</u>	<u>(1,103,000)</u>
Retained earnings, end of year	<u>\$ 20,674,000</u>	<u>\$ 20,048,000</u>
Shares outstanding (weighted average)	<u>1,225,700</u>	<u>1,222,850</u>
Earnings per share (note 3):		
Net income for the year	<u>\$.86</u>	<u>\$3.06</u>

(See accompanying notes)

LEON'S FURNITURE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1982
 (with comparative figures for the year ended December 31, 1981)

	1982	1981
Working capital was provided from:		
Operations –		
Net income	\$1,055,000	\$3,736,000
Add (deduct) amounts not requiring an outlay of funds:		
Depreciation and amortization	1,715,000	1,823,000
Deferred taxes	(103,000)	(36,000)
Loss (gain) on sale of fixed assets	4,000	(4,000)
Funds from operations	<u>2,671,000</u>	<u>5,519,000</u>
Long-term debt	126,000	(28,000)
Proceeds on sale of fixed assets	24,000	38,000
Reduction in sundry investments and advances	40,000	9,000
Proceeds on stock options exercised		111,000
Total funds provided	<u>2,861,000</u>	<u>5,649,000</u>
Working capital was applied to:		
Purchase of fixed assets	438,000	872,000
Current maturities of long-term debt	367,000	340,000
Dividends	429,000	1,103,000
Total funds applied	<u>1,234,000</u>	<u>2,315,000</u>
Increase in working capital	1,627,000	3,334,000
Working capital, beginning of year	<u>8,058,000</u>	<u>4,724,000</u>
Working capital, end of year	<u>\$9,685,000</u>	<u>\$8,058,000</u>
Changes in components of working capital:		
Deposit receipts	\$5,890,000	\$(5,249,000)
Accounts receivable	636,000	(297,000)
Inventory	(6,705,000)	4,967,000
Bank indebtedness	(3,107,000)	
Accounts payable and accrued liabilities	3,424,000	(46,000)
Customers' deposits	34,000	68,000
Income taxes	808,000	568,000
Current portion of long-term debt	(27,000)	3,520,000
Dividend payable	674,000	(197,000)
Increase in working capital	<u>\$1,627,000</u>	<u>\$3,334,000</u>

(See accompanying notes)

**LEON'S FURNITURE LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1982**

1. Summary of significant accounting policies

Principles of consolidation —

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned.

Foreign exchange translation —

Merchandise imported from the United States is recorded at its equivalent Canadian dollar value upon receipt; United States dollar accounts payable are translated at the year-end exchange rate.

The company's U.S. subsidiaries maintain their accounts in United States dollars and their statements are translated into Canadian dollars as follows: fixed assets at historical rates of exchange, all other assets and liabilities at exchange rates prevailing at the end of the year, depreciation at historical rates of exchange and income and all other expenses at average rates for the year. Foreign exchange gains and losses are included in income.

Inventory —

Inventory is valued at the lower of cost on a first-in, first-out basis and net realizable value less normal profit margin.

Fixed assets —

Property and equipment are initially recorded at cost and normal maintenance and repair expenditures are charged to expense as incurred. Depreciation is provided over estimated service lives:

Buildings	— 5% per annum, straight line
Parking lots	— 4% per annum, straight line
Equipment and signs	— 20% - 30% per annum, declining balance
Vehicles	— 30% per annum, declining balance
Leasehold improvements	— Over the terms of the leases to a maximum of 15 years

Store pre-opening costs —

Store pre-opening costs are charged to expense as incurred.

Income taxes —

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable incomes (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred or prepaid taxes.

The company's U.S. subsidiaries have incurred losses aggregating U.S. \$2,652,000 which may be carried forward and applied against such taxable income as may be earned by the companies in future years to 1997. The potential tax benefits of carrying forward these costs will not be reflected in earnings until they are actually recovered.

2. Long-term debt

	1982	1981
Mortgages on land and buildings		
— payable in U.S. dollars	\$ 3,544,000	\$ 3,498,000
— payable in Canadian dollars	5,558,000	5,718,000
8% Sinking Fund Debentures, due May 1, 1987		
— payable in Canadian dollars	1,000,000	1,100,000
	<u>10,102,000</u>	<u>10,316,000</u>
Less current portion of long-term debt	367,000	340,000
	<u>\$ 9,735,000</u>	<u>\$ 9,976,000</u>

The mortgage loans are secured by certain fixed assets, bear interest at rates varying from 9.25% to 11.50% per annum and mature at varying dates to 2009. The 8% Sinking Fund Debentures are secured by a specific charge on all the shares of Leon Holdings (1967) Limited, a subsidiary, and are held by shareholders.

The long-term debt matures as follows:

1984	—	\$ 393,000
1985	—	422,000
1986	—	454,000
1987	—	989,000
1988-1992	—	2,679,000
1993-1997	—	4,462,000
Subsequently	—	336,000
		<u>\$9,735,000</u>

3. Stock options

The company has an incentive stock option plan pursuant to which non-assignable options to purchase shares in the capital of the company have been granted to officers and key employees. No further options may be granted under the plan.

In 1982, options on 1,000 shares were forfeited. During the previous year options on 17,400 shares for \$111,000 were exercised.

Options outstanding under the plan are exercisable on a cumulative basis as to 20% thereof during each twelve-month period following the first anniversary of the date granted. Options on 9,400 shares were outstanding at December 31, 1982:

Year	Price	Number of shares
1978	\$10.13	3,000
1979	13.16	6,400
		<u>9,400</u>

4. Provision for income taxes

The company's income tax provision is made up as follows:

	1982		1981	
Provision for taxes based on combined basic Canadian federal and provincial income tax rate	\$1,200,000	51.4%	\$4,000,000	51.6%
Increase (decrease) in taxes resulting from:				
Inventory allowance	(325,000)	(13.9)	(260,000)	(3.4)
Tax benefit of U.S. losses not reflected in earnings	349,000	14.9	225,000	2.9
Miscellaneous	56,000	2.4	51,000	0.7
Actual provision for income taxes	<u>\$1,280,000</u>	<u>54.8%</u>	<u>\$4,016,000</u>	<u>51.8%</u>

5. Commitments

The company is obligated, under leases expiring at varying dates to the year 2000, to minimum annual rentals for land and buildings from December 31, 1982 as follows:

1983	—	\$ 267,000
1984	—	266,000
1985	—	281,000
1986	—	284,000
1987	—	284,000
1988-1992	—	1,364,000
1993-1997	—	906,000
Subsequent	—	269,000

Annual rental income from leases to others will be approximately \$181,000 in 1983. The company may, at its option, renew most of the leases expiring in the next five years.

6. Employee deferred profit-sharing plan

Under the company's registered employee deferred profit-sharing plan, \$114,000 was set aside in 1982 (1981 - \$408,000). The plan provides that the directors are to determine annually the amount of the contribution, and that it may be a maximum of 10% and a minimum of 1% of the income before income taxes, excluding any unusual items, plus the deferred profit-sharing plan contribution.

7. Directors' and senior officers' remuneration

The remuneration paid or payable by the company to its directors as such was \$5,700 for 1982. The aggregate direct remuneration paid or payable by the company to the senior officers of the company (as defined in the Business Corporations Act) was \$646,000 for 1982.

8. Segmented information

The company sells home furnishings, appliances and carpets through a chain of retail facilities located in Canada and the United States. Operations and identifiable assets by geographic region are presented below.

	1982 (thousands of dollars)		
	Canada	U.S.	Consolidated
Sales	<u>\$74,970</u>	<u>\$8,938</u>	<u>\$83,908</u>
Profit (loss) before income taxes	<u>\$ 3,013</u>	<u>\$ (678)</u>	<u>\$ 2,335</u>
Identifiable assets	<u>\$42,190</u>	<u>\$7,177</u>	<u>\$49,367</u>
	1981 (thousands of dollars)		
	Canada	U.S.	Consolidated
Sales	<u>\$105,619</u>	<u>\$10,569</u>	<u>\$116,188</u>
Profit (loss) before income taxes	<u>\$ 8,187</u>	<u>\$ (435)</u>	<u>\$ 7,752</u>
Identifiable assets	<u>\$ 42,176</u>	<u>\$ 8,195</u>	<u>\$ 50,371</u>

Results of U.S. operations are after recording in 1982 a foreign exchange translation loss of \$127,000 and in 1981 a foreign exchange translation gain of \$85,000.

Company Facilities

<u>CANADA</u>		Gross Space
Alberta		(sq. ft.)
Calgary*	Leon's Furniture	60,000
Edmonton	Leon's Furniture Warehouse and Showroom	150,000
 <u>Ontario</u>		
Burlington	Leon's Furniture Warehouse and Showroom	150,000
Kitchener	Leon's Furniture	50,000
London	Leon's Furniture	50,000
Ottawa	Leon's Furniture	75,000
St. Catharines	Leon's Furniture	15,000
Toronto	Leon's Furniture/Carpet/Appliance Warehouse and Showroom	226,000
Toronto*	New Era Furniture and Appliances	55,000
Toronto*	New Era Furniture and Appliances	26,000
Toronto*	Carriage House Fine Furniture	50,000
Toronto	Head Offices	25,000
Toronto	Leon's Furniture/Carpet/Appliance Warehouse, Showroom and Distribution Centre	230,000
Welland	Leon's Furniture	48,000
 <u>Quebec</u>		
Montreal	Leon's Furniture Warehouse and Showroom	150,000
 <u>U.S.A.</u>		
<u>Texas</u>		
Houston	Leon's Furniture Warehouse and Showroom	86,000
<u>Arizona</u>		
Tempe	Leon's Furniture Warehouse and Showroom	126,000
		<hr/>
		1,572,000
		<hr/> <hr/>

*Leased premises; all others are company-owned.

Leon's Furniture Limited, 88 Gordon Mackay Road, P.O. Box 460, Weston, Ontario. M9N 3N2