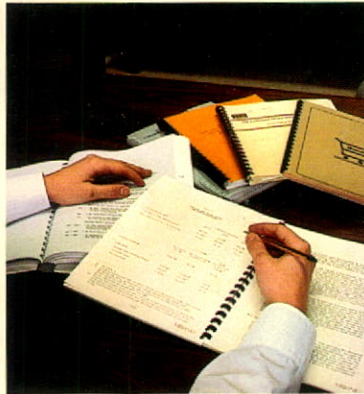
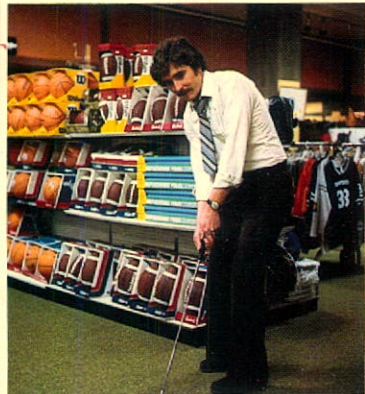


Woodward's



ANNUAL REPORT 1980

For the fiscal year ended January 31, 1981

WOODWARD'S COMPANY PHILOSOPHY



Store founder Charles Woodward believed there were three things that made a company successful. Hard work, good service and solid value.

Today's Woodward's reflects these beliefs.

The Company's retailing policy is directed towards the average wage earner, and built on a philosophy of sound value at reasonable, competitive prices.

Woodward's 16,500 regular full-time and part-time employees are one of the Company's greatest assets. More than anything else, their efforts and daily attention to detail contribute to customer satisfaction.

Woodward's guarantee of satisfaction has also given service a new meaning. So has the Company's commitment to a full-line strategy, a direction that has set Woodward's apart from other retailers.

To this end, the Company markets an impressive assortment of fashions, home furnishings, sporting goods, hardware and automotive products, cosmetics and pharmaceuticals, notions and stationery, as well as a complete selection of food items.

Today, there are 23 Woodward's stores throughout British Columbia and Alberta: 20 full-line outlets, 1 free-standing food floor and 2 furniture/appliance centres known as Furniture Fairs.

While Woodward's marketing and merchandising strategies have been adjusted to meet changing consumer demands, the Company's basic philosophy has not.



WOODWARD STORES LIMITED

and subsidiary companies

Highlights

	FISCAL YEAR ENDED		% Increase
	January 31, 1981 (Fifty-three Weeks)	January 26, 1980 (Fifty-two Weeks)	
FOR THE YEAR			
Operating revenue	\$1,057,539,143	\$899,722,669	17.54
Earnings before extraordinary item	\$ 22,802,703	\$ 19,400,183	17.54
Earnings per share before extraordinary item	\$ 3.27	\$ 2.86	14.34
Net earnings	\$ 27,613,604	\$ 19,400,183	
Net earnings per share	\$ 3.96	\$ 2.86	
Regular dividends per share	\$ 1.04	\$.94	10.64
AT YEAR END			
Working capital	\$ 144,627,122	\$138,093,925	4.73
Shareholders' equity	\$ 167,110,938	\$146,753,966	13.87
Equity per share (see note on page 20)	\$23.95	\$21.03	13.88

DIRECTORS

CHARLES NAMBY WYNN WOODWARD†‡
ROSE BANCROFT
WILLIAM GEORGE BROWN†
CHARLES REGINALD CLARRIDGE**
THOMAS RAYMOND FARRELL*
MARCO GANDOSSI, C.A.†
WILLIAM DOUGLAS HAIG GARDINER‡
JAMES NORMAN HYLAND*‡
HAROLD LESLIE JOY
GRANT WOODWARD MacLAREN, C.A.†
PHILIP CHARLES McCOMB†
STANLEY ALBERT MILNER
JOHN OXLEY MOXON
LEWIS GEORGE PHIPPS
FRANK ALLAN ROBERTSON†
MARGARET ELIZABETH SOUTHERN
ROBERT ARTHUR WHITE*

† Member of Executive Committee

* Member of Audit Committee

** Alternate Member of Audit Committee

‡ Member of Compensation Committee

OFFICERS AND EXECUTIVE MANAGEMENT

CHARLES NAMBY WYNN WOODWARD
Chairman of the Board
and Chief Executive Officer
GRANT WOODWARD MacLAREN, C.A.
President and Chief Operating Officer
FRANK ALLAN ROBERTSON
Executive Vice President
* WILLIAM GEORGE BROWN
Senior Vice President,
Personnel and Services
MARCO GANDOSSI, C.A.
Senior Vice President, Finance
and Secretary
* PHILIP CHARLES McCOMB
Senior Vice President,
Alberta Operations
* GEORGE RICHARD BAILEY
Vice President, Marketing
* WILLIAM GOODERHAM FORBES
Vice President, Retail Operations
* JAMES ROBERT JONES
Vice President,
Real Estate and Development
* MERWIN McBRIDE
Vice President, Food Operations
DAVID PATRICK OGILVIE, C.A.
Controller
DANIEL BENJAMIN KENNEDY
Assistant Secretary

* Appointments effective February 2, 1981

REGISTRAR

WOODWARD STORES LIMITED
Vancouver, British Columbia

TRANSFER AGENTS

WOODWARD STORES LIMITED
Vancouver, British Columbia
MONTREAL TRUST COMPANY
Toronto, Ontario; Montreal, Quebec;
Edmonton, Alberta

HEAD OFFICE

101 West Hastings Street,
Vancouver, British Columbia

AUDITORS

DELOITTE HASKINS & SELLS
Chartered Accountants,
Vancouver, British Columbia

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is a pleasure to present this Annual Report for the year ended January 31, 1981, because it records a significant achievement for your Company. Operating revenue for the year exceeded \$1 Billion for the first time.

This was the highlight of a year which ranked among the most successful in the history of Woodward Stores Limited and its subsidiary companies. Net earnings also reached a new record level and the Company's financial position strengthened during the year, showing increases in working capital and in the return on average shareholders' equity, and an improved debt to equity ratio.

OPERATING RESULTS

Operating revenue for the year rose by 17.54%, from \$899,722,669 in fiscal 1980 to \$1,057,539,143. There were 53 weeks in the year under review compared with 52 weeks in the previous year. Earnings before extraordinary items amounted to \$22,802,703, compared with \$19,400,183 for last year, an increase of 17.54%. An extraordinary gain on disposal of property, fixtures and equipment of \$4,810,901, resulting from the sale of the Grandview Service Building increased this year's net earnings to a total of \$27,613,604. There were no extraordinary items last year. On a per-share basis, earnings before extraordinary items increased from \$2.86 to \$3.27.

During the year under review, working capital increased from \$138,093,925 to \$144,627,122. The equity of each Class A, B and C share went from \$21.03 to \$23.95, and the return on average shareholders' equity rose from 14.26% to 14.53%.

Capital expenditures for the year totalled \$26,700,104. This amount includes the cost of upgrading and modernizing stores and service facilities, acquiring the site for a new British Columbia Distribution Centre, and undertaking the initial stages of its development. Funds were also committed during the year to acquire land for future expansion in the hope of off-setting some of the anticipated increase in property costs.

Your Company continues to keep careful control of operating expenses in all divisions,



commensurate with maintaining high standards of service and competitive wage and benefit levels. The cost of wages, salaries and benefits increased 18.19% during fiscal 1981 to a total of \$222,698,800. Taxation in the form of corporate Federal and Provincial income taxes, Provincial capital taxes and Municipal realty and business taxes continued to rise. The amount of \$25,230,000 for these taxes for fiscal 1981 represents a 22.32% increase over the previous year.

DIVIDENDS AND SHARE REDEMPTIONS

The growth in net earnings over the past two years enabled us to increase dividends on Class A and Class B shares from 94¢ per share to \$1.04 per share, and to declare a dividend of 80¢ per share payable April 30, 1981, an increase of 14¢ per share over the April 1980 dividend rate.

In accordance with the rights attached to the Class D shares, 1,490,899 of these shares were redeemed during the year just ended and 1,146,846 will be redeemed on April 30, 1981.

SUMMARY OF ACTIVITIES

Woodward's continues to grow, keeping pace with the growing population and economic expansion of Western Canada.

In the coming year we will be opening three new full-line department stores in leased premises in Nanaimo, Calgary, and Red Deer, and relocating our Kamloops store from a downtown site to leased space in a new suburban shopping centre in the southwest of the city. Additional information on these new stores is contained on page 8 of this Report.

In addition, efforts continue to be directed to the search for sites for further expansion throughout the Eighties.

Your Company holds a 60% equity interest in the Southgate Shopping Centre in Edmonton. This Centre is being expanded by the addition of approximately 207,200 square feet, which will increase the total leasable area to approximately 809,000 square feet and add to the parking facilities. The expansion is estimated to cost \$25,000,000. Until such time as the Southgate Company completes either interim or long-term financing arrangements, funds required for the expansion will be advanced by its shareholders in ratio to their respective shareholdings.

As indicated earlier, the Grandview Service Building has been sold. Its function, and that of three smaller

Vancouver warehouses, will be taken over by a new Distribution Centre to be built on a 37 acre site in New Westminster, British Columbia. This new facility is expected to come on stream in mid-1982. Until that time the Company will continue to occupy the Grandview premises on a leased basis.

Subsequent to the year end, your Company sold the Northgate Shopping Centre in Edmonton for \$13,750,000 to a developer who has undertaken to expand the Centre. Woodward's will continue to occupy its retail premises in the Shopping Centre under a long-term lease granted by the purchaser. Also, following the year end, surplus land located in Richmond, British Columbia, was sold for \$4,136,262.

EXECUTIVE CHANGES

Three senior executives retired in this fiscal year.

Mr. J.O. Moxon, Vice President, Alberta Operations, retired on July 31, 1980, but continued as a member of the Board of Directors. He held many senior positions during his 34 years of service and made a valuable contribution to the success of the Company.

Mr. H.R. Martin retired as Director of Data Processing and Information Services and as a member of the Board of Directors on January 31, 1981. During his 44 year career, Mr. Martin contributed greatly to both the sales and sales support areas and his wisdom and leadership qualities will be missed.

Mr. A. Robinson, Director of our London, England office, and a member of the Board of Directors, retired from both positions on June 30, 1980, after nearly 30 years of service.

To each of these men we express our appreciation for their contribution to the Company and extend best wishes for good health during retirement.

Mr. F.A. Robertson, formerly Executive Vice President, Merchandising, was appointed Executive Vice President on May 20, 1980.

Mr. P.C. McComb, formerly General Manager, Alberta Operations, was appointed Vice President, Alberta Operations, to succeed Mr. Moxon.

ECONOMIC OUTLOOK

Your Company is entering the decade of the 1980's well positioned to take advantage of its opportunities and to accept its challenges. And there will be challenges. Continued inflation and high interest rates can only serve to

dampen real sales growth, which will call upon all our creativity in marketing and merchandising.

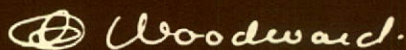
However, our markets of British Columbia and Alberta can and should outpace the rate of economic growth in the rest of Canada. Both provinces are blessed with an abundance of natural resources and are growing in population. Our new facilities will enable us to participate in that growth in full measure.

The long-standing differences between the Federal and Provincial Governments on energy policies and prices hopefully will be resolved soon. That factor alone should act as a spur to the development of major energy projects in Alberta and, hence, to the overall economic well-being of the province, and to the health of the businesses which serve it.

ACKNOWLEDGMENT

The results reflected in this Report represent the achievement of our staff at all levels. Customers today enjoy an every-growing choice of places to shop and types of merchandise to buy. For the most part they have the mobility to indulge their preferences. The fact that they continue to choose Woodward's in growing numbers is a reflection of the calibre of people who work for us, those who choose our locations and design our stores, who research and plan our strategies, select our merchandise, approve pricing policies and guarantees, advertise our goods and, most importantly, those who serve the customer with knowledge, patience and dedication. We, therefore, take this opportunity of expressing appreciation to all members of our staff for their contribution to the year's results. We also thank our customers, our suppliers, and our shareholders for their continuing trust and support.

Respectfully Submitted,

 Woodward.

Chairman of the Board and Chief Executive Officer.

 E.W. MacKern

President and Chief Operating Officer.

April 8, 1981.

1980: IT WAS A SUCCESSFUL YEAR



1980 was a successful year for Woodward's.

Sales exceeded the one billion dollar mark for the first time in the Company's history.

Quite an accomplishment considering that Woodward's operates in only two provinces with a total population of 4.6 million. Further, inflation, unemployment and the soaring cost of living are making consumers more discriminating and price conscious than ever before.

Yet customers are shopping at Woodward's in ever-increasing numbers, attracted by the complete selection, the quality of merchandise and by the reasonable prices.

Woodward's "one-stop shopping" philosophy has paid off. So has the Company's initiative in the area of innovative products and services.

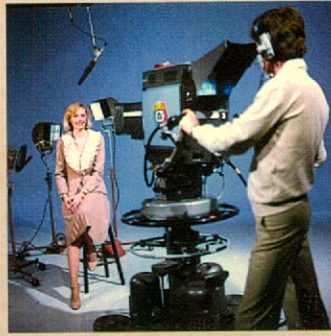
Today's consumer is looking for variety, savings and a real guarantee of satisfaction. The Company is meeting these demands by continually expanding its range of merchandise and services, by reviewing and upgrading its guarantees and by offering exceptional value.

"Woodward's has it all," says the advertising.

1980's billion dollar milestone would seem to support that claim.



THE MARKETING IMPACT



Marketing played an important part in the Company's billion dollar year.

Woodward's adopted a competitive, aggressive stance in the marketplace, particularly in the areas of merchandising and advertising.

Merchandising efforts included the reallocation of floor space in order to display products more attractively, and innovative purchasing on the part of Company buyers.

Product lines were expanded in order to tap the new lifestyle of the Eighties and to meet the needs of the working woman.

Services were expanded to include new travel departments.

And food floors became even more diversified with additional specialty and convenience items, diet foods and nature products.

Consumers were made aware of these innovative changes through newspaper, direct mail and broadcast advertising, all of which successfully generated interest in and traffic through each of the outlets. Television became a vital medium in the overall marketing mix.

Complete basic stock programs and good control of inventory in all areas allowed Woodward's to offer the selection wanted by the consumer.

These significant trends in advertising and merchandising helped the Company realize a steady increase in growth. Consumers perceived that Woodward's was meeting their diversified needs and growing demands and responded favourably by further purchasing. Such success assures an optimistic outlook for the future.



RESEARCH — AN IMPORTANT ROLE



Research is vital to retail survival in the Eighties.

The state of the economy has made consumers more discerning and value-conscious than ever before.

Changing social trends and lifestyles must be monitored continually in order to understand the needs and wants of the buying public. Only then can products be merchandised and sold successfully.

Woodward's growth in 1980 was due in part to increased consumer research.

The Company invested in a number of studies which provided management with qualitative information on which to base their marketing strategies and generate new business.

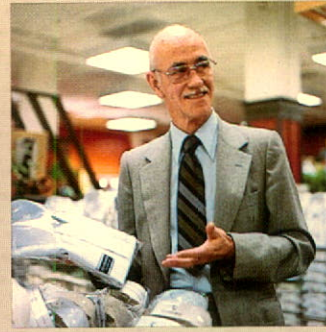
The Intensive/Interaction Group Method, a technique of in-depth questioning seeking human response to environmental conditions, was employed to assist Woodward's in determining a better understanding of its fashion image in the marketplace. A study was conducted to provide relevant information pertaining to the suburban Vancouver trading areas of four Woodward's food floors.

The results of these and other studies were used by the Company to understand how the different customer segments perceived Woodward's and its competition. This, in turn, assisted management in their formulation of marketing strategies.

It is evident that this research investment is paying off.



WOODWARD'S PEOPLE: PRODUCTIVE AND ENTHUSIASTIC



Marketing, merchandising and research are important, but what really counts in any retail operation is the quality of its employees.

The people who deal with the customers.

And this is where Woodward's excels.

The Company's 16,500 productive, enthusiastic and dedicated employees have earned themselves a reputation for customer service and satisfaction.

A positive working environment is the secret behind this success and the reason why so many people make a career with the Company.

Woodward's has always placed importance on its employees. The Company's compensation package, which includes 100% employer-paid medical, dental, hospital, life insurance, short-term sickness income, long-term disability income, pension coverage and profit sharing is among the most comprehensive in the retail industry.

The Company is continually striving to stay in tune with its employees needs and aspirations. For example, this year a group of employee and management representatives was asked to develop a formal complaint and grievance procedure to complement its traditional "open door" approach. Their proposal won the unanimous support of the Company Executive and it was implemented on January 1, 1981. It has been described as the most progressive program in the retail industry.

Management employees at all levels have their say, too. The Company believes that both authority and accountability should be delegated downwards in the organization so that even junior management has the opportunity and responsibility to participate in the decision-making process.

All of which has contributed to high Company morale and positive working attitudes. And that's good for business.



GROWING WITH WESTERN CANADA

Sunridge Mall



Bower Place



In keeping with the Company philosophy of investing in and growing with the economies of British Columbia and Alberta, Woodward's will open new stores in leased premises in Nanaimo, Calgary and Red Deer in 1981, and relocate the store in Kamloops.

The Company has always pursued sites with both short and long-term potential, ones which will be retail and economic centres for both present and future communities. Woodward's management conducts detailed studies of any prospective store location to ensure that the outlet will stand on its own financially within a short time after opening.

The proposed four new stores meet all Company criteria.

CALGARY

Scheduled to open in August, the Calgary Store is the largest of the four and will be located in the Sunridge Mall in Northeast Calgary. This area has seen rapid residential development in the past few years and Sunridge Mall will serve the retail requirements of this new community.

The new Calgary location will consist of a 175,000 square foot department store and a 40,000 square foot food floor and will employ 490 full-time and part-time employees.

RED DEER

Woodward's 105,000 square foot department store and 35,000 square foot food floor will be located in Red Deer's Bower Place, the most modern regional shopping centre in the area. Scheduled to open in mid-May, the new store will employ 300 full-time and part-time employees.

Red Deer has always been a key agricultural, service and distribution centre in Alberta and recent industrial and manufacturing growth have given the city a new vitality.

NANAIMO

The Nanaimo store will consist of a 105,000 square foot department store and a 35,000 square foot food floor. Located in Woodgrove Centre, it is scheduled to open in late September or early October staffed by 300



Woodgrove Centre



Aberdeen Mall



full-time and part-time employees.

The goal of Woodgrove Centre is to be the most dynamic retail complex on Vancouver Island by providing entertainment, recreational and community facilities as well as retail services.

KAMLOOPS

Aberdeen Mall will be the new home of Woodward's Kamloops store, scheduled to open in early August. The 120,000 square foot department store and 40,000 square foot food floor will increase staff to the same number of people as the Red Deer and Nanaimo locations.

Agreement has been reached for the sale of the old store in downtown Kamloops at the time of relocation.

Aberdeen Mall is located in Southwest Kamloops, the city's most rapidly developing area. The population of Kamloops has more than doubled since 1966. Continued high growth rates are projected.

EXISTING FACILITY EXPANSIONS

Woodward's is also in the midst of planning expansions to a number of the Company's existing facilities.

The Interior Design Gallery located in Vancouver's Gastown district has been so successful, two similar galleries are being planned for the Edmonton and Calgary markets.

Twelve in-store travel departments have opened at various locations with five more planned for 1981.

Construction is beginning in 1981 on a new warehouse and distribution centre in New Westminster, British Columbia.

Phase I, consisting of approximately 650,000 square foot is expected to be in full operation by mid 1982 and will serve all Woodward's British Columbia stores. The centre will house furniture and appliances, provide central stock facilities for hardware and housewares, and handle all receiving and marking of non food merchandise.

Phase II, consisting of approximately 360,000 square feet will be built when Company growth requires it.



WOODWARD STORES LIMITED

and subsidiary companies

Consolidated Statement of Earnings

	FISCAL YEAR ENDED	
	January 31, 1981 (Fifty-three Weeks)	January 26, 1980 (Fifty-two Weeks)
OPERATING REVENUE:		
Sales including service charges	\$1,042,633,351	\$887,543,335
Rental revenue and other income	14,905,792	12,179,334
Total operating revenue	1,057,539,143	899,722,669
COSTS AND EXPENSES:		
Cost of merchandise sold and all other expenses except those listed hereunder	767,016,522	655,488,211
Selling, general and administrative	214,010,248	180,421,586
Profit sharing and retirement funds	11,671,858	9,653,643
Depreciation and amortization	9,618,687	7,816,806
Interest on long-term debt	12,708,898	13,347,187
Interest on capital lease obligations	1,091,956	670,046
Other interest	2,173,747	414,031
Total costs and expenses	1,018,291,916	867,811,510
OPERATING EARNINGS	39,247,227	31,911,159
Share of net earnings of corporate joint ventures	1,075,476	856,024
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	40,322,703	32,767,183
Provision for income taxes (Note 5)	17,520,000	13,367,000
EARNINGS BEFORE EXTRAORDINARY ITEM	22,802,703	19,400,183
EXTRAORDINARY ITEM:		
Gain on disposal of properties, fixtures and equipment (net of income taxes of \$1,272,000)	4,810,901	—
NET EARNINGS	\$ 27,613,604	\$ 19,400,183
NET EARNINGS PER SHARE:		
Earnings before extraordinary item	\$ 3.27	\$ 2.86
Extraordinary item69	—
Net earnings	\$ 3.96	\$ 2.86

Consolidated Statement of Retained Earnings

	FISCAL YEAR ENDED	
	January 31, 1981 (Fifty-three Weeks)	January 26, 1980 (Fifty-two Weeks)
RETAINED EARNINGS, BEGINNING OF YEAR	\$109,566,177	\$ 95,198,801
Net earnings	27,613,604	19,400,183
	137,179,781	114,598,984
Deduct dividends paid:		
Class A shares (cash dividends)	5,202,371	4,517,512
Class B shares (stock dividends)	563,362	515,295
	5,765,733	5,032,807
RETAINED EARNINGS, END OF YEAR	\$131,414,048	\$109,566,177

Consolidated Statement of Changes in Financial Position

	FISCAL YEAR ENDED	
	January 31, 1981 <small>(Fifty-three Weeks)</small>	January 26, 1980 <small>(Fifty-two Weeks)</small>
FUNDS PROVIDED:		
From operations:		
Earnings before extraordinary item	\$ 22,802,703	\$ 19,400,183
Dividends from corporate joint ventures	958,037	600,000
Add (deduct) items not affecting working capital:		
Depreciation and amortization	9,618,687	7,816,806
Deferred income taxes	2,373,000	3,645,000
Share of net earnings of corporate joint ventures	(1,075,476)	(856,024)
Other	(4,716)	(59,211)
Total funds provided from operations	34,672,235	30,546,754
Proceeds from disposal of properties, fixtures and equipment (net of income taxes and mortgage receivable)	2,415,500	1,227,801
Increase in long-term debt	8,040,000	—
Increase in capital lease obligations	—	5,522,376
Issue of Class A shares on conversion of 6¾% debentures	—	8,401,000
Total funds provided	45,127,735	45,697,931
FUNDS APPLIED:		
Additions to properties, fixtures and equipment	26,700,104	11,265,986
Additions to assets under capital leases	—	5,522,376
Increase in advances to corporate joint ventures	1,050,000	—
Conversion of 6¾% debentures into Class A shares	—	8,401,000
Reduction in long-term debt	3,112,738	4,174,114
Reduction in capital lease obligations	475,064	394,972
Redemption of Class D shares	1,490,899	1,347,539
Redemption of Class E shares issued as stock dividends	563,362	515,295
Payment of cash dividends	5,202,371	4,517,512
Total funds applied	38,594,538	36,138,794
INCREASE IN WORKING CAPITAL	6,533,197	9,559,137
WORKING CAPITAL, BEGINNING OF YEAR	138,093,925	128,534,788
WORKING CAPITAL, END OF YEAR	\$144,627,122	<u>\$138,093,925</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 31, 1981 and the consolidated statements of earnings, retained earnings and of changes in financial position for the fiscal 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 31, 1981 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Vancouver, British Columbia
April 8, 1981

DELOITTE HASKINS & SELLS
Chartered Accountants

WOODWARD STORES LIMITED

and subsidiary companies

Consolidated Balance Sheet

ASSETS	AS AT	
	January 31, 1981	January 26, 1980
CURRENT ASSETS:		
Cash (including short-term deposits of \$9,969,000 in 1980)	\$ 6,311,076	\$ 15,461,957
Marketable securities at cost (market value 1981 — \$8,719,449; 1980 — \$6,921,185)	1,682,234	1,383,421
Accounts receivable	83,534,911	71,976,256
Merchandise valued at the lower of cost and net realizable value	156,076,705	119,027,930
Prepaid expenses	3,171,148	2,672,601
Total current assets	250,776,074	210,522,165
MORTGAGE RECEIVABLE — 11¾%, due December 31, 1983	3,250,000	—
INVESTMENTS IN CORPORATE JOINT VENTURES (Note 1(a))	3,351,598	2,184,159
PROPERTIES, FIXTURES AND EQUIPMENT:		
Land	33,565,263	23,986,811
Buildings and improvements	103,427,569	102,747,549
Fixtures and equipment	89,477,297	76,205,949
Total cost	226,470,129	202,940,309
Less accumulated depreciation	75,955,595	69,226,041
Net properties, fixtures and equipment	150,514,534	133,714,268
ASSETS UNDER CAPITAL LEASES — at capitalized cost less accumulated amortization of \$736,083 in 1981; 1980 — \$168,276	10,157,721	10,725,528
OTHER ASSETS:		
Debt expense at cost less amortization	1,478,473	1,601,228
TOTAL	\$419,528,400	\$358,747,348

LIABILITIES AND SHAREHOLDERS' EQUITY

	AS AT	
	January 31, 1981	January 26, 1980
CURRENT LIABILITIES:		
Bank indebtedness	\$ 19,335,885	\$ 5,195,068
Accounts payable and accrued liabilities	77,454,872	56,255,076
Income taxes	6,842,457	9,609,983
Current portion of long-term debt	990,738	582,113
Current portion of capital lease obligations	475,000	318,000
Notes payable to a corporate joint venture	1,050,000	468,000
Total current liabilities	<u>106,148,952</u>	<u>72,428,240</u>
LONG-TERM DEBT (Note 2)	<u>129,815,674</u>	124,888,412
CAPITAL LEASE OBLIGATIONS (Note 3)	<u>9,941,740</u>	10,416,804
DEFERRED INCOME TAXES	<u>6,408,500</u>	4,035,500
MINORITY INTEREST	<u>102,596</u>	224,426
SHAREHOLDERS' EQUITY:		
Share capital (Note 4)	29,633,138	31,124,037
Contributed surplus (no transactions during the fiscal year)	4,595,953	4,595,953
Unrealized gains on sales of certain fixed assets to corporate joint ventures (no transactions during the fiscal year)	1,467,799	1,467,799
Retained earnings	131,414,048	109,566,177
Total shareholders' equity	<u>167,110,938</u>	<u>146,753,966</u>
TOTAL	<u>\$419,528,400</u>	<u>\$358,747,348</u>

APPROVED BY THE BOARD:

C.N.W. Woodward, *Director*
M. Gandossi, *Director*

WOODWARD STORES LIMITED

and subsidiary companies

Notes to the Consolidated Financial Statements, January 31, 1981

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except as to Lansdowne Park Shopping Centre Limited which is 80% owned, as follows:

Store Companies:

Woodward Stores (British Columbia) Limited	Woodward's Furniture Fair Limited
Woodward Stores (Alberta) Limited	Woodward's Furniture Fair (Edmonton) Limited

Other Companies:

Woodward Acceptance Company Limited	Locarno Investments Limited
Woodward Realty Limited	Provincial Construction Company Limited
Lansdowne Park Shopping Centre Limited	Thirty-one Purchasing Service Limited
Lethbridge Centre Limited	Westwood Food Processors Limited
Britalta Wholesale Drugs Limited	Woodward Stores (London) Limited
Del-Pak Foods, Limited	

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited. However, because all major decisions of that company require joint approval by the Company and the 40% shareholder, the Company does not have effective control. Accordingly, its accounts have not been consolidated. Southgate Shopping Centre Limited and the Company's partial ownership interest in the three other companies listed below are accounted for on the equity method of accounting as corporate joint ventures. On this basis the Company's share of earnings and losses of these companies is brought into income and the Company's investment therein adjusted by a like amount. Dividends received from these companies are credited to the investment account. The Company's equity in and advances to these companies are as follows:

	Equity Interest	Fiscal Year End	January 31, 1981	January 26, 1980
Southgate Shopping Centre Limited	60%	January 31	\$1,190,658	\$ 130,340
Project 200 Properties Limited	25%	December 31	331,090	291,727
Project 200 Investments Limited	23%	December 31	935,378	860,293
The Edmonton Centre Limited	30%	March 31	894,472	901,799
			\$3,351,598	\$2,184,159

(b) Accounts Receivable:

In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:

The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting, generally used within the industry.

(d) Depreciation and Amortization:

The Company provides depreciation on properties, fixtures and equipment and amortization of assets under capital leases (other than on the buildings in three centres) principally on the straight-line basis at rates sufficient to write off the cost of the various classes over their estimated useful lives or lease terms. These annual rates, for the major asset classes, are 2½% of cost on buildings, 3% of cost on parking improvements and 10% of cost on fixtures and equipment.

For the buildings in three centres, the Company provides depreciation and amortization on the sinking fund method. Under this method the depreciation and amortization charged against earnings is an amount which increases annually and comprises a predetermined fixed sum plus 5% compound interest, which together will fully depreciate the building costs over a 40 year period or the lease terms.

(e) Debt Expense:

Expenses related to the issuance of long-term debt are amortized on a straight-line basis over the term of the issue to which they relate after adjusting for conversions, redemptions and purchases where applicable, and the amount amortized is included in interest on long-term debt expense in the consolidated statement of earnings.

(f) Store Pre-opening Expenses:

These expenses are charged against earnings as incurred.

(g) Lease Obligations:

Leases transferring substantially all of the benefits and risks incident to ownership of property ("capital leases") are accounted for as the acquisition of assets and the incurrence of long-term capital lease obligations. All other leases are accounted for as "operating leases" whereby rentals are charged against earnings.

Notes to the Consolidated Financial Statements — continued

2. LONG-TERM DEBT:

	Maturity	January 31, 1981	January 26, 1980
Woodward Stores Limited:			
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of \$500,000	June 15, 1985	\$ 3,492,000	\$ 3,887,000
6¾% Sinking Fund Debentures 1969 Series with annual sinking fund requirements on September 1 of \$10,000	September 1, 1989	175,000	191,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of \$600,000 in each of the years 1981 to 1984 inclusive, \$700,000 in each of the years 1985 to 1988 inclusive, and \$800,000 in each of the years 1989 to 1992 inclusive	July 15, 1993	12,326,000	12,800,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of \$800,000 in each of the years 1981 to 1984 inclusive, and \$1,000,000 in each of the years 1985 to 1993 inclusive	October 15, 1994	16,747,000	17,183,000
10%% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of \$800,000 in each of the years 1981 to 1986 inclusive, and \$1,000,000 in each of the years 1987 to 1995 inclusive	June 15, 1996	18,396,000	19,214,000
9% Sinking Fund Debentures 1977 Series with annual sinking fund requirements on August 1 of \$800,000 in each of the years 1983 to 1987 inclusive, and \$1,000,000 in each of the years 1988 to 1996 inclusive	August 1, 1997	20,000,000	20,000,000
Lethbridge Centre Limited:			
9¾% First Mortgage Bond payable in semi-annual instalments of \$629,557 including interest with a balance of \$2,735,030 due at maturity	January 1, 2006	11,925,945	12,015,666
Lansdowne Park Shopping Centre Limited:			
10½% First Mortgage Bonds Series A payable in semi-annual instalments of \$1,128,253 including interest with a balance of \$9,341,059 due at maturity	November 1, 1997	19,749,370	19,987,985
10¼% First Mortgage Bonds Series B payable in semi-annual instalments of \$1,150,264 including interest with a balance of \$9,492,160 due at maturity	November 1, 1997	19,955,097	20,191,874
Woodward Realty Limited:			
Bank Loan with interest and security as described hereunder	January 26, 1986	7,700,000	—
10% Mortgage on land payable in annual instalments of \$55,333 including interest	December 29, 1990	340,000	—
		130,806,412	125,470,525
		990,738	582,113
Less current portion shown in current liabilities		\$129,815,674	\$124,888,412

All Debentures of the Company rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and certain designated subsidiaries in the Provinces of British Columbia and Alberta.

The Trust Indentures, pursuant to which the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 31, 1981, the consolidated net current assets were approximately \$125,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately \$59,000,000.

The 9¾% First Mortgage Bond of Lethbridge Centre Limited is secured by a charge on the Lethbridge Centre and by an assignment of certain leases and other agreements related to the operation of the centre.

The 10½% First Mortgage Bonds Series A and the 10¼% First Mortgage Bonds Series B of Lansdowne Park Shopping Centre Limited are secured by a charge on the Lansdowne Park Shopping Centre and by an assignment of all leases and the rents thereunder.

The Bank Loan of Woodward Realty Limited represents interim financing in connection with construction of a warehouse and distribution centre. The loan bears interest at prime bank rate until January 26, 1983 and thereafter at prime bank rate plus ¼%. The

WOODWARD STORES LIMITED

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Notes to the Consolidated Financial Statements — continued

loan is secured by a charge on the assets of the centre. Woodward Realty Limited intends to repay the Bank Loan from the proceeds of an issue of first mortgage bonds for which the terms and conditions have not yet been determined.

Maturities and sinking fund requirements during the next five fiscal years (net of \$3,355,000 of debentures purchased in advance of such requirements) are as follows:

1982 — \$990,738; 1983 — \$2,815,000; 1984 — \$4,262,000; 1985 — \$4,349,000; 1986 — \$4,736,000.

3. CAPITAL LEASE OBLIGATIONS:

Certain of the Company's leases with respect to premises and fixtures and equipment are classified as capital leases, which expire during the fiscal years 1990 and 2040. Future minimum lease payments under these capital leases are as follows:

	January 31, 1981	January 26, 1980
Fiscal years ending in:		
1981	\$ —	\$ 1,412,590
1982	1,421,412	1,421,412
1983	1,421,412	1,421,412
1984	1,421,412	1,421,412
1985	1,421,412	1,421,412
1986	1,421,412	1,421,412
Thereafter	<u>29,759,544</u>	29,759,544
Total minimum lease payments	<u>36,866,604</u>	38,279,194
Less amount representing imputed interest averaging 10.2% at January 31, 1981 and January 26, 1980	<u>26,449,864</u>	27,544,390
Present value of net minimum lease payments	<u>10,416,740</u>	10,734,804
Less current portion shown in current liabilities	<u>475,000</u>	318,000
	<u>\$ 9,941,740</u>	<u>\$10,416,804</u>

4. SHARE CAPITAL:

(a) The authorized share capital (all without par value) at January 31, 1981 and principle attributes of the classes of shares were as follows:

- (1) 8,503,300 Class A and 8,503,300 Class B shares which are voting and are exchangeable for one another at the option of the shareholders, on a share-for-share basis, and are identical in all respects except that dividends on the Class B shares may be paid by way of stock dividends in the form of fully-paid Class E shares.
- (2) 8,503,300 Class C shares which are not entitled to dividends so long as any Class D shares are outstanding. Upon redemption of all of the Class D shares, the Class C shares will then have the same dividend rights as the Class B shares. The Class C shares have the same voting rights as the Class A and Class B shares and may be exchanged, on a share-for-share basis, for Class A or Class B shares once all of the Class D shares have been redeemed.
- (3) 9,000,000 Class D shares which shall be redeemed by the Company for \$1 per share at the same time and proportionately as cash dividends are payable on the Class A shares. The Class D shares are non-voting and are not entitled to dividends.
- (4) 3,000,000 Class E shares which are non-voting, are not entitled to dividends and are redeemable at the amount paid-up thereon.
- (5) 10,000,000 Class F shares which are non-voting, but have the same dividend rights as the Class A shares.
- (6) 10,000,000 preferred shares which are issuable in one or more series, the number of shares and rights of each series to be authorized by the directors before the issue thereof.

Notes to the Consolidated Financial Statements — continued

(b) The issued share capital at January 31, 1981 and the changes during the fiscal year then ended were as follows:

	Number of Shares	Amount
(1) Class A shares:		
Balance, beginning of year	5,002,311	\$21,046,151
Issued in exchange for Class B shares	1,400	3,738
Surrendered in exchange for Class B shares	(2,050)	(5,474)
Balance, end of year	<u>5,001,661</u>	<u>21,044,415</u>
(2) Class B shares:		
Balance, beginning of year	541,663	1,146,829
Issued in exchange for Class A shares	2,050	5,474
Surrendered in exchange for Class A shares	(1,400)	(3,738)
Balance, end of year	<u>542,313</u>	<u>1,148,565</u>
(3) Class C shares:		
Balance, beginning and end of year	<u>1,433,556</u>	<u>3,827,595</u>
(4) Class D shares:		
Balance, beginning of year	5,103,462	5,103,462
Redeemed	(1,490,899)	(1,490,899)
Balance, end of year	<u>3,612,563</u>	<u>3,612,563</u>
(5) Class E shares:		
Issued as stock dividends on Class B shares	1,083,226	563,362
Redeemed	(1,083,226)	(563,362)
Balance, end of year	<u>—</u>	<u>—</u>
Total paid-up capital		<u>\$29,633,138</u>

Sufficient Class A and Class B shares are reserved to satisfy the rights of exchange between classes.

5. INCOME TAXES:

The provision for income taxes for the current year represents an effective tax rate of 43.4% (1980 — 40.8%) on consolidated pre-tax earnings before extraordinary item compared to the combined federal-provincial statutory income tax rate of 50.4% (1980 — 48.2%). This difference results primarily from the 3% inventory allowance, representing tax savings of approximately 4.5% (1980 — 4.9%). The balance of the difference results from miscellaneous non-taxable income items consisting principally of the share of net earnings of corporate joint ventures.

6. STATUTORY INFORMATION:

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the fiscal year ended January 31, 1981 amounted to \$1,010,095.

7. RELATED PARTY TRANSACTIONS:

The Company has transactions with related parties in the ordinary course of business. Such transactions, to the extent not disclosed elsewhere, are not significant to the consolidated financial statements.

8. BUSINESS SEGMENT:

The Company operates primarily in one business segment, the retail merchandising industry, as substantially all of its revenues and earnings are derived from that industry.

WOODWARD STORES LIMITED

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Notes to the Consolidated Financial Statements — continued

9. CONTINGENT LIABILITIES AND OTHER COMMITMENTS:

- (a) The aggregate minimum future annual rentals (exclusive of renewal periods, and property taxes and other expenses payable directly by the companies) under long-term operating leases for premises in shopping centres, a warehouse and furniture retail outlets are as follows:

Fiscal years ending in:	
1982	\$ 6,362,000
1983	6,362,000
1984	6,362,000
1985	6,355,000
1986	6,335,000
Thereafter to 2014	<u>111,012,000</u>
	<u>\$142,788,000</u>

Most leases contain a percent-of-sales clause. The aggregate amount of rentals under these leases charged against earnings during the fiscal year ended January 31, 1981 was approximately \$12,400,000 (1980 — \$9,600,000).

- (b) The estimated unfunded liability at January 31, 1981 for the Company's non-contributory pension plans for employees is \$10,650,000 which will be amortized against earnings by making annual payments of \$1,607,800 to 1985, \$1,272,800 in 1986, \$1,140,000 from 1987 to 1989, \$824,000 from 1990 to 1994 and \$225,000 in 1995 and 1996. The total pension expense charged against earnings for the fiscal year ended January 31, 1981 amounted to \$6,822,000 (1980 — \$5,608,000).

- (c) The Company has jointly and severally agreed under a Deficiency Agreement to make available sufficient funds for the operation of Southgate Shopping Centre, including payments of principal, interest and redemption premium, if any, on the First Mortgage Bonds of Southgate Shopping Centre Limited, which were outstanding at January 31, 1981 in the amount of \$10,145,000.

Southgate Shopping Centre Limited is constructing additions to the shopping centre estimated to cost \$25,000,000. Until such time as Southgate Shopping Centre Limited arranges interim or long-term financing, funds will be advanced as required as to 60% by the Company and 40% by the other shareholder.

- (d) Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to amounts paid by a Canadian Chartered Bank under a Rental Deficiency Agreement for the operation of The Edmonton Centre complex, including payments of principal, interest and redemption premium, if any, on the First Mortgage Bonds of The Edmonton Centre Limited, which were outstanding at January 31, 1981 in the amount of \$99,998,000.

Under a Subscription Agreement the Company, in certain circumstances, may be required to purchase 30% of \$10,000,000 in preferred shares issued by The Edmonton Centre Limited to the Canadian Chartered Bank.

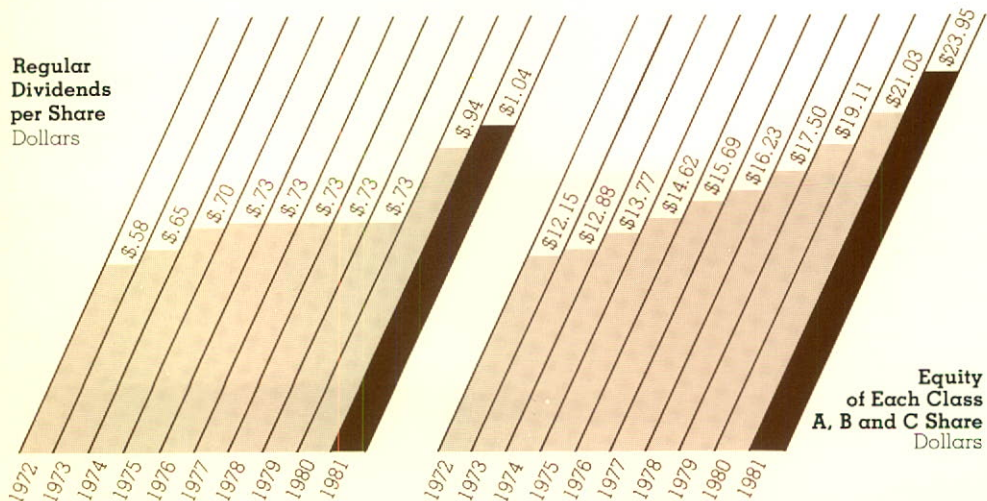
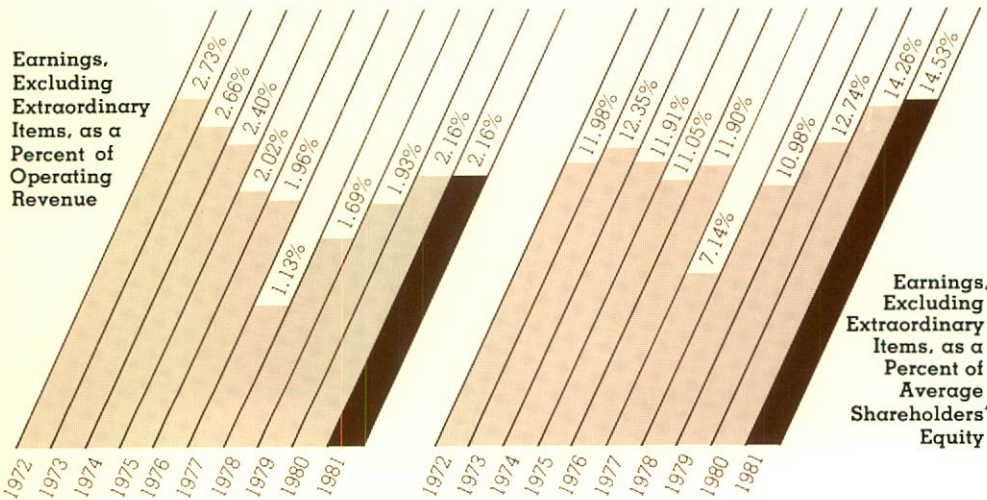
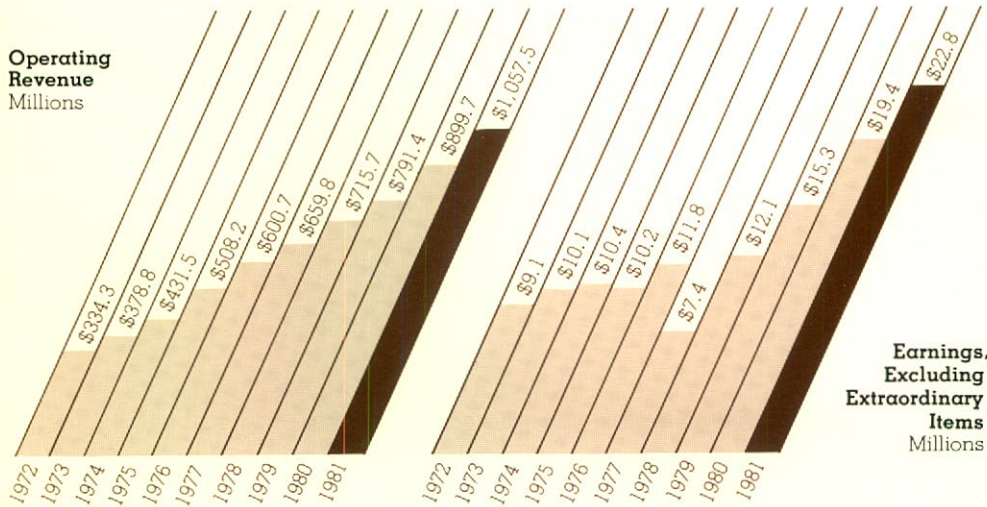
- (e) Woodward Realty Limited is constructing a warehouse and distribution centre which is estimated to cost, including land, approximately \$36,000,000 of which approximately \$7,700,000 is included in land, buildings and improvements at January 31, 1981.

10. SUBSEQUENT EVENTS:

- (a) On February 28, 1981 the Company sold a shopping centre for \$13,750,000 cash. The Company will continue to occupy its retail premises in the shopping centre under a long-term lease granted by the purchaser. The gain on sale of approximately \$8,000,000, net of income taxes of approximately \$2,000,000, will be deferred and amortized to earnings over the term of the lease.
- (b) On March 24, 1981 the Company sold a parcel of land for \$4,136,262 cash. The gain on sale of approximately \$2,250,000, net of income taxes of approximately \$830,000, will be reported as extraordinary earnings in the 1982 fiscal year.

Supplemental Financial Information

1. COMPARATIVE STATISTICS:



2. CONSOLIDATED DEBT TO EQUITY RATIO:

The outstanding long-term debt (excluding the portion due within one year) of Woodward Realty Limited and its subsidiaries as at January 31, 1981 and January 26, 1980 approximated \$59,027,000 and \$51,630,000 respectively, which represented 42.2% and 41.3% of the Company's total consolidated long-term debt outstanding at those dates.

The ratio of consolidated long-term debt and capital lease obligations to shareholders' equity of the Company as at January 31, 1981 was .84 to 1 (1980 — .92 to 1). If the long-term debt and shareholders' equity (after adjusting for minority interest) related to Woodward Realty Limited and its subsidiaries were segregated from the consolidated figures, this ratio would be .50 to 1 (1980 — .57 to 1).

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Comparative Record

<i>Fiscal Years Ended</i>	January 31 1981 (1)	January 26 1980	January 27 1979
Sales Including Service Charges	\$1,042,633,351	\$887,543,335	\$779,978,339
Rental Revenue and Other Income	14,905,792	12,179,334	11,373,254
Selling, General and Administrative Expenses	214,010,248	180,421,586	155,745,105
Provision for Depreciation and Amortization Charged to Operations	9,618,687	7,816,806	6,989,128
Interest on Long-Term Debt	12,708,898	13,347,187	13,887,698
Interest on Capital Lease Obligations	1,091,956	670,046	582,988
Profit Sharing and Retirement Funds	11,671,858	9,653,643	6,989,980
Provision for Income Taxes	17,520,000	13,367,000	10,394,000
Net Earnings (*Excluding Extraordinary Items of Income)	*22,802,703	19,400,183	15,269,286
Net Earnings per Share Excluding Extraordinary Items	\$ 3.27	\$ 2.86	\$ 2.34
Regular Dividends per Share	1.04	.94	.73
Working Capital (Current Assets less Current Liabilities)	\$ 144,627,122	\$138,093,925	\$128,534,788
Ratio of Current Assets to Current Liabilities	2.36	2.91	3.29
Properties, Fixtures and Equipment less Depreciation Provided	\$ 150,514,534	\$133,714,268	\$131,066,597
Assets Under Capital Leases less Amortization Provided	10,157,721	10,725,528	5,310,021
Total Assets	419,528,400	358,747,348	324,827,246
Long-Term Debt	129,815,674	124,888,412	137,463,526
Capital Lease Obligations	9,941,740	10,416,804	5,289,400
Shareholders' Equity	\$ 167,110,938	\$146,753,966	\$125,333,129
Equity of Each Class A, B and C Share (2)	23.95	21.03	19.11
Return on Average Shareholders' Equity	% 14.53	% 14.26	% 12.74

(1) Fifty-three week period.

(2) In determining the equity of each Class C share (none prior to 1979), it has been assumed that all of the Class D shares are held by Class C shareholders and the equity attached to the Class D shares is ascribed to the Class C shares.

January 28 1978	January 31 1977	January 31 1976	January 31 1975	January 31 1974	January 31 1973	January 31 1972
\$707,021,959	\$653,461,110	\$596,058,036	\$504,491,394	\$427,981,693	\$375,755,598	\$332,068,456
8,706,781	6,298,581	4,610,957	3,690,544	3,475,086	3,023,938	2,240,398
144,515,877	135,108,476	120,408,625	102,289,899	84,141,922	73,396,620	64,090,751
6,287,736	6,254,336	5,227,545	4,520,716	3,917,706	3,669,623	3,213,349
10,576,742	7,496,609	5,171,384	4,153,786	2,838,741	2,234,428	1,747,580
583,679	584,299	584,855	438,971	—	—	—
6,247,903	5,481,067	5,545,359	5,083,836	4,701,465	4,297,033	4,093,153
7,311,500	6,357,000	11,414,000	10,960,000	10,443,300	8,925,400	8,444,850
*12,102,766	*7,443,417	11,781,322	10,246,128	10,362,776	*10,061,672	*9,129,866
\$ 1.85	\$ 1.14	\$ 1.80	\$ 1.57	\$ 1.59	\$ 1.54	\$ 1.41
.73	.73	.73	.73	.70	.65	.58
\$116,441,029	\$ 89,194,111	\$ 68,474,622	\$ 69,886,699	\$ 71,682,180	\$ 60,170,033	\$ 56,330,962
2.93	2.39	1.87	2.38	2.83	2.87	3.16
\$134,156,303	\$119,787,942	\$102,326,245	\$ 82,525,737	\$ 64,313,679	\$ 55,087,569	\$ 57,021,267
5,324,144	5,337,595	5,350,404	5,362,604	—	—	—
320,442,026	281,657,785	256,858,094	210,448,258	176,759,643	149,033,519	141,559,921
140,347,987	105,830,112	68,976,000	57,241,000	46,204,224	31,587,530	34,141,143
5,296,808	5,303,430	5,309,338	5,314,596	—	—	—
\$114,371,931	\$106,020,630	\$102,480,907	\$ 95,459,512	\$ 89,929,844	\$ 84,060,086	\$ 78,837,366
17.50	16.23	15.69	14.62	13.77	12.88	12.15
% 10.98	% 7.14	% 11.90	% 11.05	% 11.91	% 12.35	% 11.98

Woodward's

23 locations in British Columbia and Alberta.

- 1892 — Downtown Store, Vancouver, B.C.
- 1948 — Port Alberni Store, Vancouver Island, B.C.
- 1950 — Park Royal Centre, West Vancouver, B.C.
- 1954 — Westminster Store, New Westminster, B.C.
- 1955 — Westmount Centre, Edmonton, Alta.
- 1959 — Oakridge Centre, Vancouver, B.C.
- 1960 — Chinook Centre, Calgary, Alta.
- 1963 — Mayfair Centre, Victoria, B.C.
- 1964 — Kamloops Store, Kamloops, B.C.
- 1965 — Northgate Centre, Edmonton, Alta.
- 1966 — Guildford Centre, Surrey, B.C.
- 1966 — Parkwood Centre, Prince George, B.C.
- 1970 — Southgate Centre, Edmonton, Alta.
- 1971 — Market Mall Centre, Calgary, Alta.
- 1973 — Furniture Fair, Burnaby, B.C.
- 1974 — Edmonton Centre, Edmonton, Alta.
- 1974 — Arbutus Village, Vancouver, B.C.
- 1975 — Furniture Fair, Edmonton, Alta.
- 1975 — Lethbride Centre, Lethbridge, Alta.
- 1975 — Sevenoaks Centre, Clearbrook, B.C.
- 1975 — Cherry Lane Centre, Penticton, B.C.
- 1977 — Lansdowne Park, Richmond, B.C.
- 1979 — Coquitlam Centre, Coquitlam, B.C.