Woodward's ANNUAL REPORT 1981

For the fiscal year ended January 30, 1982

WOODWARD STORES LIMITED

and subsidiary companies

Highlights

	FISCAL YEAR ENDED January 30, 1982 (Fifty-two Weeks)	January 31, 1981 (Fifty-three Weeks)	% Increase
FOR THE YEAR			
Operating revenue	**$1,152,991,863**	$1,057,539,143	9.03
Earnings before extraordinary items	**$ 14,786,775**	$ 22,802,703	(35.15)
Earnings per share before extraordinary items	**$ 1.04**	$ 1.64	(36.59)
Net earnings	**$ 21,712,805**	$ 27,613,604	
Net earnings per share	**$ 1.53**	$ 1.98	
Regular dividends per share	**$ .59**	$ .52	13.46
AT YEAR END			
Working capital	**$ 139,946,321**	$ 144,627,122	(3.24)
Shareholders' equity	**$ 185,907,934**	$ 167,110,938	11.25
Equity per share (see note on page 16)	**$13.04**	$11.97	8.94

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
FRANK ALLAN ROBERTSON†
MARGARET ELIZABETH SOUTHERN
JOHN MARTIN TENNANT
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

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

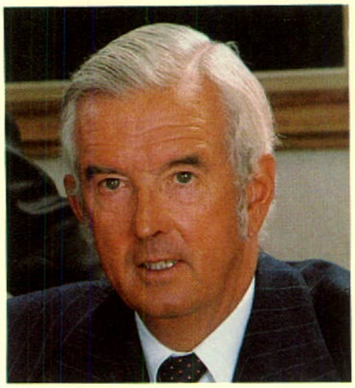
AUDITORS

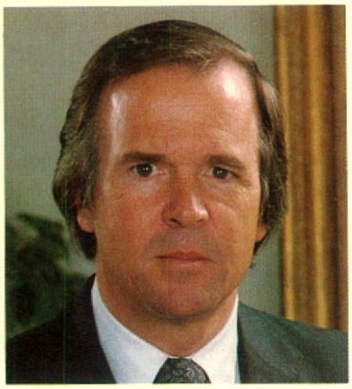
DELOITTE HASKINS & SELLS
Chartered Accountants,
Vancouver, British Columbia

ANNUAL GENERAL MEETING

10:30 a.m. Tuesday, June 1, 1982, Oakridge Auditorium, Oakridge Shopping Centre, Forty-first Avenue and Cambie Street, Vancouver, British Columbia.

DIRECTORS' REPORT TO THE SHAREHOLDERS





This Annual Report summarizes the operations and activities of your Company for the year ended January 30, 1982.

The results recorded during the first half of this fiscal year were satisfactory with operating revenue following the buoyant pattern of the previous year. However, as the year progressed many unfavourable conditions developed, which resulted in an unsatisfactory year for Woodward's. Among them were: an economic recession, aggravated by an inappropriate federal budget and national energy policy, with increases in both unemployment and inflation; labour disputes affecting key Western Canadian industries; poor weather in our market areas; and extremely high interest rates which brought the real estate and housing markets to a virtual standstill, thus drastically limiting sales of many consumer goods.

Nevertheless, your Company performed well under difficult circumstances. It should perhaps be mentioned that the year under review is being measured against the most successful year in the history of Woodward's.

FINANCIAL

Operating revenues for the year totalled $1,152,991,863, an increase of 9.03% over fiscal 1981. This amount includes sales from the new stores in Red Deer, Nanaimo and Calgary which opened during the year, and the relocated Kamloops store.

Earnings before extraordinary items have declined to $14,786,775 or $1.04 per share, from $22,802,703 or $1.64 per share for the previous year. Extraordinary gains from the sales of surplus land, the Richmond Food Distribution Centre and the property formerly occupied by the Kamloops store totalled $6,926,030. This amount increased net earnings to $21,712,805 or $1.53 per share compared with $27,613,604 or $1.98 per share the year before.

While the equity of each Class A, B and C share increased from $11.97 to $13.04, the return on average shareholders' equity decreased from 14.53% to 8.38%.

During the year under review, funds provided from operations declined from $34,672,235 last year to $27,452,264. Working capital decreased from $144,627,122 to $139,946,321, but still represents a satisfactory current assets to current liabilities ratio of 1.95 to 1.

Capital expenditures for the year amounted to $65,496,477 and consisted principally of the purchase of fixtures and equipment for the new stores, construction of the new British Columbia Distribution Centre and the acquisition of land for future development.

The disposition of surplus land, the Richmond Food Distribution Centre, the old Kamloops store property and the Northgate Shopping Centre in Edmonton (the latter covered briefly in last year's Annual Report) generated proceeds of $23,237,561, net of income taxes and mortgages receivable.

On April 1, 1982 the Company sold $25,000,000 principal amount of 17% Debentures, 1982 Series, to mature on April 1, 1987. The proceeds of this issue were used to reduce the Company's short-term bank indebtedness.

SHARE CAPITAL

As a result of a special resolution approved on May 27, 1981, the Class A shares, Class B shares and Class C shares outstanding were subdivided on a two for one basis. During the year, 45,000 Class A shares and 260,000 Class B shares were issued under the Share Purchase Plan approved at the Annual Meeting on May 27, 1981.

DIVIDENDS AND SHARE REDEMPTIONS

A dividend of 40¢ per share on the outstanding Class A shares and Class B shares has been declared payable April 30, 1982. After taking into account the interim dividend of 19¢ per share paid on October 30, 1981, dividends with respect to the year under review totalled 59¢ per share, the same as those paid with respect to the 1981 fiscal year.

During the year 1,691,595 Class D shares were redeemed and a further 1,146,846 Class D shares will be redeemed on April 30, 1982.

SUMMARY OF ACTIVITIES

Your Company continued its program of expansion during the year and planned for additional growth in the years ahead.

Three full-line department stores in Nanaimo, Red Deer and Calgary opened for business, as did the relocated Kamloops store.

The $28,400,000 expansion program to the Southgate Shopping Centre in Edmonton, in which your Company holds a 60% equity, was completed in March 1982. The expansion increases the total leasable area to approximately 808,000 square feet, which is virtually fully leased at this time. Interim financing for this expansion has been arranged with a Canadian chartered bank in the form of a floating rate 10-year term loan, and the intention is to repay this financing from the proceeds of long-term financing for which the terms and conditions have not yet been determined.

Completion is anticipated by August , 1982, of the Company's British Columbia Distribution Centre, as described later in this report.

Plans for additional new or enlarged retail facilities were further advanced during the year. Zoning applications have been made for expansion of the Company's Oakridge Shopping Centre in Vancouver and Parkwood Shopping Centre in Prince George. Land acquisition has been completed and zoning permission sought for a new Company-owned Shopping Centre on a 70-acre site in the Greater Vancouver suburb of Surrey, serving the growing communities of South Surrey, Langley, North Delta and White Rock. This project will proceed when the economy justifies it.

EXECUTIVE CHANGES

Mr. L.G. Phipps retired as Director, Store Planning and Buildings and as a member of the Board of Directors on January 29, 1982 after 36 years of service with the Company. His experience and business acumen, particularly during the recent years of expansion, were of inestimable value to the Company. We express our appreciation to him and extend best wishes for good health during retirement.

We are pleased to welcome Mr. J.M. Tennant, who was elected to the Board during the year. Mr. Tennant is a partner in the firm of Lawson, Lundell, Lawson and McIntosh, barristers and solicitors. His wide business experience and enthusiasm will be a valued asset to the Board.

ECONOMIC OUTLOOK

The Canadian economy should hopefully be working its way out of the current recession during the latter part of 1982. Very marginal growth is forecast for the Gross National Product. Double-digit inflation and extremely high interest rates will continue to dampen real sales growth. Your Company has been working diligently and creatively to meet the challenge of these adverse conditions.

ACKNOWLEDGEMENTS

A company's capacity to succeed and grow is measured not only by its performance in the good years but also by its resilience, determination and adaptability in difficult times. The keys are, as they have always been, sound policies, sound practices and sound people. We believe we have them all in good measure.

We acknowledge particularly the continuing contribution made by members of staff at all levels. They are your Company. We would also like to thank our customers, suppliers and shareholders for another year of invaluable support.

Respectfully submitted,

Chairman of the Board and
Chief Executive Officer

President and
Chief Operating Officer

April 13, 1982

RETAILING

Woodward's is constantly seeking to stimulate sales with new and exciting marketing ideas, innovative and aggressive merchandising and marketing techniques. The Company's growth in size and sales volume over the years testifies to the success of these efforts.

Today, Woodward's ranks as one of the largest retailers in Western Canada with 23 full-line department stores and their associated food stores, one separate food store, and two furniture and appliance outlets known as "Woodward's Furniture Fair". The gross owned and leased floor area occupied by these retail facilities totals 5,928,700 square feet.

While Woodward's is committed to innovation, it still retains concepts and principles which have withstood the test of time. One of the most successful ideas ever devised to generate store traffic is still employed after more than 70 years. It is "$1.49 Day".

Originated by Charles Woodward in 1910 as "25-cent Day", this single-price monthly sale has become perhaps the best known and most imitated idea in Canadian retailing.

Today, as then, it embodies Woodward's basic marketing philosophy: value for money, quality and selection in merchandise, and family-oriented retailing.

THE COMPANY "HAS IT ALL"

The Company has chosen to remain a group of full-service department stores. The slogan "Woodward's has it all" reflects a dedication to meeting the needs of our customers with a continually expanding range of goods and services.

This marketing philosophy has created an unprecedented degree of customer loyalty; and with factors such as high transportation costs and the growing number of working women (both of which tend to limit the time and distance devoted to shopping), this principle of single-source family retailing is more valid then ever.

NEW OPPORTUNITIES

In addition to the extraordinarily wide range of merchandise and services currently being offered, Woodward's is constantly seeking and appraising new products and opportunities. These are evaluated not only

for quality, style and performance but also for their ability to meet the changing needs and lifestyles of our Western Canada marketplace.

New services are appraised according to the same criteria. In the Edmonton Centre Store, for example, Woodward's has recently leased space to a dental clinic on a test-market basis. This ability to meet the needs of a work force, which now includes over 2½ million married women employed full or part time, will be measured on an ongoing basis.

The search for new sources of merchandise takes Woodward's buyers throughout the world. The Company also retains agents in many overseas markets and has a permanent buying office in London, England. However, some 85% of all the merchandise it sells is still made in Canada.

FOODS

The Company's Food Stores offer Woodward's customers a very wide range of foods, not only the traditional staples but also a growing choice of specialty, ethnic and convenience foods.

New food-related services increase the choice still further, with wedding and party catering, food gifts for the home and overseas markets, and in-store garden centres.

With an average 45,000 square feet of space, a typical Woodward's Food Store will carry between 14,000 and 19,000 food items.

Food stores, like all departments, are constantly adapting to new trends, lifestyles and preferences. While the total choice of foods remains very high, the individual components of that choice will change with the changing times.

A TRIBUTE TO OUR REPUTATION

Of all food store departments, Woodward's bakeries enjoy a special reputation for excellence. This reputation was acknowledged with a signal honour in 1981 when Woodward's was one of only two Canadian companies invited to prepare a cake for the wedding of Prince Charles and Lady Diana. It was later served at a Buckingham Palace Garden Party.

Woodward's

DISTRIBUTION CENTRE

A building that will help to revolutionize the receiving, warehousing, marking, ticketing, distribution and ordering of a substantial volume of Woodward's merchandise is taking final shape on a 37-acre site in New Westminster, British Columbia.

It is the Company's new British Columbia Distribution Centre, 590,000 square feet of warehouse and office space scheduled for completion by August 15, 1982. It will become the only Company facility of its kind in the province, replacing eight warehouses currently or recently in use.

Five years of evaluation and planning preceded the start of construction in the summer of 1981, not only to appraise its feasibility and cost-effectiveness, but to ensure that Woodward's implemented a state-of-the-art system that would be two to three years ahead of its competition in sophistication and efficiency.

THE COMPUTER IS THE NUCLEUS

For all its size, the Distribution Centre building itself, with its towering metal storage racks, is almost incidental to the new system.

An advanced computer system will control all warehousing functions, link the Centre with Woodward's stores throughout British Columbia, and command the "man-aboard stacker cranes" which store and retrieve the warehoused merchandise — initially big-ticket and large-size durable goods and furniture.

A MULTIPLICITY OF FUNCTIONS

The computerized system is designed specifically for this type of advanced materials handling operation. With the system, a receiver can quickly verify the quantity, quality, description and price of all in-bound merchandise against the original order — a vital function in cost and quality control. The system will also provide complete data — model, colour, brand, quantity — on big-ticket merchandise located on any other sales floor in the province. A customer enquiry on availability, disposition and delivery can be answered within seconds.

This sophisticated system also runs constant checks on inventory levels, controls accounts payable, and is programmed for a re-order function.

ADVANTAGES IN COST AND EFFICIENCY

The new Distribution Centre promises to have a dramatic effect on the cost of doing business and, hence, on Company profitability. Among the many advantages of the new system are:

- Reduced inventory levels, and therefore reduced carrying costs, because of more precise inventory control, re-ordering and handling.
- More rapid delivery of merchandise throughout British Columbia. For example, the new system promises 48-hour delivery of merchandise even as far as Prince George.
- Better control of product quality.
- Increased warehouse productivity at reduced cost.
- Improved utilization of high-cost warehouse space.
- Reduced in-bound costs because suppliers can take advantage of the single, large facility to send one complete shipment of goods.
- Reduced costs of marking and ticketing.
- Tighter control of accounts payable.
- More efficient re-ordering.

To achieve these goals, a training program has been under way for nine months so that warehouse personnel can acquire new skills as system and equipment operators and maintenance staff.

ONLY THE BEGINNING

Plans already exist to expand the range of merchandise handled and controlled at the new Distribution Centre. Based on experience within British Columbia, Alberta will also have its own facility and central system within a very few years.

Whenever new equipment and procedures can contribute to increased efficiency and profitability, commensurate with maintaining high standards of service and good employee relations, Woodward's will introduce them.

This is one example.

Woodward's

Consolidated Statement of Earnings

	FISCAL YEAR ENDED January 30, 1982	January 31, 1981
OPERATING REVENUE:		
Sales including service charges	**$1,137,051,022**	$1,042,633,351
Rental revenue and other income	**15,940,841**	14,905,792
Total operating revenue	**1,152,991,863**	1,057,539,143
COSTS AND EXPENSES:		
Cost of merchandise sold and all other expenses except those listed hereunder	**844,427,201**	767,016,522
Selling, general and administrative	**249,333,286**	214,010,248
Profit sharing and retirement funds	**11,347,850**	11,671,858
Depreciation and amortization	**10,470,661**	9,618,687
Interest on long-term debt	**12,313,815**	12,708,898
Interest on capital lease obligations	**1,058,549**	1,091,956
Other interest	**4,036,958**	2,173,747
Total costs and expenses	**1,132,988,320**	1,018,291,916
OPERATING EARNINGS	**20,003,543**	39,247,227
Share of net earnings of corporate joint ventures	**1,083,232**	1,075,476
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**21,086,775**	40,322,703
Provision for income taxes (Note 7)	**6,300,000**	17,520,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	**14,786,775**	22,802,703
EXTRAORDINARY ITEMS:		
Gains on disposal of properties, fixtures and equipment (net of income taxes of $2,636,000 in 1982 and $1,272,000 in 1981)	**6,926,030**	4,810,901
NET EARNINGS	**$ 21,712,805**	$ 27,613,604
NET EARNINGS PER SHARE (Note 6(a)):		
Earnings before extraordinary items	**$ 1.04**	$ 1.64
Extraordinary items	**.49**	.34
Net earnings	**$ 1.53**	$ 1.98

Consolidated Statement of Retained Earnings

	FISCAL YEAR ENDED January 30, 1982	January 31, 1981
RETAINED EARNINGS, BEGINNING OF YEAR	**$131,414,048**	$109,566,177
Net earnings	**21,712,805**	27,613,604
	153,126,853	137,179,781
Deduct dividends paid:		
Class A shares (cash dividends)	**5,912,723**	5,202,371
Class B shares (stock dividends)	**687,116**	563,362
	6,599,839	5,765,733
RETAINED EARNINGS, END OF YEAR	**$146,527,014**	$131,414,048

Consolidated Statement of Changes in Financial Position

	FISCAL YEAR ENDED January 30, 1982	FISCAL YEAR ENDED January 31, 1981
FUNDS PROVIDED FROM:		
Earnings before extraordinary items	**$ 14,786,775**	$ 22,802,703
Dividends from corporate joint ventures	**1,020,000**	958,037
Add (deduct) items not affecting working capital:		
Depreciation and amortization	**10,470,661**	9,618,687
Deferred income taxes	**2,541,400**	2,373,000
Share of net earnings of corporate joint ventures	**(1,083,232)**	(1,075,476)
Other	**(283,340)**	(4,716)
Total funds provided from operations	**27,452,264**	34,672,235
Disposals of properties, fixtures and equipment	**23,237,561**	2,415,500
Investments	**1,375,000**	—
Long-term debt	**22,587,616**	8,040,000
Shares issued under Share Purchase Plan	**5,375,625**	—
Total funds provided	**80,028,066**	45,127,735
FUNDS APPLIED TO:		
Properties, fixtures and equipment	**65,496,477**	26,700,104
Loans under Share Purchase Plan less repayments	**5,335,060**	—
Investments	**611,244**	1,050,000
Long-term debt and capital lease obligations	**3,724,652**	3,587,802
Redemption of Class D shares	**1,691,595**	1,490,899
Dividends (including redemption of stock dividends)	**6,599,839**	5,765,733
Other assets	**1,250,000**	—
Total funds applied	**84,708,867**	38,594,538
(DECREASE) INCREASE IN WORKING CAPITAL	**(4,680,801)**	6,533,197
WORKING CAPITAL, BEGINNING OF YEAR	**144,627,122**	138,093,925
WORKING CAPITAL, END OF YEAR	**$139,946,321**	$144,627,122

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 30, 1982 and the consolidated statements of earnings, retained earnings and 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 30, 1982 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 13, 1982

DELOITTE HASKINS & SELLS
Chartered Accountants

WOODWARD STORES LIMITED and subsidiary companies

Consolidated Balance Sheet

ASSETS	AS AT January 30, 1982	AS AT January 31, 1981
CURRENT ASSETS:		
Cash	**$ 5,090,367**	$ 6,311,076
Marketable securities — at cost (market value: 1982 — $6,784,000; 1981 — $8,719,000)	**1,455,189**	1,682,234
Accounts receivable	**96,840,291**	83,534,911
Current portion of secured receivables	**4,128,000**	—
Merchandise valued at the lower of cost and net realizable value	**170,108,001**	156,076,705
Income taxes recoverable	**6,033,522**	—
Prepaid expenses	**2,964,169**	3,171,148
Total current assets	**286,619,539**	250,776,074
SECURED RECEIVABLES (Note 2)	**13,073,060**	3,250,000
INVESTMENTS (Notes 1(d) and 3)	**2,651,073**	3,351,598
PROPERTIES, FIXTURES AND EQUIPMENT:		
Land	**51,050,740**	33,565,263
Buildings and improvements	**110,764,438**	103,427,569
Fixtures and equipment	**111,658,384**	89,477,297
Total cost	**273,473,562**	226,470,129
Less accumulated depreciation	**79,641,076**	75,955,595
Net properties, fixtures and equipment	**193,832,486**	150,514,534
ASSETS UNDER CAPITAL LEASES — at cost less accumulated amortization of $1,304,669 in 1982; $736,083 in 1981	**9,589,135**	10,157,721
OTHER ASSETS	**4,296,118**	1,478,473
TOTAL	**$510,061,411**	$419,528,400

LIABILITIES AND SHAREHOLDERS' EQUITY

	AS AT January 30, 1982	January 31, 1981
CURRENT LIABILITIES:		
Bank indebtedness	**$ 69,353,455**	$ 19,335,885
Accounts payable and accrued liabilities	**73,024,647**	77,454,872
Income taxes	**—**	6,842,457
Current portion of long-term debt and capital lease obligations	**3,905,116**	1,465,738
Notes payable to a corporate joint venture	**390,000**	1,050,000
Total current liabilities	**146,673,218**	106,148,952
LONG-TERM DEBT (Note 4)	**148,960,047**	129,815,674
CAPITAL LEASE OBLIGATIONS (Note 5)	**9,660,331**	9,941,740
DEFERRED GAIN ON SALE OF CERTAIN PROPERTY (Note 1(h))	**9,709,982**	—
DEFERRED INCOME TAXES	**9,116,900**	6,408,500
MINORITY INTEREST	**32,999**	102,596
SHAREHOLDERS' EQUITY:		
Share capital (Note 6)	**33,317,168**	29,633,138
Contributed surplus (no transactions during the fiscal year)	**4,595,953**	4,595,953
Unrealized gains on sales of certain properties to corporate joint ventures (no transactions during the fiscal year)	**1,467,799**	1,467,799
Retained earnings	**146,527,014**	131,414,048
Total shareholders' equity	**185,907,934**	167,110,938
TOTAL	**$510,061,411**	$419,528,400

APPROVED BY THE BOARD:

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

Notes to the Consolidated Financial Statements, January 30, 1982

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 Lansdowne Park Shopping Centre Limited which is 80% owned, as follows:

Store Companies:
Woodward Stores (British Columbia) Limited
Woodward Stores (Alberta) Limited
Woodward's Furniture Fair Limited

Other Companies:
Woodward Acceptance Company Limited
Woodward Realty Limited
Lansdowne Park Shopping Centre Limited
Lethbridge Centre Limited
Britalta Wholesale Drugs Limited
Del-Pak Foods, Limited
Locarno Investments Limited
Provincial Construction Company Limited
Thirty-one Purchasing Service Limited
Westwood Food Processors Limited
Woodward Stores (London) Limited
11133 Holdings Ltd.
244550 Alberta Limited
267322 Alberta 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.

(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) Investments:
The Company's investments in Southgate Shopping Centre Limited and in three other companies where the Company's equity interest exceeds 20% 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 included in earnings and the Company's investments therein adjusted by a like amount. Dividends received from these companies are credited to the investment accounts.

The Company's investments in other companies where its equity interest is less than 20%, are accounted for on the cost method. On this basis, dividends are included in earnings when received.

(e) 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 incurrance of long-term liabilities. All other leases are accounted for as "operating leases" whereby rentals are charged against earnings.

(f) Capitalization of Costs:
It is the practice of the Company to capitalize carrying costs (interest and property taxes) on land held for future development and on land and buildings during development and construction. Such carrying costs capitalized during the fiscal year ended January 30, 1982 were $4,483,734 (1981 — $79,804).

(g) 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 pre-determined fixed sum plus 5% compound interest, which together will fully depreciate the building costs over a 40 year period or the lease terms.

(h) Deferred Gain on Sale of Certain Property:
The gain on sale of certain property which has been leased back, has been deferred and is being amortized to earnings as an adjustment of rent expense over the term of the lease.

(i) Store Pre-opening Expenses:
These expenses are charged against earnings as incurred.

(j) Fiscal Year End:
The fiscal year end of the Company and certain subsidiaries is the last Saturday in January of each year, and for the remaining subsidiaries is January 31 of each year. Consequently, the fiscal year ended January 30, 1982 was for a fifty-two week period as compared to a fifty-three week period for the fiscal year ended January 31, 1981.

2. SECURED RECEIVABLES:

	January 30, 1982	January 31, 1981
Mortgages and agreements receivable arising from disposals of property and equipment	**$11,866,000**	$3,250,000
Loans under Share Purchase Plan	**5,335,060**	—
	17,201,060	3,250,000
Less current portion included in current assets	**4,128,000**	—
	$13,073,060	$3,250,000

The mortgages and agreements receivable bear interest at a weighted average of 12.2% at January 30, 1982 and 11¾% at January 31, 1981, and mature on various dates to February 28, 1986. The loans under the Share Purchase Plan are receivable from officers of the Company, are interest-free and mature in 1991.

Maturities of mortgages and agreements receivable during future fiscal years are as follows:
1983 — $4,128,000; 1984 — $4,054,000; 1985 — $3,428,000; 1986 — $128,000; and 1987 — $128,000.

Under certain conditions, the secured receivables may be repaid prior to maturity.

3. INVESTMENTS:

Investments, which include advances, comprise the following:

	Equity Interest	January 30, 1982	January 31, 1981
Corporate joint ventures:			
Southgate Shopping Centre Limited	60%	**$ 180,147**	$1,190,658
Project 200 Properties Limited	25%	**14,562**	331,090
Project 200 Investments Limited	23%	**997,247**	935,378
The Edmonton Centre Limited	30%	**858,207**	894,472
Other		**600,910**	—
		$2,651,073	$3,351,598

4. LONG-TERM DEBT:

	Maturity	January 30, 1982	January 31, 1981
Woodward Stores Limited:			
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of $500,000	June 15, 1985	**$ 2,891,000**	$ 3,492,000
6¾% Sinking Fund Debentures 1969 Series with annual sinking fund requirements on September 1 of $10,000	September 1, 1989	**169,000**	175,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of $600,000 in each of the years 1982 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	**12,283,000**	12,326,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of $800,000 in each of the years 1982 to 1984 inclusive, and $1,000,000 in each of the years 1985 to 1993 inclusive	October 15, 1994	**16,176,000**	16,747,000
10⅝% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of $800,000 in each of the years 1982 to 1986 inclusive, and $1,000,000 in each of the years 1987 to 1995 inclusive	June 15, 1996	**18,062,000**	18,396,000
9⅞% 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
Woodward Realty Limited:			
Bank loan with interest and security as described hereunder	January 26, 1986	**21,441,000**	7,700,000
Mortgages and agreements payable on properties with varying annual instalments including interest at a weighted average rate of 12.4%	Various to April 1, 1998	**10,440,033**	340,000
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	**11,827,262**	11,925,945
Lansdowne Park Shopping Centre Limited:			
10⅛% 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	**19,485,984**	19,749,370
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	**19,693,429**	19,955,097
		152,468,708	130,806,412
Less current portion included in current liabilities		**3,508,661**	990,738
		$148,960,047	$129,815,674

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 30, 1982, the consolidated net current assets were approximately $123,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately $67,000,000.

The bank loan of Woodward Realty Limited is interim financing in connection with construction of a regional warehouse and distribution centre. The loan bears interest at bank prime rate and is secured by a floating charge on the assets of the centre. Woodward Realty Limited intends to repay the bank loan from the proceeds of long-term financing for which the terms and conditions have not yet been determined.

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

The 10⅛% First Mortgage Bonds Series A and the 10¼% First Mortgage Bonds Series B of Lansdowne Park Shopping Centre Limited are secured by a mortgage on the Lansdowne Park Shopping Centre and of all leases, and by an assignment of rents.

Maturities and sinking fund requirements during the next five fiscal years (net of debentures purchased in advance of such requirements of $1,797,000 at January 30, 1982) are as follows:
1983 — $3,508,661; 1984 — $4,853,000; 1985 — $5,573,000; 1986 — $29,885,000; and 1987 — $5,777,000.

5. CAPITAL LEASE OBLIGATIONS:

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

	January 30, 1982	January 31, 1981
Fiscal years ending in:		
1982	**$ —**	$ 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
1987	**1,421,412**	1,421,412
Thereafter	**28,338,132**	28,338,132
Total minimum lease payments	**35,445,192**	36,866,604
Less amount representing imputed interest averaging 10.2% at January 30, 1982 and January 31, 1981	**25,388,406**	26,449,864
Present value of net minimum lease payments	**10,056,786**	10,416,740
Less current portion included in current liabilities	**396,455**	475,000
	$ 9,660,331	$ 9,941,740

6. SHARE CAPITAL:

(a) By a special resolution approved on May 27, 1981, the authorized share capital of the Company was varied by:

(1) increasing the authorized share capital by the creation of an additional 1,496,700 Class A shares, 1,496,700 Class B shares and 1,496,700 Class C shares; and

(2) subdividing all of the 10,000,000 Class A shares, 10,000,000 Class B shares, 10,000,000 Class C shares and 10,000,000 Class F shares into 20,000,000 Class A shares, 20,000,000 Class B shares, 20,000,000 Class C shares and 20,000,000 Class F shares respectively, each share being subdivided into two shares.

As a result of this special resolution, Class A shares, Class B shares and Class C shares outstanding were also subdivided on a two for one basis. The net earnings per share as shown in the consolidated statement of earnings have been restated to give retroactive effect to this subdivision.

(b) The authorized share capital at January 30, 1982 (and at January 31, 1981, where different) and principal attributes of the classes of shares, which are all without par value, were as follows:

(1) 20,000,000 (8,503,300) Class A shares and 20,000,000 (8,503,300) Class B shares which are voting and are exchangeable for one another at the option of the holder 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) 20,000,000 (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 shares and Class B shares and may be exchanged, on a share-for-share basis, for Class A 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) 20,000,000 (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 issuable in one or more series, with the number of shares and rights of each series to be authorized by the directors before the issue thereof.

(c) With the passage of a special resolution on May 27, 1981, the Company established a Share Purchase Plan. The Plan provides for the granting to selected senior executives of interest-free loans, maturing in ten years, from the Company or its subsidiaries to finance purchases of Class A shares or Class B shares. The Plan also provides protection, in certain circumstances, to the senior executives against loss suffered by reason of a decline in the value of the shares after the purchase date. The maximum number of shares which may be issued under the Plan is 697,752 shares (after giving effect to the two for one subdivision discussed in (a) above). To January 30, 1982, 305,000 shares were issued under the Plan and sufficient Class A shares and Class B shares are reserved for the balance of shares that may be issued under the Plan.

(d) The issued share capital at January 30, 1982 and the changes since January 31, 1981 (after giving retroactive effect to the subdivision discussed in (a) above) were as follows:

	Number of Shares	Amount
(1) Class A shares:		
Balance at January 31, 1981	10,003,322	$21,044,415
Issued under Share Purchase Plan	45,000	793,125
Issued in exchange for Class B shares	14,000	18,715
Surrendered in exchange for Class B shares	(5,300)	(7,096)
Balance at January 30, 1982	10,057,022	21,849,159
(2) Class B shares:		
Balance at January 31, 1981	1,084,626	1,148,565
Issued under Share Purchase Plan	260,000	4,582,500
Issued in exchange for Class A shares	5,300	7,096
Surrendered in exchange for Class A shares	(14,000)	(18,715)
Balance at January 30, 1982	1,335,926	5,719,446
(3) Class C shares:		
Balance at January 31, 1981 and January 30, 1982	2,867,112	3,827,595
(4) Class D shares:		
Balance at January 31, 1981	3,612,563	3,612,563
Redeemed	(1,691,595)	(1,691,595)
Balance at January 30, 1982	1,920,968	1,920,968
(5) Class E shares:		
Balance at January 31, 1981	—	—
Issued as stock dividends on Class B shares	1,880,589	687,116
Redeemed	(1,880,589)	(687,116)
Balance at January 30, 1982	—	—
Total paid-up capital		$33,317,168

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

7. INCOME TAXES:

The provision for income taxes for the current fiscal year represents an effective tax rate of 29.9% (1981 — 43.4%) on consolidated pre-tax earnings before extraordinary items compared to the combined federal-provincial statutory income tax rate of 50.0% (1981 — 50.4%). This difference results primarily from the 3% inventory allowance, representing tax savings of approximately 11.3% (1981 — 4.5%). The balance of the difference results from permanent differences for tax purposes consisting of the share of net earnings of corporate joint ventures, non-taxable incomes and capitalized interest included in land.

8. 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.

9. 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.

10. 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, warehouses and a furniture and appliance retail outlet are as follows:

Fiscal years ending in:	
1983	$ 9,680,000
1984	9,692,000
1985	9,708,000
1986	9,705,000
1987	9,724,000
Thereafter to 2016	199,796,000
	$248,305,000

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 30, 1982 was approximately $13,600,000 (1981 — $12,400,000).

(b) The estimated unfunded liability at January 30, 1982 for the non-contributory pension plans for employees was $13,500,000 which is being funded and charged to earnings by annual payments to 1996. The total pension expense with respect to these plans charged against earnings during the fiscal year ended January 30, 1982 was $7,031,000 (1981 — $6,822,000).

(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 30, 1982 in the amount of $10,103,000.

(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 30, 1982 in the amount of $98,928,000.

Under a Subscription Agreement the Company, in certain circumstances, may be required to purchase 30% of approximately $9,231,000 in preferred shares issued by The Edmonton Centre Limited to the Canadian chartered bank.

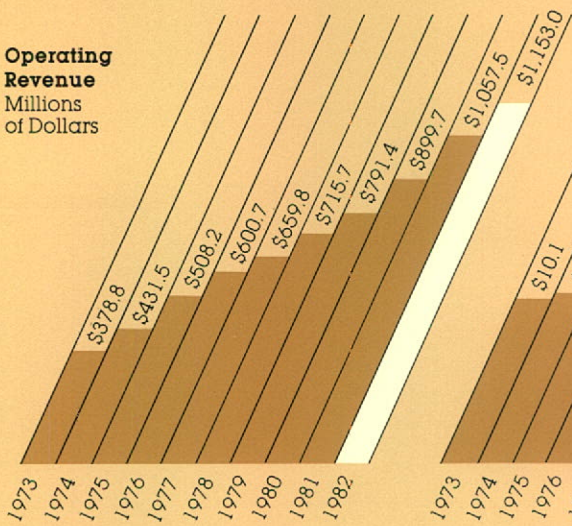
(e) Woodward Realty Limited is constructing a regional warehouse and distribution centre estimated at March 1, 1982 to cost, including land, fixtures and equipment, approximately $51,000,000, of which $24,100,000 and $7,700,000 were included in properties, fixtures and equipment at January 30, 1982 and January 31, 1981 respectively.

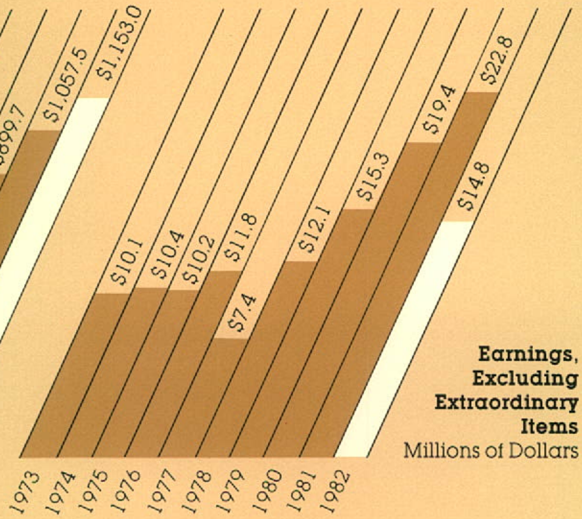
11. SUBSEQUENT EVENT:

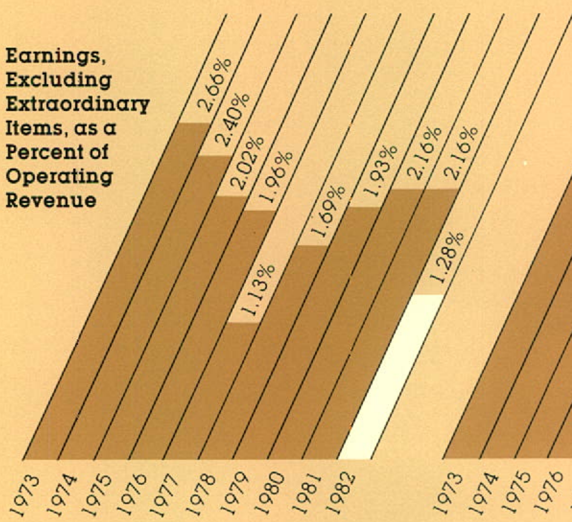
On April 1, 1982, the Company sold $25,000,000 principal amount of 17% Debentures, 1982 Series maturing April 1, 1987. The Debentures rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, with the Company's presently outstanding Debentures described in Note 4.

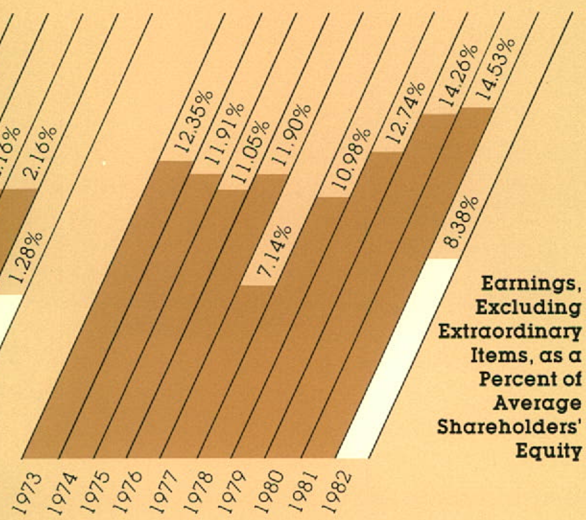
Supplemental Financial Information

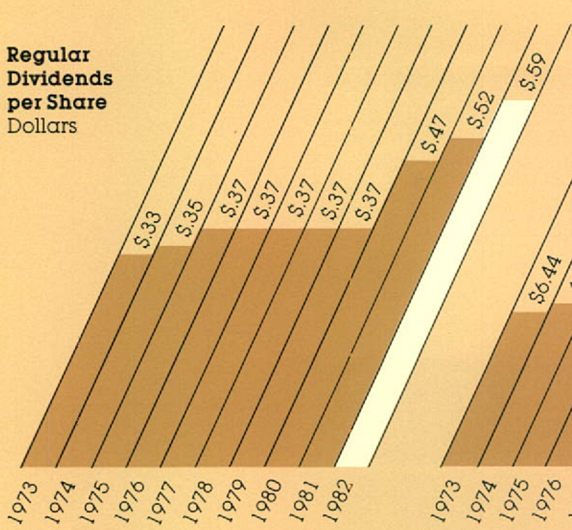
1. COMPARATIVE STATISTICS:

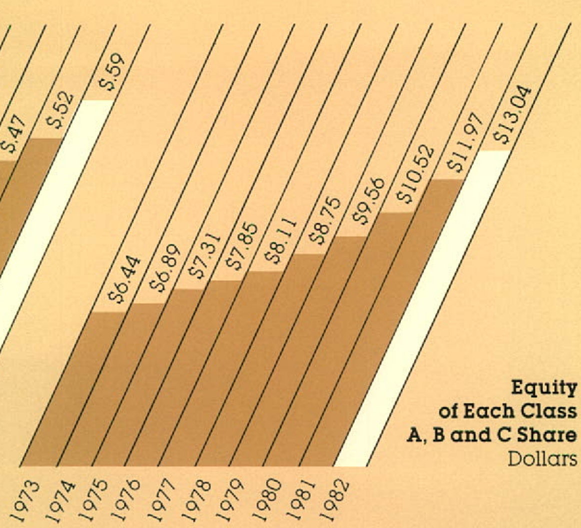












2. CONSOLIDATED DEBT TO EQUITY RATIO:

The outstanding non-current portion of long-term debt of Woodward Realty Limited and its subsidiaries as at January 30, 1982 and January 31, 1981 approximated $80,901,000 and $59,027,000 respectively, which represented 51.0% and 42.2% of the Company's total consolidated non-current portion of long-term debt outstanding at those dates.

The ratio of the consolidated non-current portion of long-term debt and capital lease obligations to shareholders' equity of the Company as at January 30, 1982 was .85 to 1 (1981 — .84 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 .44 to 1 (1981 — .50 to 1).

WOODWARD STORES LIMITED and subsidiary companies

Comparative Record

Fiscal Years Ended	January 30 1982	January 31 1981 (1)	January 26 1980
Sales Including Service Charges	**$1,137,051,022**	$1,042,633,351	$887,543,335
Rental Revenue and Other Income	**15,940,841**	14,905,792	12,179,334
Selling, General and Administrative Expenses	**249,333,286**	214,010,248	180,421,586
Provision for Depreciation and Amortization Charged to Operations	**10,470,661**	9,618,687	7,816,806
Interest on Long-Term Debt	**12,313,815**	12,708,898	13,347,187
Interest on Capital Lease Obligations	**1,058,549**	1,091,956	670,046
Profit Sharing and Retirement Funds	**11,347,850**	11,671,858	9,653,643
Provision for Income Taxes	**6,300,000**	17,520,000	13,367,000
Net Earnings (*Excluding Extraordinary Items of Income)	***14,786,775**	*22,802,703	19,400,183
Net Earnings per Share Excluding Extraordinary Items (2)	**$ 1.04**	$ 1.64	$ 1.43
Regular Dividends per Share (2)	**.59**	.52	.47
Working Capital (Current Assets less Current Liabilities)	**$ 139,946,321**	$ 144,627,122	$138,093,925
Ratio of Current Assets to Current Liabilities	**1.95**	2.36	2.91
Properties, Fixtures and Equipment less Depreciation Provided	**$ 193,832,486**	$ 150,514,534	$133,714,268
Assets Under Capital Leases less Amortization Provided	**9,589,135**	10,157,721	10,725,528
Total Assets	**510,061,411**	419,528,400	358,747,348
Long-Term Debt	**148,960,047**	129,815,674	124,888,412
Capital Lease Obligations	**9,660,331**	9,941,740	10,416,804
Shareholders' Equity	**$ 185,907,934**	$ 167,110,938	$146,753,966
Equity of Each Class A, B and C Share (2) (3)	**13.04**	11.97	10.52
Return on Average Shareholders' Equity	**% 8.38**	% 14.53	% 14.26

(1) Fifty-three week period.

(2) During the 1982 fiscal year the Company's Class A, B and C shares were subdivided on a two for one basis. All of the per share figures for 1981 and prior have been restated to reflect the subdivision.

(3) 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 27 1979	January 28 1978	January 31 1977	January 31 1976	January 31 1975	January 31 1974	January 31 1973
$779,978,339	$707,021,959	$653,461,110	$596,058,036	$504,491,394	$427,981,693	$375,755,598
11,373,254	8,706,781	6,298,581	4,610,957	3,690,544	3,475,086	3,023,938
155,745,105	144,515,877	135,108,476	120,408,625	102,289,899	84,141,922	73,396,620
6,989,128	6,287,736	6,254,336	5,227,545	4,520,716	3,917,706	3,669,623
13,887,698	10,576,742	7,496,609	5,171,384	4,153,786	2,838,741	2,234,428
582,988	583,679	584,299	584,855	438,971	—	—
6,989,980	6,247,903	5,481,067	5,545,359	5,083,836	4,701,465	4,297,033
10,394,000	7,311,500	6,357,000	11,414,000	10,960,000	10,443,300	8,925,400
15,269,286	*12,102,766	*7,443,417	11,781,322	10,246,128	10,362,776	*10,061,672
$ 1.17	$ .93	$ .57	$ .90	$ .79	$ .80	$ .77
.37	.37	.37	.37	.37	.35	.33
$128,534,788	$116,441,029	$ 89,194,111	$ 68,474,622	$ 69,886,699	$ 71,682,180	$ 60,170,033
3.29	2.93	2.39	1.87	2.38	2.83	2.87
$131,066,597	$134,156,303	$119,787,942	$102,326,245	$ 82,525,737	$ 64,313,679	$ 55,087,569
5,310,021	5,324,144	5,337,595	5,350,404	5,362,604	—	—
324,827,246	320,442,026	281,657,785	256,858,094	210,448,258	176,759,643	149,033,519
137,463,526	140,347,987	105,830,112	68,976,000	57,241,000	46,204,224	31,587,530
5,289,400	5,296,808	5,303,430	5,309,338	5,314,596	—	—
$125,333,129	$114,371,931	$106,020,630	$102,480,907	$ 95,459,512	$ 89,929,844	$ 84,060,086
9.56	8.75	8.11	7.85	7.31	6.89	6.44
% 12.74	% 10.98	% 7.14	% 11.90	% 11.05	% 11.91	% 12.35

Woodward Stores in British Columbia and Alberta

- 1892 - Downtown Store, Vancouver, B.C.
- 1948 - Port Alberni Store, Port Alberni, B.C.
- 1950 - Park Royal Centre, West Vancouver, B.C.
- 1954 - New Westminster Store, New Westminster, B.C.
- 1955 - Westmount Centre, Edmonton, Alberta
- 1959 - Oakridge Centre, Vancouver, B.C.
- 1960 - Chinook Centre, Calgary, Alberta
- 1963 - Mayfair Centre, Victoria, B.C.
- 1965 - Northwood Mall, Edmonton, Alberta
- 1966 - Guildford Centre, Surrey, B.C.
- 1966 - Parkwood Centre, Prince George, B.C.
- 1970 - Southgate Centre, Edmonton, Alberta
- 1971 - Market Mall Centre, Calgary, Alberta
- 1973 - Furniture Fair, Burnaby, B.C.
- 1974 - Edmonton Centre, Edmonton, Alberta
- 1974 - Arbutus Village, Vancouver, B.C.
- 1975 - Furniture Fair, Edmonton, Alberta
- 1975 - Lethbridge Centre, Lethbridge, Alberta
- 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.
- 1981 - Bower Place, Red Deer, Alberta
- 1981 - Aberdeen Mall, Kamloops, B.C.
- 1981 - Sunridge Mall, Calgary, Alberta
- 1981 - Woodgrove Mall, Nanaimo, B.C.

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