



ANNUAL REPORT 1981

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Dedication



Sixty-seven years ago Max and Maurice Wolfe launched a modest business enterprise which would grow into one of Canada's principal food and general merchandise distributors with assets in excess of \$380,000,000 and a staff of 15,000 full and part time employees. Even the highest expectations of those young entrepreneurs have been long surpassed. But one constant has remained – an uncompromising dedication to providing service and value. It is to the originators of this precept and the management and staff who have perpetuated it that this Annual Report is dedicated.



Founders Max Wolfe
(top) and the late
Maurice Wolfe.

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Results in Brief

(in thousands of dollars)

	January 23, 1982	January 24, 1981	Percentage Change
Sales and Other Revenue	\$1,896,569	\$1,648,188	15.1
Earnings Before Extraordinary Items	15,310	13,486	13.5
Earnings Per Share Before Extraordinary Items	2.25	1.99	13.1
Extraordinary Items	107	3,037	
Net Earnings	15,417	16,523	(6.7)
Earnings Per Share	2.26	2.44	(7.4)
Dividends Paid Per Share	0.575	0.47	22.3
Average Number of Shares Outstanding	6,811,909	6,764,779	
 NUMBER OF STORES AT YEAR END			
IGA Associates	382	371	
Other Franchise Food Markets	397	408	
Company-owned Food Markets	81	73	
Convenience Stores	234	207	
Cash & Carry	14	15	
Non-affiliated Food Markets	1,459	1,348	
Discount Department Stores	47	46	
Drug Marts	30	25	
Pharmacies	22	22	
Health and Beauty Aid Stores	5	5	
Restaurants and Snack Bars	66	67	
Gas Bars	8	6	

La version en français de ce rapport
sera envoyée sur demande.

Chairman's Message



Ray D. Wolfe, C.M.,
Chairman and President

Oshawa's operations continued to show steady improvement in 1981. Sales and other revenue were up 15.1 percent to \$1,896,569,000 and earnings from operations rose 13.5 percent to \$15,310,000 or \$2.25 per share.

While in themselves gains of some substance, the fact that they were achieved in a year of national economic malaise, makes the increases all the more noteworthy.

Indeed 1981 was not a good year for business and industry. Inflation continued to devalue earnings and savings, high interest rates discouraged expansion and discretionary spending declined. Nonetheless, Oshawa's growth accelerated in 1981 and is expected to continue through 1982.

While by no means recession proof, Oshawa proved less vulnerable to the effects of the economic slowdown because

- Food and related businesses are less drastically affected by recession than other types of business and industry;
- A large part of Oshawa's food operations is wholesale oriented, (through supplying IGA Associates) and IGA continues to show steady growth in unit numbers, store size and sales;
- Independents' growth generally continues to outstrip that of the corporate food chains;
- In general merchandise, consumers have responded favorably to Towers' value image and renovated and upgraded stores and
- An aggressive sales program and improved service in the institutional and produce group have earned a positive response.

Human Resources

Oshawa's long term growth in today's highly competitive marketplace is as dependent on the effective development and utilization of human resources as on financial strength.

Accordingly, Oshawa's management people are formally audited on an annual basis. The purpose is to maintain a current inventory of management resources and to identify future manpower needs, while at the same time providing opportunities for personal growth and achievement. When an individual has

been identified as requiring a certain management skill or function, he or she will either attend internal development workshops or be enrolled in external programs. In 1981, 82 training seminars and workshops were conducted.

Another significant form of manpower development has been the training in corporate stores and supply depots of people with potential for future IGA store ownership. At year end more than 10 percent of the IGA stores in the Company's franchised territories were owned and operated by former Oshawa employees.

Senior divisional appointments are reported in the Year in Review. At corporate level, Donald A. Smith, Director Compensation was appointed Vice President Human Resources.

Planning Ahead

Whether the recession ends or deepens in 1982 is a matter of conjecture by analysts, economists and politicians. In any event, few hold much hope for an upturn before the last quarter and that translates clearly into another uncertain business year for 1982. In such circumstances, planning must be approached with prudence.

Oshawa's objective is to remain lean and healthy through 1982. With interest rates still high, capital expenditures and working capital will be carefully monitored.

Nonetheless the expansion and upgrading of existing retail outlets, both associate and corporate will continue as planned.

These are troubled times. However, our optimism is undiminished that Canada with its immense natural and creative resources will harness inflation, bring interest rates back to a level that will enable growth to resume and put the unemployed back to work.

Appreciation

We deeply appreciate the continued support of staff, suppliers and customers in making 1981 a year of above average results.

March 29, 1982

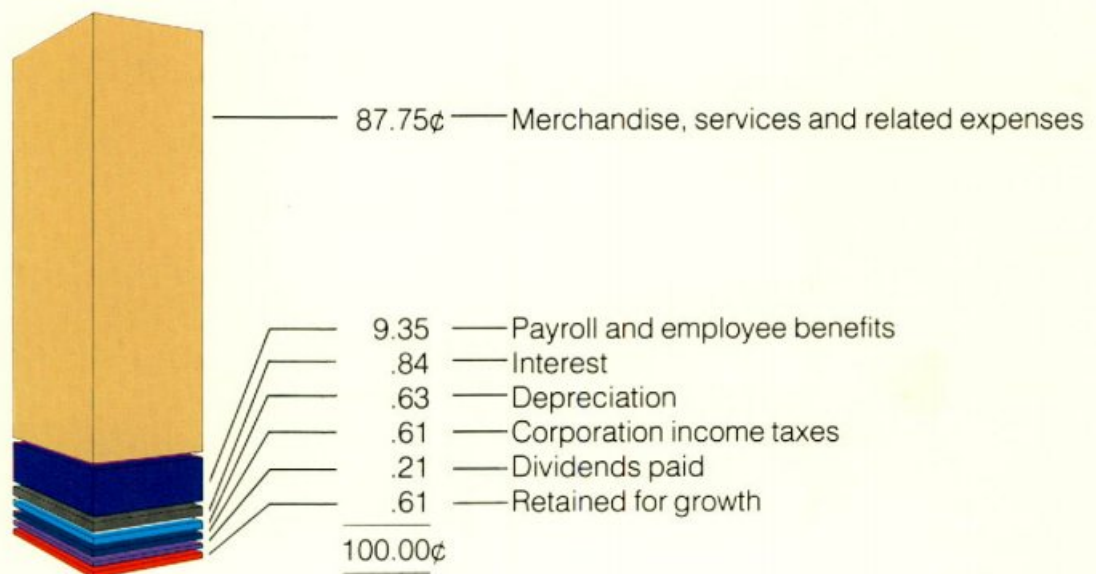
Ray D. Wolfe, C.M.
Chairman and President

Sales and Other Revenue by Division

(in thousands of dollars)

	January 23, 1982	January 24, 1981	Percentage Change
Wholesale and Retail Food			
Ontario Food Division	\$ 711,596	\$ 615,953	15.5
Hudon et Deaudelin Limitée	371,633	311,251	19.4
Codville Distributors	222,411	199,141	11.7
Bolands	131,057	107,988	21.4
Hypermarché (sold in 1980)	-	9,249	
	<u>1,436,697</u>	<u>1,243,582</u>	<u>15.5</u>
Institutional and Produce			
Hickeson-Langs Supply Company	65,880	58,925	11.8
The Ontario Produce Company	49,246	43,396	13.5
Langs Cold Storage	2,620	2,714	(3.5)
Model Laundry	2,170	1,840	17.9
	<u>119,916</u>	<u>106,875</u>	<u>12.2</u>
General Merchandise			
Towers Department Stores	324,363	290,112	11.8
Kent Drugs Limited	38,233	30,504	25.3
Restaurant Division	8,101	7,900	2.5
Gas Bars	9,786	6,714	45.8
	<u>380,483</u>	<u>335,230</u>	<u>13.5</u>
Real Estate			
Inter-divisional sales and other revenue	9,535	9,262	2.9
	<u>(50,062)</u>	<u>(46,761)</u>	
	<u>\$1,896,569</u>	<u>\$1,648,188</u>	<u>15.1</u>

Distribution of Sales Dollar



Year in Review

Sales: Consolidated sales and other revenue of \$1,896,569,000 were up 15.1 percent from the previous year. All groups shared in this increase. Wholesale and retail food were ahead 15.5 percent, institutional and produce 12.2 percent, and general merchandise 13.5 percent.

In wholesale and retail food, the growing market share of independent retail grocers and the opening of four new supermarkets in Ontario contributed to the improvement which exceeded the industry average.

All institutional companies showed higher sales except Langs Cold Storage and Dominion Mushroom. The former had lower revenues because of smaller field crops in 1981 and the latter, production problems.

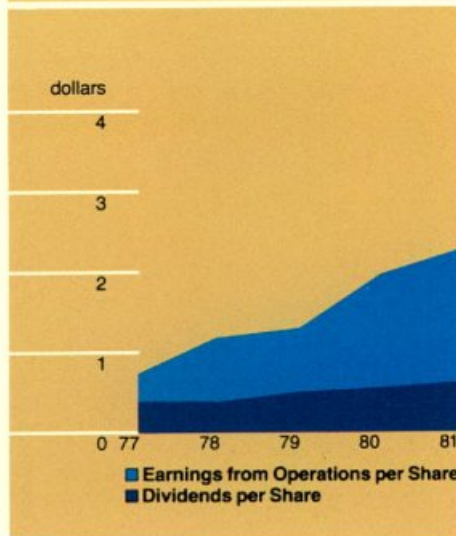
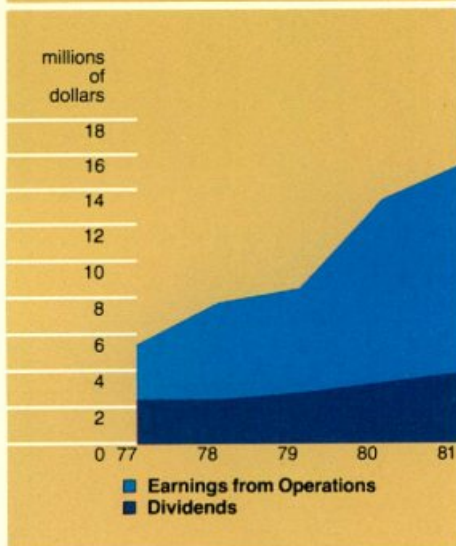
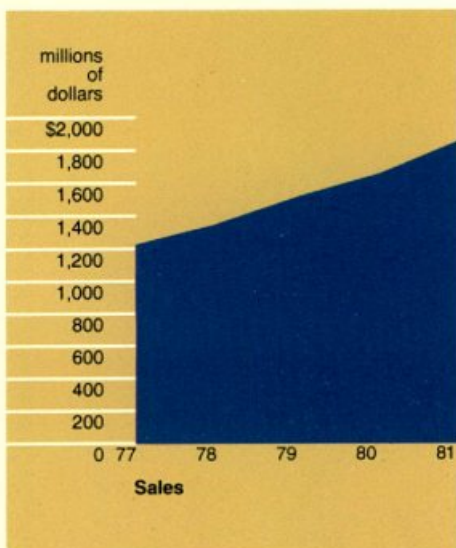
General merchandise had a creditable performance despite poor market conditions. Towers Department Stores sales increased by 11.8 percent compared with 10.1 percent in the previous year. Kent Drugs Limited continued its pattern of sales increases with a 25.3 percent improvement, partly due to five new store openings.

Members of Corporate financial management, (seated) Leonard Eisen, C.A., Treasurer, and Philip F. Connell, F.C.A., Senior Vice President and Chief Financial Officer. (standing) E. Leonard Besler, C.A., Corporate Controller.



Members of Corporate management, (seated from left) Murray C. Goldman, Vice President Development; Matilda Manojlov, Vice President Profit Improvement; Donald A. Smith, Vice President Human Resources. (standing) William Lloyd, Director Loss Prevention; Paul B. Nielsen, Vice President Industrial Relations; Sam Crystal, Vice President Public Affairs, and Harold J. Wolfe, Secretary and General Counsel.





Earnings

Earnings from operations of \$15,310,000 (\$2.25 per share) were 13.5 percent higher than \$13,486,000 (\$1.99 per share) in the previous year.

After extraordinary items, net earnings amounted to \$15,417,000 (\$2.26 per share) compared with \$16,523,000 (\$2.44 per share) in 1980.

Earnings before interest and income taxes increased at the same rate as sales. Interest charges were up 20.2 percent.

All groups contributed to the improved results except for real estate which was approximately the same as in the previous year. After allocating corporate expense (other than interest and income taxes), segmented profit of the food and institutional and produce groups combined was \$31,971,000, or 2.1 percent of sales compared with \$26,720,000 (2.0 percent) in the previous year. General merchandise segmented profit of \$6,589,000 (1.7 percent of sales) compared with \$6,328,000 (1.9 percent). Real estate profit of \$3,222,000 was about the same as \$3,326,000 last year.

Dividends

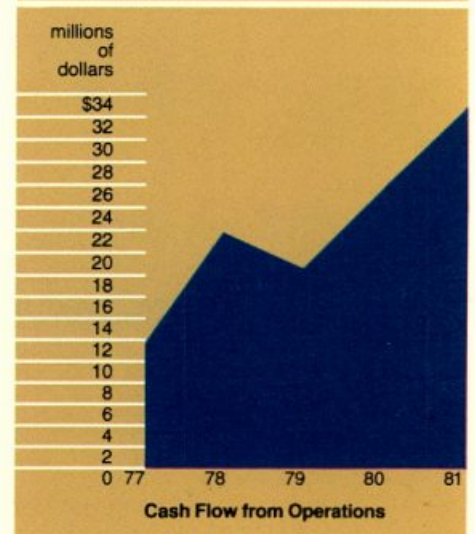
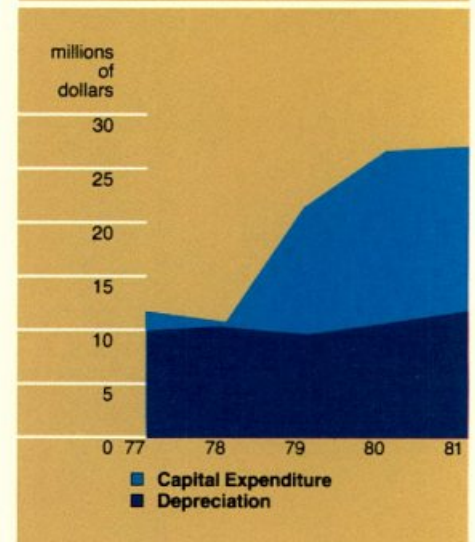
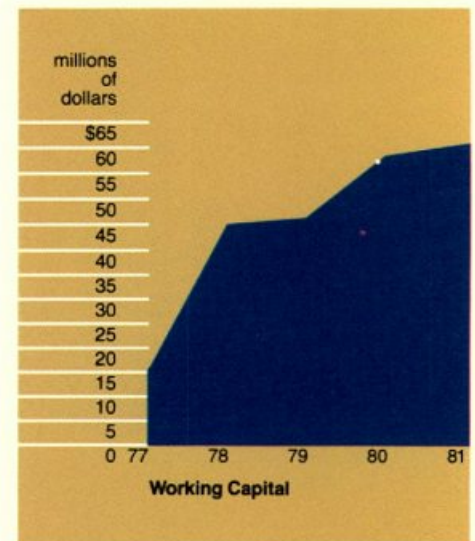
Dividends paid during the year amounted to \$3,913,000, 22.3 percent above the previous year. Under the provisions of the optional stock dividend policy, shareholders elected to receive dividends of \$716,000 in the form of 50,912 Class A shares. Dividends represented 25.4 percent of net earnings (19.2 percent last year). The current quarterly dividend rate is 15¢ per share.

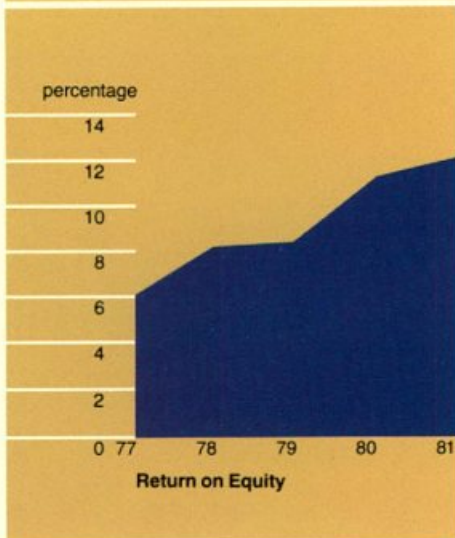
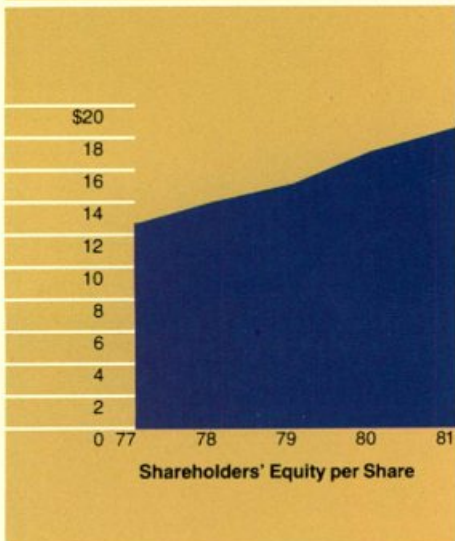
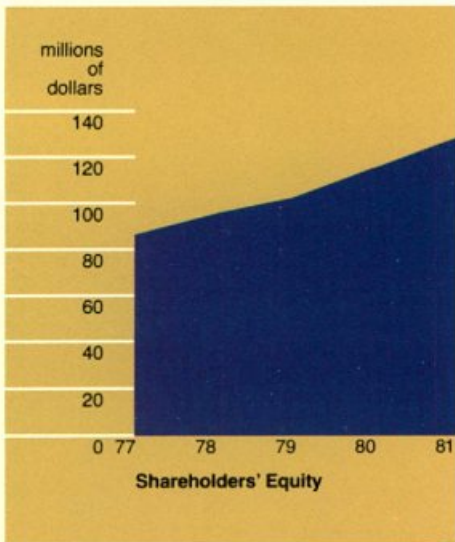
Financial Position

Working capital of \$60,168,000 (\$8.80 per share) reflected an increase of \$1,656,000. Capital expenditures of \$27,194,000 included equipment and leasehold improvements for four large food supermarkets and one department store in Ontario, expansion of produce and frozen food facilities at the Toronto perishables distribution centre and \$1,426,000 for capitalization of leases. Other expenditures were for the remodeling and expansion of corporate food and department stores, distribution equipment and computer assisted checkouts.

Bank indebtedness and notes payable of \$40,986,000 compared with \$16,561,000 at the previous year end. Trade accounts payable were lower than normal due to prompt payment to suppliers. Long term debt of \$84,820,000 was about the same as the previous year.

Cash flow from operations amounted to \$32,254,000 compared with \$25,786,000.





Shareholders' Equity

Shareholders' equity at year end was \$127,825,000 (\$18.69 per share) compared with \$115,605,000 (\$17.03 per share) the previous year. Earnings before extraordinary items represented an after tax return on shareholders' equity of 13.2 percent.

Philip F. Connell, F.C.A.
 Senior Vice President
 and Chief Financial Officer



Lynda Barlow operating a corporate office computer terminal.

Food Group

Severe price competition in most Canadian markets, heavy advertising expenditures and attempts by some chains to increase market share highlighted the year.

Notwithstanding this environment, Oshawa's Food Group performed favorably in comparison with competition and had a record year with a sales gain of 15.5 percent.

The wholesale segment represents the largest portion of Oshawa's food business and accounted for the greatest growth in sales. Of particular note was the improvement from existing IGA stores in Ontario and Quebec. The sales increase in Atlantic Canada was largely the result of additional units.

Strong marketing programs initiated during the past two years helped accelerate sales (and profit) for IGA Associates. This in turn stimulated increased capital expenditure for upgrading, renovating and improving facilities. The result was further sales improvement in spite of severe price competition from corporate chains and co-ops.

In fact, IGA Associates met price pressures head on and emerged with improved market share. This time IGA Associates more than held their own in contrast to a decade ago when the chains gained in a price war.

During 1981 there was a net increase of 15 IGA units in Oshawa's four food divisions, 11 of which were Associate stores and four were corporate units, with another 12 markets expanded.

The corporately owned Food City chain in Ontario recorded its best sales increase in many years. Four new units located in Oakville, Bronte, Brampton and Scarborough, with unique decor and refined merchandise mix, were all successful first-year performers.



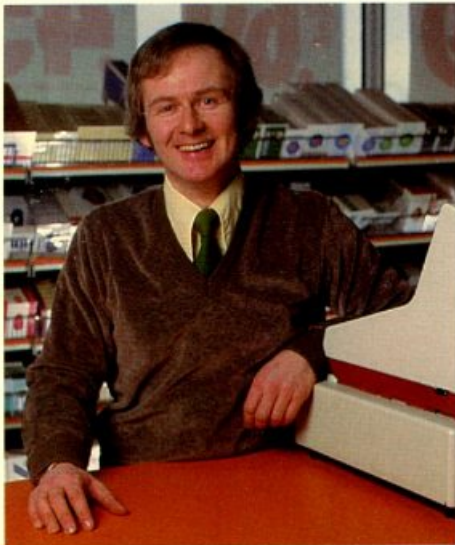
*Food City Produce clerk
Clemente Scarfone;*



*Montreal IGA Boniprix
Associate Jean-Paul
Théoret with customers;*

*Bolands truck driver
Danny Gough.*





Dutch Boy stores also increased market share in Kitchener-Waterloo. One new unit opened in the last quarter adjacent to a Towers store.

Profit before interest and taxes was 14.3% higher than the previous year.

In Atlantic Canada profitability of the Bolands division was adversely affected by costs of establishing IGA in Newfoundland, opening expense of new Associate stores and abnormal bad debt losses.

Ted Phillip, Brampton, Ontario Jug City convenience store manager;



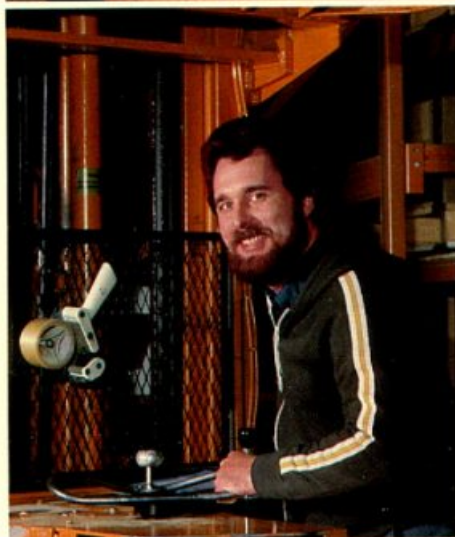
To concentrate fully on development and direction of all food divisions, the undersigned assumed the full time corporate role of Group Vice President Food Divisions. Jonathan Wolfe was appointed Vice President and General Manager of the Ontario Food Division. In Quebec, Pierre Sévigny, was named Vice President Retail Operations and André Morin, Vice President Human Resources of Hudon et Deaudelin.

Subsequent to year end, the Ontario Food Division was renamed Oshawa Foods and Jonathan Wolfe was named President.

1982 is expected to be a difficult year, although food inflation should moderate. Nevertheless, through a shared commitment by IGA Associates and corporate store personnel to provide the best of service and programs to customers, the Food Group anticipates another year of improved sales and profits.

Allister P. Graham, Group Vice President Food Divisions (centre) and divisional general managers (from left) Pierre Croteau, President, Hudon et Deaudelin Ltée, Montreal; Leif Christensen, President, Bolands, Dartmouth, N.S.; Max Hatch, President, Codville Distributors, Winnipeg, and Jonathan Wolfe, President, Oshawa Foods, Toronto.

*Allister P. Graham
Group Vice President*



Codville fork truck operator Bruce Anderson of Winnipeg.

Institutional and Produce Group

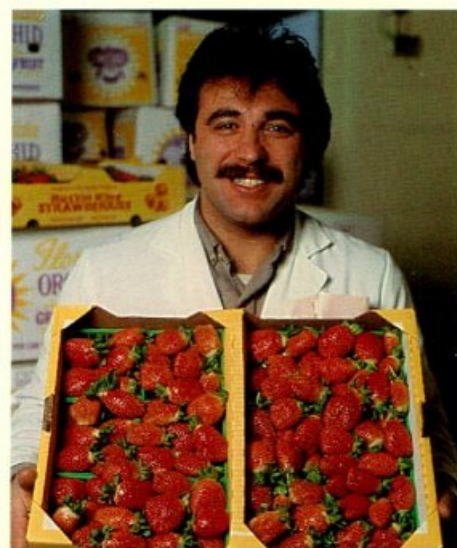
The Institutional and Produce Group recorded higher sales and earnings in 1981 with most divisions contributing to the increases.

Sales and profit of Hickeson-Langs Supply Company which provides one-stop food service to hotels, restaurants, caterers, hospitals, schools and institutions, continued to improve largely because of better customer service, cost controls and inventory management.

The product line was expanded by the addition of nine varieties of Vitality Juice for which the Company has exclusive distribution rights in Ontario, the Atlantic Provinces and part of Quebec.

Langs Cold Storage which provides food processors with blast freezing and storage facilities operated at less than capacity because of poor crop yields and wet harvesting conditions.

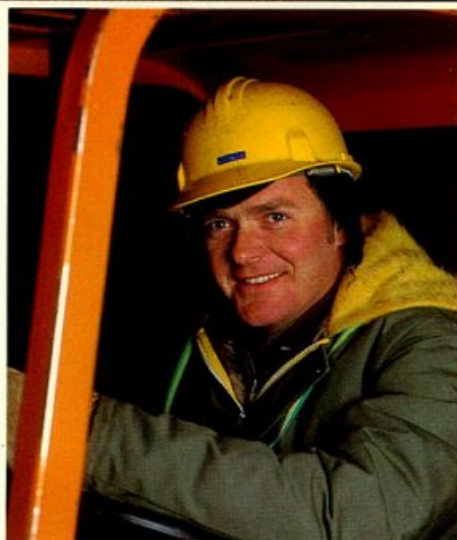
Model Laundry which provides rental service for linens, uniforms and work clothes to retail stores and industrial plants had satisfactory results.



*Ontario Produce Company
salesman Santino Carso;*



*Institutional and Produce Group
management. Jack B. Wolfe, Group
Vice President (seated centre). From left,
Gerry Tracey, Manager Terminal
Operation, Ontario Produce Company; Vance Graham, Manager,
The White and Company; Gary Adams, General Manager
Institutional; Nate Tickner, Manager, Dominion Mushroom Company;
Carlo Bryce, General Manager, Model Laundry; Charles Davies,
President and General Manager, Hickeson-Langs
Supply Company; Glen Henderson, Manager,
Bradford Packing Centre; John F. Brown,
Ph.D., General Manager Produce
and President, Ontario Produce
Company; Robert Kelly, General
Manager Dispensers and Ken
Edworthy, General Manager, Langs
Cold Storage.*



*Al McGlinchey, Langs Cold
Storage fork truck operator.*



The Ontario Produce Company, Bradford Packing Centre and The White and Company achieved good results despite adverse weather conditions which affected availability and quality of supply.

Bradford Packing Centre, a vegetable packing plant near Ontario's Holland Marsh, experienced a profitable year due to strong supplier relationships which insured product availability in spite of domestic shortages. Bradford Packing also increased its capacity by the addition of packaging equipment and a new onion-drying facility.

Dominion Mushroom Company showed modest improvement despite failure of one of four crops. Management is confident that with improved growing practices and procedures, 1982 will produce better results.

Management of the Institutional and Produce Group was strengthened by the appointments of John F. Brown, Ph.D. as General Manager Produce, Gary Adams as General Manager Institutional, Robert Kelly as General Manager Dispensers, and Myron Wolfe as Vice President and Assistant General Manager Produce.

In general, prospects for the fruit and vegetable business are good as per capita consumption increases annually, supported by growing public health consciousness.

Jack B. Wolfe
Group Vice President

Hickeson-Langs Supply Company key account manager Brian Million discusses an order with Humber Memorial Hospital Chef Fred Ragno.

Mushroom harvester Maria Dasilva at Dominion Mushroom Company.

Carrot grader Julia Marques at Bradford Packing Centre.

General Merchandise Group

The General Merchandise Group – Towers Department Stores, Kent Drugs Limited and the Restaurant Division – with sales of \$380,483,000 (13.5% ahead of the previous year) produced a profit before interest and income taxes of \$6,589,000, an improvement of 4.1 percent.

Department Stores

1981 was a difficult year for Canadian department stores. The year began well with sales in the first half showing significant real growth. However, widespread weakness developed about midyear as a deteriorating economy, persistent inflation and record interest rates resulted in lower discretionary spending and a sharp drop in consumer confidence.

The impact on profits of this adverse sales trend was accentuated in the critical Christmas season by widespread price cutting.

Given this environment, Towers performed reasonably well due in part to a shift by the consumer to stores with a value image and in part to Towers' marketing emphasis on higher quality and improved store environment.

Sales were \$324,363,000, an increase of 11.8 percent over the preceding year. Earnings were higher for the fourth consecutive year.

One new store was opened in Kitchener, Ontario. Towers now operates 47 stores in Ontario, Quebec and the Atlantic provinces. The program of store modernization initiated in 1979 continued. Seven stores were renovated in 1981, bringing the total over three years to 25.

The successful management of information will be critical to retailing in the 1980s. In recent years, Towers has made a major investment in electronic point-of-sale terminals and has accelerated computer systems development. Thirty-two stores now have these terminals and it is planned to equip all stores by 1983.

An IBM 4341 computer will be installed in May, 1982 to facilitate the implementation of unit control and on-line merchandising processing systems.

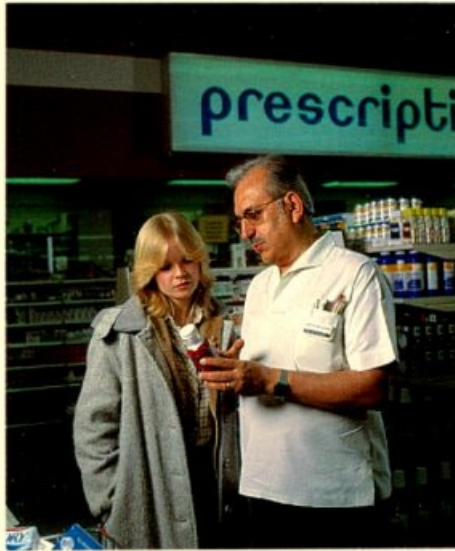
During the year, Edward C. Harsant was appointed Vice President Operations and Peter D. Davidson, Controller. Both Mr. Harsant and Mr. Davidson have been with Towers for several years in positions of increasing responsibility.



General Merchandise Group management. (from left) Redmond J. Langan, Vice President and General Manager, Restaurants; Ab Flatt, President, Kent Drugs Limited and William L. Atkinson, Group Vice President and President of Towers Department Stores.

Towers Department Store Assistant Manager Barbara Ferrone, left, discusses fashion display with clerk Lorri Heath.





Kent Drugs Limited pharmacist George Dayian discusses a drug product with customer Lisa McClean.

Nuri Hamir provides cheerful service in one of the Company's Village Restaurants.

Drug Stores

Kent Drugs Limited experienced significant growth in 1981.

Sales of \$38,233,000 were \$7,729,000 or 25.3 percent higher than in the preceding year.

New Drug City stores in Ontario were opened in Belleville, Alliston, Picton, Bronte and Thorold. At year end, Kent operated 30 Drug City units, 20 pharmacies in Towers Department Stores, two pharmacies in Food City supermarkets and five Stripe health and beauty aid stores.

Subsequent to the year end, Kent Drugs Limited purchased 17 drug stores in Winnipeg previously operated by Metro Drugs (Manitoba) Ltd. This acquisition, Kent's first major expansion outside Ontario, provides immediate market penetration and growth potential through the upgrading and renovation of the Metro stores.

Restaurants

The Restaurant Division had a difficult year in 1981. Sales growth did not match rising costs and a small operating loss resulted.

Sales of \$8,101,000 were 2.5 percent above the preceding year. Growth was limited by competition, weak demand and the closing of several units for renovations.

At year end, the Division operated 29 cafeterias, 10 coffee shops, 15 snack bars, 11 kiosks and one licensed restaurant. Continuing the program initiated two years ago, nine units in Towers stores were completely renovated. A new cafeteria was opened in Kitchener, Ontario and two snack bars closed.

The Restaurant Division is expected to return to profitability in 1982. Management has been strengthened and sales in recently renovated units are encouraging.

William L. Atkinson
Group Vice President

Market Penetration

Manitoba, Saskatchewan & Northwestern Ontario

IGA Associates	100
Other Franchise Food Markets	312
Company-owned Food Markets	6
Non-affiliated Food Markets	768
Cash & Carry	5
Convenience Stores	82
Distribution Centres	6

Ontario

IGA Associates	135
Other Franchise Food Markets	43
Company-owned Food Markets	60
Non-affiliated Food Markets	60

Convenience Stores	39
Discount Department Stores	33
Drug Marts	29
Pharmacies	22
Health & Beauty Aid Stores	5
Restaurants & Snack Bars	44
Gas Bars	7
Distribution Centres	11

Quebec

IGA-Boniprix Associates	99
Other Franchise Food Markets	42
Company-owned Food Markets	4
Non-affiliated Food Markets	623
Discount Department Stores	9

Cash & Carry	8
Convenience Stores	113
Restaurants & Snack Bars	12
Gas Bars	1
Distribution Centres	3

Atlantic Provinces

IGA Associates	48
Company-owned Food Markets	11
Non-affiliated Food Markets	8
Cash & Carry	1
Discount Department Stores	5
Drug Marts	1
Restaurants & Snack Bars	10
Distribution Centres	2

Distribution Centres



5 Year Comparative Summary

<i>(in thousands of dollars except per share)</i>	January 23, 1982	January 24, 1981	January 26, 1980	January 27, 1979	January 28, 1978
Income Statement					
Sales	\$1,896,569	\$1,648,188	\$1,480,030	\$1,336,784	\$1,205,805
Salaries, wages, benefits	177,235	154,863	145,576	133,819	127,447
Depreciation	12,020	10,590	9,801	10,441	10,027
Income taxes	11,503	10,443	4,558	4,801	1,346
Earnings before extraordinary items	15,310	13,486	8,457	7,766	5,233
Net earnings	15,417	16,523	10,105	10,283	8,874
Balance Sheet					
Total assets	380,026	344,583	309,965	287,925	299,570
Current assets	217,402	197,857	172,159	161,257	150,588
Current liabilities	157,234	139,345	126,013	116,241	135,592
Working capital	60,168	58,512	46,146	45,016	14,996
Financing					
Shareholders' equity	127,825	115,605	101,107	94,614	86,626
Long term debt	84,820	84,410	80,216	75,157	70,656
Cash Flow					
Cash flow from operations	32,254	25,786	18,974	21,858	11,679
Capital expenditures	27,194	26,673	21,524	10,635	11,984
Re-invested in business	11,504	14,122	6,493	7,988	6,579
Dividends paid	3,913	3,177**	2,836**	2,295	2,295
Key Financial Ratios					
Current ratio	1.38:1	1.42:1	1.37:1	1.39:1	1.11:1
Earnings before extraordinary items as a % of sales	.81	.82	.57	.58	.43
Per Share Data					
Earnings before extraordinary items**	2.25	1.99	1.25	1.15	.78
Net earnings**	2.26	2.44	1.50	1.52	1.31
Dividends paid	57.5¢	47.0¢**	42.0¢**	34.0¢	34.0¢
Shareholders' equity**	18.69	17.03	14.98	14.02	12.83
High-low stock price	16¾-11½	14¼-7⅞	10-7	9-4¾	5½-3¾
Average number of shares*	6,811,909	6,764,779	6,749,904	6,749,904	6,749,904
Number of full and part time employees at year end	15,000	14,232	14,249	14,154	14,227

* Combined Class A and Common

† Earnings per share have been calculated on the average number of shares outstanding during the year.

‡ Shareholders' equity per share has been calculated on the shares outstanding at the end of the year.

** Dividends declared on January 25, 1980 of 11½¢ per share were paid March 10, 1980.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Oshawa Group Limited as at January 23, 1982 and the consolidated statements of earnings, 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.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 23, 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.

Consolidated Statement of Earnings

For the year ended January 23, 1982

(in thousands of dollars)

	<u>1982</u>	<u>1981</u>
SALES AND OTHER REVENUE	\$1,896,569	\$1,648,188
COST OF SALES AND EXPENSES		
Cost of sales and expenses before the undernoted items:	1,843,519	1,601,907
Interest <i>(note 5)</i>	16,020	13,332
Depreciation	12,020	10,590
	<u>1,871,559</u>	<u>1,625,829</u>
Interest earned	25,010	22,359
	<u>1,803</u>	<u>1,570</u>
EARNINGS BEFORE INCOME TAXES	26,813	23,929
Income taxes	11,503	10,443
EARNINGS BEFORE EXTRAORDINARY ITEMS	15,310	13,486
Extraordinary items <i>(note 6)</i>	107	3,037
NET EARNINGS	<u>\$ 15,417</u>	<u>\$ 16,523</u>
Earnings per share before extraordinary items	\$2.25	\$1.99
Earnings per share	\$2.26	\$2.44
Average number of shares outstanding	<u>6,811,909</u>	<u>6,764,779</u>

Consolidated Statement of Retained Earnings

For the year ended January 23, 1982

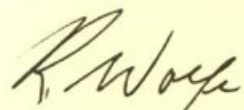
(in thousands of dollars)

	<u>1982</u>	<u>1981</u>
BALANCE, BEGINNING OF YEAR	\$ 55,233	\$ 41,111
Add: Net earnings for year	15,417	16,523
	<u>70,650</u>	<u>57,634</u>
Less: Dividends <i>(note 4)</i>		
– Class A shares	3,815	2,340
– Common shares	98	61
	<u>3,913</u>	<u>2,401</u>
BALANCE, END OF YEAR	<u>\$ 66,737</u>	<u>\$ 55,233</u>

Consolidated Balance Sheet January 23, 1982

(in thousands of dollars)

ASSETS	1982	1981
CURRENT ASSETS		
Cash	\$ 1,080	\$ 1,080
Marketable securities, at cost which approximates market value	861	394
Accounts receivable	55,393	52,423
Inventories	153,010	137,883
Real estate held for sale	1,949	1,752
Prepaid expenses	5,109	4,325
	<u>217,402</u>	<u>197,857</u>
OTHER ASSETS		
Loans and mortgages receivable	7,450	6,266
Other	978	962
	<u>8,428</u>	<u>7,228</u>
FIXED ASSETS (note 2)	<u>154,196</u>	<u>139,498</u>
	<u>\$ 380,026</u>	<u>\$ 344,583</u>
 LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness and notes payable	\$ 40,986	\$ 16,561
Accounts payable and accrued liabilities	112,192	111,545
Income taxes payable	147	8,290
Current portion of long term debt	3,909	2,949
	<u>157,234</u>	<u>139,345</u>
LONG TERM DEBT (note 3)	<u>84,820</u>	<u>84,410</u>
DEFERRED INCOME TAXES	<u>10,147</u>	<u>5,223</u>
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized		
11,906,100 Class A non-voting shares, without par value		
912,000 Common shares, without par value		
Issued		
6,667,897 Class A shares (1981 – 6,616,985)	61,044	60,328
171,376 Common shares	44	44
	<u>61,088</u>	<u>60,372</u>
RETAINED EARNINGS	<u>66,737</u>	<u>55,233</u>
	<u>127,825</u>	<u>115,605</u>
Approved on behalf of the Board	<u>\$ 380,026</u>	<u>\$ 344,583</u>



Ray D. Wolfe, C.M., Director



Philip F. Connell, F.C.A., Director

Consolidated Statement of Changes in Financial Position

For the year ended January 23, 1982

*(in thousands of dollars)***SOURCE OF WORKING CAPITAL**

	1982	1981
Operations		
Earnings before extraordinary items	\$ 15,310	\$ 13,486
Items not affecting funds from operations:		
Depreciation	12,020	10,590
Deferred income taxes	4,924	1,710
	32,254	25,786
Long term debt	4,011	9,590
Issue of Class A shares as dividends	716	376
Disposal of fixed assets	476	6,770
Extraordinary items	107	3,921
Other	(16)	2,549
	37,548	48,992

USE OF WORKING CAPITAL

Purchase of fixed assets	27,194	26,673
Dividends	3,913	2,401
Repayment of long term debt	3,601	5,396
Loans and mortgages receivable	1,184	2,156
	35,892	36,626
INCREASE IN WORKING CAPITAL	1,656	12,366
WORKING CAPITAL, BEGINNING OF YEAR	58,512	46,146
WORKING CAPITAL, END OF YEAR	\$ 60,168	\$ 58,512

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Inventories

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Retail food and general merchandise inventories are valued at the lower of cost and net realizable value less normal profit margins as determined by the retail method of inventory valuation.

Real Estate Held For Sale

Real estate held for sale is valued at the lower of cost and net realizable value. Cost includes development expenses and carrying charges including applicable interest on general borrowings.

Fixed Assets and Depreciation

Major enlargements, remodelings and improvements are charged to the appropriate fixed asset accounts. The cost of maintenance and repairs which does not extend the life of an asset is charged against earnings.

Fixed assets are recorded at cost, which in the case of land and buildings includes carrying costs incurred during development, construction and the initial leasing period, and are depreciated on the straight line basis at rates sufficient to amortize the cost of the assets over their estimated useful lives as follows:

<i>Classification</i>	<i>Estimated Useful Life</i>
Buildings	20 to 40 years
Equipment	4 to 10 years
Leasehold improvements	term of lease plus first option to a maximum of 20 years
Property under capital leases	term of lease

Development and Pre-opening Expenses

Development and pre-opening expenses of new stores are written off in the year of opening.

Sale of Stores and Properties

Gains and losses on the sale of stores and properties, other than warehouses and similar operating facilities, are considered an integral part of the Company's operations and are included in ordinary income.

Leases

Leases entered into after January 27, 1979 that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of an asset and the incurrence of an obligation. The asset is amortized on a straight line basis and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

2. FIXED ASSETS

	1982	1981
	(in thousands)	
Land	\$ 18,847	\$ 17,857
Buildings	94,125	90,684
Equipment	101,480	89,503
Leasehold improvements	21,872	17,276
	236,324	215,320
Less accumulated depreciation	90,160	82,946
	146,164	132,374
Property under capital leases, less accumulated depreciation of \$980,000 (1981 - \$462,000)	8,032	7,124
	\$154,196	\$139,498

3. LONG TERM DEBT

	1982	1981
	(in thousands)	
Bank indebtedness and notes payable	\$ 34,000	\$35,000
Mortgages payable	33,353	31,596
Series A Sinking Fund Debentures	13,000	13,468
Obligations under capital leases (Note 7)	8,376	7,295
	88,729	87,359
Less current portion	3,909	2,949
	\$ 84,820	\$ 84,410

PRINCIPAL REPAYMENTS

Principal repayments of long term debt are as follows:	
(in thousands)	
Fiscal year ending in	
1983	\$ 3,909
1984	4,990
1985	4,954
1986	23,719
1987	7,086
1988-2011	44,071
	\$ 88,729

BANK INDEBTEDNESS AND NOTES PAYABLE

Bank indebtedness and notes payable (including \$19,000,000 secured by a mortgage on a shopping centre) bear interest at rates varying from short term money market rates (which are currently below prime) to prime plus ¾%, and provide for principal repayments from 1983 to 1987.

MORTGAGES PAYABLE

These obligations, secured by certain real estate, bear interest at an average rate of 11% per annum and provide for principal repayments from 1983 to 2009.

SERIES A SINKING FUND DEBENTURES

These debentures, secured by a floating charge on the undertaking and assets of the Company, bear interest at a rate of 9¼% per annum and mature June 15, 1991.

The Company has covenanted to retire \$8,000,000 prior to maturity in annual amounts of \$1,000,000 commencing June 15, 1983.

4. CAPITAL STOCK

The Class A shares are non-voting, participating and are entitled to a non-cumulative annual dividend of 10¢ per share in priority to payment of dividends on the Common shares.

Under the optional stock dividend policy, 160,631 Class A shares are available for future issue. During the year 50,912 Class A shares were issued in lieu of cash dividends.

The Company declared four quarterly dividends during the year. In 1981 three dividends were declared because the first dividend paid in 1981 was declared in 1980.

5. INTEREST EXPENSE

	1982	1981
	(in thousands)	
Interest on long term debt	\$ 11,546	\$ 9,467
Other interest	5,540	3,550
Interest on obligations under capital leases	1,507	648
	18,593	13,665
Less interest capitalized to cost of land and buildings	2,573	333
	\$ 16,020	\$ 13,332

6. EXTRAORDINARY ITEMS

	1982	1981
	(in thousands)	
Gain on sale of investments less income taxes of \$12,000 (1981 - \$566,000)	\$ 92	\$ 1,650
Gain on sale of leases less income taxes of \$822,000	-	822
Gain on sale of marketable securities less income taxes of \$141,000	-	330
Other items	15	235
	\$ 107	\$ 3,037

7. LEASES

Minimum lease payments for store locations, office and warehouse facilities and equipment (exclusive of additional amounts based on percentage of sales, taxes, insurance, and other occupancy charges) under capital and operating leases in future years are as follows:

Fiscal year ending in	Capital Operating Leases Leases	
	(in thousands)	
1983	\$ 1,908	\$ 16,919
1984	1,815	15,626
1985	1,688	14,483
1986	1,621	13,487
1987	1,594	12,328
1988-2011	24,202	126,704
Total minimum lease payments	32,828	\$199,547
Less executory costs	13	
imputed interest at an average rate of 18% per annum	24,439	
	24,452	
Obligations under capital leases	\$ 8,376	

It is expected that rental revenue of \$4,585,000 will be received in the fiscal year ending January 22, 1983, from locations which have been sublet.

As stated in note 1, the Company has not adopted retroactive accounting treatment for capital leases. Retroactive application would have reduced net earnings for the current year by \$66,000, increased assets by \$45,009,000 and obligations by \$51,872,000.

8. PENSION PLANS

Pension costs included in the consolidated statement of earnings represent current service contributions. There is no unfunded past service liability.

9. CONTINGENT LIABILITIES

(a) The Company has guaranteed long term leases of Consumers Distributing Company Limited having minimum annual rentals of \$1,161,000. Consumers Distributing Company Limited has given the Company a debenture as security against any liabilities or costs which may be incurred under these guarantees.

(b) The Company has guaranteed one-half of any deficiency between net rental income and the payment of principal, interest and taxes required under a mortgage loan having a balance of \$8,060,000 at January 23, 1982. The Company has received an indemnity against any losses which may be suffered under this guarantee.

(c) Certain tenants in a shopping centre owned by the Company have instituted actions against the Company for damages aggregating \$4,042,000. On the basis of present information, if these actions proceed to trial, it is the opinion of counsel that the most probable outcome would be their dismissal or judgments, the amounts of which would not be material.

10. RELATED PARTY TRANSACTIONS

The Company leases a warehouse and six retail outlets from a company owned by certain Officers, Directors and their families. Rentals for the year ended January 23, 1982 amounted to \$651,000 (1981 – \$619,000).

11. COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified where necessary, to conform with the current year's presentation.

12. SEGMENTED INFORMATION

(in thousands of dollars)

	Food Distribution		General Merchandise		Real Estate		Consolidated	
	1982	1981	1982	1981	1982	1981	1982	1981
Sales and other revenue								
Outside	\$1,510,776	\$1,307,948	\$380,483	\$335,230	\$ 5,310	\$ 5,010	\$1,896,569	\$1,648,188
Inter-segment	31,304	28,278	—	—	4,225	4,252	—	—
	\$1,542,080	\$1,336,226	\$380,483	\$335,230	\$ 9,535	\$ 9,262	\$1,896,569	\$1,648,188
Segment profit	\$ 31,971	\$ 26,720	\$ 6,589	\$ 6,328	\$ 3,222	\$ 3,326	\$ 41,782	\$ 36,374
Corporate								
Interest earned							1,051	887
Interest							(16,020)	(13,332)
Income taxes							(11,503)	(10,443)
Earnings before extraordinary items							15,310	13,486
Extraordinary items							107	3,037
Net earnings							\$ 15,417	\$ 16,523
Assets								
Segment	\$ 199,003	\$ 174,608	\$104,462	\$ 96,903	\$ 73,494	\$ 70,067	\$ 376,959	\$ 341,578
Corporate							3,067	3,005
Total							\$ 380,026	\$ 344,583
Capital expenditures								
Segment	\$ 18,233	\$ 12,664	\$ 4,600	\$ 6,793	\$ 4,242	\$ 7,185	\$ 27,075	\$ 26,642
Corporate							119	31
Total							\$ 27,194	\$ 26,673
Depreciation								
Segment	\$ 7,100	\$ 6,129	\$ 3,486	\$ 3,087	\$ 1,326	\$ 1,272	\$ 11,912	\$ 10,488
Corporate							108	102
Total							\$ 12,020	\$ 10,590

Directors, Officers

Max Wolfe
Honorary Chairman of the Board

Directors

William L. Atkinson
Philip F. Connell, F.C.A.*
Murray C. Goldman
Allister P. Graham
Charles Perrault, M.Eng.*
Albert Shifrin, Q.C.*
Arthur J.R. Smith, Ph.D., D.U.C., LL.D.*
Harold J. Wolfe
Harvey S. Wolfe
Jack B. Wolfe
Ray D. Wolfe, C.M.

*Audit Committee

Officers

Ray D. Wolfe, C.M.
Chairman and President
Philip F. Connell, F.C.A.
*Senior Vice President and Chief
Financial Officer*
Leonard Eisen, C.A.
Treasurer
Harold J. Wolfe
Secretary

Corporate Management

Ray D. Wolfe, C.M.
Chairman and President
Philip F. Connell, F.C.A.
*Senior Vice President and Chief
Financial Officer*
William L. Atkinson
*Group Vice President
General Merchandise*
Allister P. Graham
Group Vice President Food Divisions
Jack B. Wolfe
*Group Vice President Institutional
and Produce*
E. Leonard Besler, C.A.
Corporate Controller
Sam Crystal
Vice President Public Affairs
Leonard Eisen, C.A.
Treasurer
Murray C. Goldman
Vice President Development
Matilda Manojlov
Vice President Profit Improvement
Paul B. Nielsen
Vice President Industrial Relations
Donald A. Smith
Vice President Human Resources
Harold J. Wolfe
General Counsel

Operating Divisions

Food

BOLANDS

Dartmouth, Nova Scotia

Leif Christensen

President and General Manager

CODVILLE DISTRIBUTORS

Winnipeg, Manitoba

Max Hatch

President and General Manager

CONVENIENCE STORES AND

GAS BARS

Toronto, Ontario

G. Michael Moffat

Vice President

DUTCH BOY FOOD MARKETS

Kitchener, Ontario

Barry Humphrey

General Manager

HUDON ET DEAUDELIN LTÉE

Montreal, Quebec

Pierre Croteau

President and General Manager

OSHAWA FOODS

Toronto, Ontario

Jonathan Wolfe

President and General Manager

General Merchandise

KENT DRUGS LIMITED

Toronto, Ontario

Ab Flatt

President

RESTAURANTS

Toronto, Ontario

Redmond J. Langan

Vice President and General Manager

TOWERS DEPARTMENT STORES

Toronto, Ontario

William L. Atkinson

President and Chief Executive Officer

Institutional and Produce

General Manager Produce

J.F. Brown, Ph.D.

BRADFORD PACKING CENTRE

Bradford, Ontario

H. Glen Henderson

Manager

DOMINION MUSHROOM COMPANY

Pickering, Ontario

Nathaniel Tickner

Manager

THE ONTARIO PRODUCE COMPANY

Toronto, Ontario

J.F. Brown, Ph.D.

President

THE WHITE AND COMPANY

Toronto, Ontario

Vance Graham

Manager

General Manager Institutional

Gary Adams

DISPENSERS

Toronto, Ontario

Robert Kelly

General Manager

HICKESON-LANGS SUPPLY COMPANY

Toronto, Ontario

Charles Davies

President and General Manager

LANGS COLD STORAGE

Hamilton, Ontario

Kenneth R. Edworthy

General Manager

MODEL LAUNDRY

Toronto, Ontario

Carlo Bryce

General Manager

Real Estate

Murray C. Goldman

Vice President Development

Salient Data

Registrar and Transfer Agents

Class A Shares and Series A Debentures,
The Canada Trust Company,
Toronto, Montreal, Calgary, Regina
and Vancouver

Auditors

Wm. Eisenberg & Co., Toronto

Bankers

Canadian Imperial Bank of Commerce
Bank of Montreal
Bank of Nova Scotia
Toronto-Dominion Bank

Listed On

Toronto Stock Exchange
Montreal Stock Exchange

Head Office

302 The East Mall
Islington, Ontario, Canada M9B 6B8
