Woodward's

ANNUAL REPORT 1982

For the fiscal year
ended January 29, 1983

dividend of 20 cents per share on the outstanding Class A shares; (2) a stock dividend consisting of one fully paid Class E share, having a paid up capital of 20 cents on the outstanding Class B shares; and (3) a stock dividend equivalent to 20 cents per share on the outstanding Class A, Class B and Class C shares. The latter stock dividend will consist of fully paid Class A shares on which the amount to be treated as paid will be $16.00 per Class A share. No fractional Class A shares will be issued and in lieu thereof shareholders will receive any balance of the dividend to which they are entitled in cash.

In addition, the Company will redeem 573,424 Class D shares (which will be equivalent to 20 cents per Class C share) on May 31, 1983 and all the outstanding Class E shares on June 1, 1983. The payment dates for regular semi-annual dividends have been changed from the months of April and October to the months of May and November, respectively, to facilitate the Company's financial planning.

MERCHANDISING PROGRAMS

Your Company introduced a number of policies and programs during the fiscal year which were designed to lessen the dual impact of reduced consumer spending and high interest rates.

Price levels were reduced where feasible, and sales periods were shortened in order to stimulate buying decisions. Advertising strategies were revised to concentrate on a smaller number of high-demand, value-priced items of merchandise; astute media buying ensured maximum exposure of these messages at the most economical cost possible.

Your Company's Food Division also faced challenges consisting of relatively flat sales levels, a slowing in the rate of inflation in the food industry, and many new competitive food marketing concepts including warehouse stores, bulk food stores and discount stores.

The Food Division sought to meet these challenges through tight constraints on controllable costs, aggressive merchandising programs, and by reaffirming the Company's basic and successful philosophy of offering a selection of top quality foods at competitive prices.

ACTIVITIES IN BRIEF

The structure for the Distribution Centre located in New Westminster, British Columbia was completed during the latter part of the year and all merchandise in leased warehouse facilities was moved to this new location. In June of 1983, the Distribution Centre will start to centrally receive, mark and ticket most of the department store types of merchandise bound for the stores in British Columbia. Production-line techniques will be applied to this labour-intensive activity with resulting savings in manpower costs, and an increase in the accuracy of marking and ticketing of goods.

No new stores were opened during 1982, but on January 3, 1983, zoning approval was received and a preliminary development permit issued for the expansion of the Company's Oakridge Shopping Centre in Vancouver. Present plans for this centre will see it transformed from a traditional open-mall shopping centre of 1959 vintage to an enclosed mall, multi-use complex of retail, office and residential facilities. In addition, it is expected that the Company's own department store will be expanded by approximately 49,500 square feet of selling space.

ECONOMIC OUTLOOK

Your Company is guardedly optimistic about prospects for the year ahead. A modest and steady recovery in our market area will rest largely on two factors: renewed production in the forestry, mining and energy related industries, and the economic performance of Canada's major trading partners.

It is expected that the Consumer Price Index will decline to approximately 7%; the unemployment rate will remain high in British Columbia at 12% and somewhat lower in Alberta at 10.6%; prime interest rates should decline further from the current rate of 11½%; and real Gross National Product should increase in both British Columbia and Alberta.

Your Company is poised to take advantage of a return to more normal levels of consumer spending.

BOARD RETIREMENTS

Two members of your Board of Directors, both former Woodward's executives and staff members of long standing, retired from the Board during the year.

Mr. H.L. Joy and Mr. J.O. Moxon brought to the Board an exceptional depth of experience in all facets of our business. Their counsel and wisdom throughout the years have made an invaluable contribution to the successes your Company has enjoyed.

On your behalf, we extend to both of them our sincere thanks and best wishes for the future.

ACKNOWLEDGEMENTS

Uncertain times are stressful times for all members of staff. The past year has demanded an extra measure of creativity, determination and effort from the men and women at every level of your Company. All have responded to this challenge magnificently, and their dedication is the essential strength that enables us to look forward with confidence, no matter what the years ahead may bring.

Our sincere appreciation goes to all members of staff, and to our loyal customers, suppliers and shareholders for their continuing support.

Respectfully submitted,

C.D. Woodward.

Chairman of the Board and
Chief Executive Officer

C.W. MacLaren

President and
Chief Operating Officer

April 8, 1983

DIRECTORS' REPORT TO THE SHAREHOLDERS

This Annual Report records and reviews the operations of your Company for the year ended January 29, 1983.

The adverse economic conditions which developed during the latter half of 1981 deepened into a nation-wide recession in 1982. Widespread unemployment, and individual fears for the future, severely curtailed consumer spending. Inordinately high interest rates prevailed for much of the year, inhibiting housing construction and sales, limiting purchases of household goods, and imposing a heavy financial burden on business in every sector of the economy.

Communities in Western Canada, which are normally supported by natural resource industries, were particularly hard hit by shrinking national and international demand.

In this context, Woodward's inevitably recorded a disappointing year. However, your Company's on-going measures to control costs and to develop merchandising programs appropriate to this difficult period were successful, especially by the third quarter, in cushioning the Company against the worst impact of the recession.

FINANCIAL

Operating revenue for the year totalled \$1,104,128,417, a decrease of 4.24% from the previous year's total of \$1,152,991,863.

Before extraordinary items, the Company's operations for the year resulted in earnings of \$8,435,968 or 58 cents per share. This compares with earnings of \$14,786,775 or \$1.03 per share the year earlier.

Extraordinary items in the year under review amounted to \$514,254 and increased net earnings to \$8,950,222 or 62 cents per share. Last year, extraordinary items totalling \$6,926,030 increased net earnings to \$21,712,805 or \$1.51 per share.

The effectiveness of the Company's programs to control costs and increase efficiency is reflected in the operating results of the four quarters of the year. Losses before income taxes were reduced progressively from \$7,392,828 in the first quarter to \$4,079,154 in the second and \$949,642 in the third. The fourth quarter resulted in earnings of \$19,835,592 before income taxes.

Total funds provided by the Company's operations declined from \$27,452,264 a year earlier to \$18,569,443. Working capital increased from \$139,946,321 to \$163,851,308 at year-end and the ratio of current assets to current liabilities increased from 1.95 to 1 to 2.77 to 1.

Funds provided from the issue of long-term debt totalled \$52,640,000. This amount consisted of a five-year Debenture in the amount of \$25,000,000 issued on April 1, 1982, the proceeds from which were applied against the Company's short-term borrowings incurred principally for the fixturing, fitting out and inventories of the new stores opened in 1981; and \$27,640,000 for the financing of the new Distribution Centre in British Columbia which was officially opened on November 8, 1982.

Funds applied to properties, fixtures and equipment were lower in the year under review, down from \$65,496,477 the previous year to \$40,353,473.

DIVIDENDS AND SHARE REDEMPTIONS

Notwithstanding the depressed state of the economy and its effect upon your Company's operations, the Directors have declared the following dividends payable on May 31, 1983; (1) a cash

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*‡
GRANT WOODWARD MacLAREN, C.A.†
PHILIP CHARLES McCOMB†
STANLEY ALBERT MILNER
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

JOHN ALEXANDER BARNWELL, C.G.A.
Assistant Secretary

Highlights

	FISCAL YEAR ENDED January 29, 1983	January 30, 1982	% Increase (Decrease)
FOR THE YEAR			
Operating revenue	**$1,104,128,417**	$1,152,991,863	(4.24)
Earnings before extraordinary items	**$ 8,435,968**	$ 14,786,775	(42.95)
Earnings per share before extraordinary items	**$ .58**	$ 1.03	(43.69)
Net earnings	**$ 8,950,222**	$ 21,712,805	
Net earnings per share	**$ .62**	$ 1.51	
Dividends per share	**$ .59**	$ .59	—
AT YEAR END			
Working capital	**$ 163,851,308**	$ 139,946,321	17.08
Shareholders' equity	**$ 189,132,517**	$ 185,907,934	1.73
Equity per share (see notes on page 12)	**$13.04**	$12.82	1.73

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, May 31, 1983, Oakridge Auditorium, Oakridge Shopping Centre, Forty-first Avenue and Cambie Street, Vancouver, British Columbia.

Consolidated Statement of Earnings

	FISCAL YEAR ENDED January 29, 1983	January 30, 1982
OPERATING REVENUE:		
Sales including service charges	**$1,087,926,017**	$1,137,051,022
Rental revenue and other income	**16,202,400**	15,940,841
Total operating revenue	**1,104,128,417**	1,152,991,863
COSTS AND EXPENSES:		
Cost of merchandise sold and all other expenses except those listed hereunder	**815,508,276**	844,427,201
Selling, general and administrative	**237,533,224**	249,333,286
Profit sharing and retirement funds	**10,639,235**	11,347,850
Depreciation and amortization	**12,580,946**	10,470,661
Interest on long-term debt	**17,273,338**	12,313,815
Interest on capital lease obligations	**1,021,754**	1,058,549
Other interest	**3,163,550**	4,036,958
Total costs and expenses	**1,097,720,323**	1,132,988,320
OPERATING EARNINGS	**6,408,094**	20,003,543
Share of net earnings of corporate joint ventures	**1,005,874**	1,083,232
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**7,413,968**	21,086,775
(Recovery of) provision for income taxes (Note 7)	**(1,022,000)**	6,300,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	**8,435,968**	14,786,775
EXTRAORDINARY ITEMS:		
Gains on disposal of properties, fixtures and equipment (net of income taxes of $155,000 in 1983 and $2,636,000 in 1982)	**514,254**	6,926,030
NET EARNINGS	**$ 8,950,222**	$ 21,712,805
NET EARNINGS PER SHARE (Note 8):		
Earnings before extraordinary items	**$ .58**	$ 1.03
Extraordinary items	**.04**	.48
Net earnings	**$ .62**	$ 1.51

Consolidated Statement of Retained Earnings

	FISCAL YEAR ENDED January 29, 1983	January 30, 1982
RETAINED EARNINGS, BEGINNING OF YEAR	**$146,527,014**	$131,414,048
Net earnings	**8,950,222**	21,712,805
	155,477,236	153,126,853
Deduct dividends paid (including stock dividends — Note 6(e)):		
Class A shares	**5,933,910**	5,912,723
Class B shares	**787,930**	687,116
Class C shares	**544,751**	—
	7,266,591	6,599,839
RETAINED EARNINGS, END OF YEAR	**$148,210,645**	$146,527,014

Consolidated Statement of Changes in Financial Position

	FISCAL YEAR ENDED January 29, 1983	January 30, 1982
FUNDS PROVIDED FROM:		
Earnings before extraordinary items	**$ 8,435,968**	$ 14,786,775
Dividends from corporate joint ventures	**1,278,000**	1,020,000
Add (deduct) items not affecting working capital:		
Depreciation and amortization	**12,580,946**	10,470,661
Deferred income taxes	**(3,190,000)**	2,541,400
Share of net earnings of corporate joint ventures	**(1,005,874)**	(1,083,232)
Other	**470,403**	(283,340)
Total funds provided from operations	**18,569,443**	27,452,264
Disposals of properties, fixtures and equipment	**1,067,084**	23,237,561
Secured receivables	**4,179,965**	40,565
Investments	**287,500**	1,375,000
Long-term debt	**52,640,000**	22,587,616
Shares issued under Share Purchase Plan	**—**	5,375,625
Total funds provided	**76,743,992**	80,068,631
FUNDS APPLIED TO:		
Properties, fixtures and equipment	**40,353,473**	65,496,477
Loans under Share Purchase Plan	**—**	5,375,625
Investments	**160,012**	611,244
Long-term debt and capital lease obligations	**6,135,688**	3,724,652
Redemption of Class D shares	**1,146,846**	1,691,595
Cash dividends (including redemption of Class E shares issued as stock dividends)	**4,578,793**	6,599,839
Other assets	**464,193**	1,250,000
Total funds applied	**52,839,005**	84,749,432
INCREASE (DECREASE) IN WORKING CAPITAL	**23,904,987**	(4,680,801)
WORKING CAPITAL, BEGINNING OF YEAR	**139,946,321**	144,627,122
WORKING CAPITAL, END OF YEAR	**$163,851,308**	$139,946,321

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 29, 1983 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 29, 1983 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, 1983

DELOITTE HASKINS & SELLS
Chartered Accountants

Consolidated Balance Sheet

ASSETS	AS AT January 29, 1983	January 30, 1982
CURRENT ASSETS:		
Cash	**$ 3,942,354**	$ 5,090,367
Marketable securities — at cost (market value: 1983 — $7,433,000; 1982 — $6,784,000)	**1,455,189**	1,455,189
Accounts receivable	**88,574,260**	96,840,291
Current portion of secured receivables	**4,054,000**	4,128,000
Merchandise inventories	**154,762,931**	170,108,001
Income taxes recoverable	**—**	6,033,522
Prepaid expenses	**3,520,602**	2,964,169
Total current assets	**256,309,336**	286,619,539
SECURED RECEIVABLES (Note 2)	**8,893,095**	13,073,060
INVESTMENTS (Note 3)	**2,251,459**	2,651,073
PROPERTIES, FIXTURES AND EQUIPMENT:		
Land	**53,576,921**	51,050,740
Buildings and improvements	**128,482,228**	110,764,438
Fixtures and equipment	**130,870,225**	111,658,384
Total cost	**312,929,374**	273,473,562
Less accumulated depreciation	**91,300,635**	79,641,076
Net properties, fixtures and equipment	**221,628,739**	193,832,486
ASSETS UNDER CAPITAL LEASES — at cost less accumulated amortization of $1,874,072 in 1983; $1,304,669 in 1982	**9,019,732**	9,589,135
OTHER ASSETS	**3,884,207**	4,296,118
TOTAL	**$501,986,568**	$510,061,411

LIABILITIES AND SHAREHOLDERS' EQUITY

	AS AT January 29, 1983	January 30, 1982
CURRENT LIABILITIES:		
Bank and other short-term indebtedness	**$ 9,038,159**	$ 69,353,455
Accounts payable and accrued liabilities	**79,057,995**	73,024,647
Income taxes	**453,846**	—
Current portion of long-term debt and capital lease obligations	**2,408,028**	3,905,116
Notes payable to a corporate joint venture	**1,500,000**	390,000
Total current liabilities	**92,458,028**	146,673,218
LONG-TERM DEBT (Note 4)	**195,901,015**	148,960,047
CAPITAL LEASE OBLIGATIONS (Note 5)	**9,223,675**	9,660,331
DEFERRED GAIN ON SALE OF CERTAIN PROPERTY (Note 1(h))	**9,307,034**	9,709,982
DEFERRED INCOME TAXES	**5,912,900**	9,116,900
MINORITY INTEREST	**51,399**	32,999
SHAREHOLDERS' EQUITY:		
Share capital (Note 6)	**34,858,120**	33,317,168
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	**148,210,645**	146,527,014
Total shareholders' equity	**189,132,517**	185,907,934
TOTAL	**$501,986,568**	$510,061,411

APPROVED BY THE BOARD:

C.N. Woodward, *Director*

M. Gandossi, *Director*

Notes to the Consolidated Financial Statements, January 29, 1983

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
- Deli Farm Food Processors Limited
- Woodward Stores (London) 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 financed by 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 Company's practice to capitalize carrying costs (interest and property taxes) on land held for future development to the extent that the carrying value does not exceed the estimated net realizable value, and on land and buildings during development and construction. Such carrying costs capitalized during the current fiscal year were $5,789,573 (1982 — $4,483,734).

(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 four 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 four 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.

2. SECURED RECEIVABLES:

	January 29, 1983	January 30, 1982
Mortgages and agreements receivable arising from disposals of property and equipment	**$ 7,738,000**	$11,866,000
Loans under Share Purchase Plan	**5,209,095**	5,335,060
	12,947,095	17,201,060
Less current portion included in current assets	**4,054,000**	4,128,000
	$ 8,893,095	$13,073,060

The mortgages and agreements receivable bear interest at a weighted average of 12.0% at January 29, 1983 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:
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 29, 1983	January 30, 1982
Corporate joint ventures:			
Southgate Shopping Centre Limited	60%	**$ 107,260**	$ 180,147
Project 200 Properties Limited	25%	**10,753**	14,562
Project 200 Investments Limited	23%	**808,473**	997,247
The Edmonton Centre Limited	30%	**564,051**	858,207
Other		**760,922**	600,910
		$2,251,459	$2,651,073

4. LONG-TERM DEBT:

	Maturity	January 29, 1983	January 30, 1982
Woodward Stores Limited:			
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of $500,000	June 15, 1985	**$ 2,803,000**	$ 2,891,000
6¾% Sinking Fund Debentures 1969 Series with annual sinking fund requirements on September 1 of $10,000	September 1, 1989	**164,000**	169,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of $600,000 in each of the years 1983 and 1984, $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	**11,194,000**	12,283,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of $800,000 in each of the years 1983 and 1984, and $1,000,000 in each of the years 1985 to 1993 inclusive	October 15, 1994	**14,536,000**	16,176,000
10⅝% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of $800,000 in each of the years 1983 to 1986 inclusive, and $1,000,000 in each of the years 1987 to 1995 inclusive	June 15, 1996	**17,040,000**	18,062,000
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	**19,002,000**	20,000,000
17% Debentures 1982 Series due on maturity	April 1, 1987	**25,000,000**	—
Woodward Realty Limited:			
Bank term loans with interest and security as described hereunder	January 26, 1986	**49,081,000**	21,441,000
Mortgages and agreements payable on properties with varying annual instalments including interest at a weighted average rate of 12.3% at January 29, 1983	Various to January 1, 1999	**8,734,155**	10,440,033
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 on maturity	January 1, 2006	**11,718,724**	11,827,262
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 on maturity	November 1, 1997	**19,195,255**	19,485,984
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 on maturity	November 1, 1997	**19,404,252**	19,693,429
		197,872,386	152,468,708
Less current portion included in current liabilities		**1,971,371**	3,508,661
		$195,901,015	$148,960,047

Notes to the Consolidated Financial Statements, Continued

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 29, 1983, the consolidated net current assets were approximately $146,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately $24,000,000.

The bank term loans of Woodward Realty Limited bear interest at a weighted average of 11.4% at January 29, 1983 and are secured by a floating charge on the assets of a regional warehouse and distribution centre. Woodward Realty Limited intends to repay the bank term loans 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 $3,929,000 at January 29, 1983) are as follows:
1984 — $1,971,000; 1985 — $4,996,000; 1986 — $57,881,000; 1987 — $5,806,000; and 1988 — $30,253,000.

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 29, 1983	January 30, 1982
Fiscal years ending in:		
1983	**$ —**	$ 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
1988	**1,421,412**	1,421,412
Thereafter	**26,916,720**	26,916,720
Total minimum lease payments	**34,023,780**	35,445,192
Less amount representing imputed interest averaging 10.2% at January 29, 1983	**24,363,448**	25,388,406
Present value of net minimum lease payments	**9,660,332**	10,056,786
Less current portion included in current liabilites	**436,657**	396,455
	$ 9,223,675	$ 9,660,331

6. SHARE CAPITAL:

(a) By a special resolution approved on June 1, 1982, the rights and restrictions attached to Class F shares were altered to those outlined in (c) below. Previously, Class F shares were non-voting but had the same dividend rights as the Class A shares.

(b) By a special resolution approved on September 3, 1982, the rights attached to Class C shares were altered to those outlined in (c) below. Previously, Class C shares were not entitled to stock dividends so long as any Class D shares were outstanding.

(c) The authorized share capital at January 29, 1983 and principal attributes of the classes of shares, which are all without par value, were as follows:

(1) 20,000,000 Class A shares and 20,000,000 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 Class C shares which are not entitled to dividends other than stock 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 Class F 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. The Class F shares are non-voting except to the extent that such right is attached by the directors to a particular series.

(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.

(d) The Company has a Share Purchase Plan which provides for the granting to selected senior executives of interest-free loans 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. Sufficient Class A shares and Class B shares are reserved for the balance of 392,752 shares that may be issued under the Plan.

(e) The issued share capital at January 29, 1983 and the changes since January 30, 1982 were as follows:

	Number of Shares	Amount
(1) Class A shares:		
Balance at January 30, 1982	10,057,022	$21,849,159
Issued as stock dividends on Class A shares, Class B shares and Class C shares	239,982	2,687,798
Issued in exchange for Class B shares	13,400	17,956
Surrendered in exchange for Class B shares	(548)	(734)
Balance at January 29, 1983	10,309,856	24,554,179
(2) Class B shares:		
Balance at January 30, 1982	1,335,926	5,719,446
Issued in exchange for Class A shares	548	734
Surrendered in exchange for Class A shares	(13,400)	(17,956)
Balance at January 29, 1983	1,323,074	5,702,224
(3) Class C shares:		
Balance at January 30, 1982 and January 29, 1983	2,867,112	3,827,595
(4) Class D shares:		
Balance at January 30, 1982	1,920,968	1,920,968
Redeemed	(1,146,846)	(1,146,846)
Balance at January 29, 1983	774,122	774,122
(5) Class E shares:		
Balance at January 30, 1982	—	—
Issued as stock dividends on Class B shares	534,370	534,370
Redeemed	(534,370)	(534,370)
Balance at January 29, 1983	—	—
Total paid-up capital		$34,858,120

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

7. INCOME TAXES:

The Company's statutory income tax rate for the current and preceding fiscal years was approximately 50.0%. The provision for income taxes for the current and preceding fiscal years do not reflect the statutory rate because of permanent differences for income tax purposes (principally the 3% inventory allowance, non-taxable incomes and the capitalization of certain carrying costs to land).

8. NET EARNINGS PER SHARE:

Net earnings per share have been calculated using the weighted average aggregate number of outstanding Class A shares, Class B shares and Class C shares assuming that Class A shares issued as stock dividends had been outstanding at the beginning of the preceding fiscal year. Net earnings per share for the 1982 fiscal year have been restated accordingly.

Notes to the Consolidated Financial Statements, Continued

9. RELATED PARTY TRANSACTIONS:

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

10. 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.

11. 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:

1984	$ 9,674,000
1985	9,691,000
1986	9,683,000
1987	9,707,000
1988	9,705,000
Thereafter to 2016	189,917,000
	$238,377,000

The majority of these leases contain a percent-of-sales clause. The aggregate amount of rentals under these leases charged against earnings during the current fiscal year was approximately $14,100,000 (1982 — $13,600,000).

(b) The non-contributory pension plans for employees were fully funded at January 29, 1983. The total pension expense with respect to these plans charged against earnings during the current fiscal year was approximately $6,864,000 (1982 — $7,031,000).

(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, 1983 in the amount of $9,678,000.

(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 31, 1983 in the amount of $97,965,000.

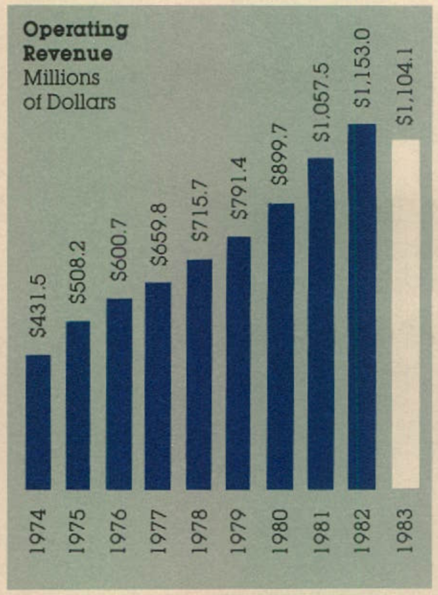
Under a Subscription Agreement the Company, in certain circumstances, may be required to purchase 30% of approximately $8,462,000 in preferred shares issued by The Edmonton Centre Limited to the Canadian chartered bank.

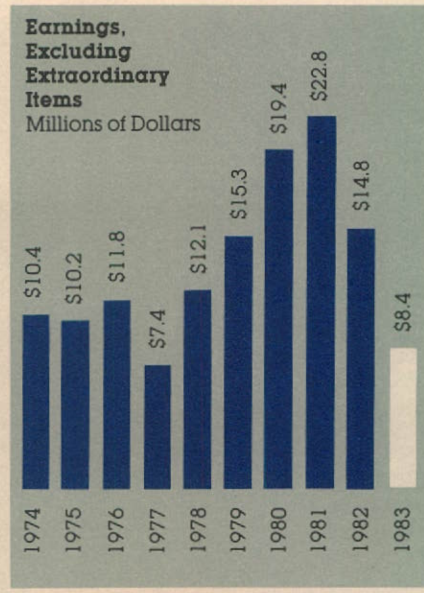
12. SUBSEQUENT EVENT:

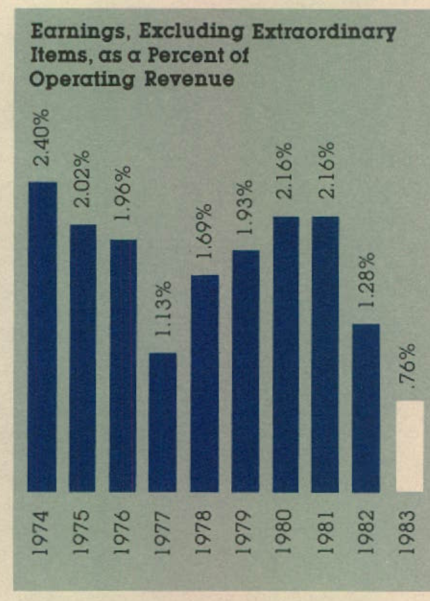
Southgate Shopping Centre Limited has completed arrangements to issue $26,500,000 principal amount of General Mortgage Bonds in April 1983 to finance the expansion of Southgate Shopping Centre completed during 1982. Under a Deficiency Agreement to be executed prior to the issue, the Company will as to 60% severally agree to make available sufficient funds for the operation of Southgate Shopping Centre, including payments of principal, interest and redemption premium, if any, on the General Mortgage Bonds.

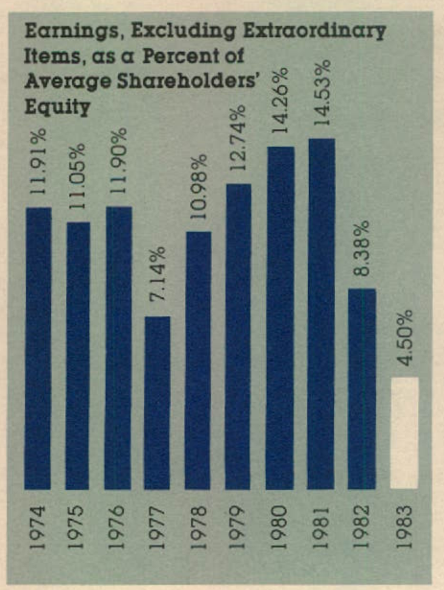
Supplemental Financial Information, January 29, 1983

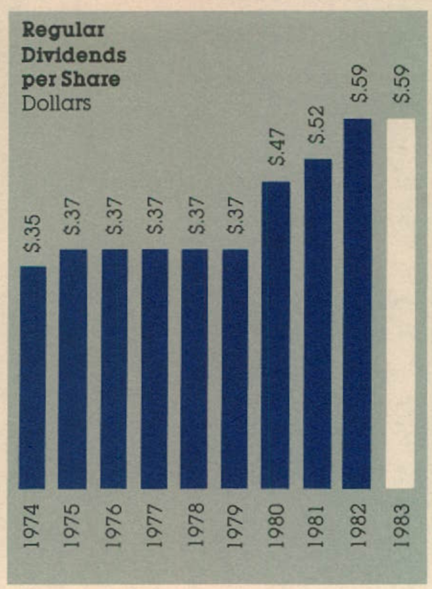
1. COMPARATIVE STATISTICS:

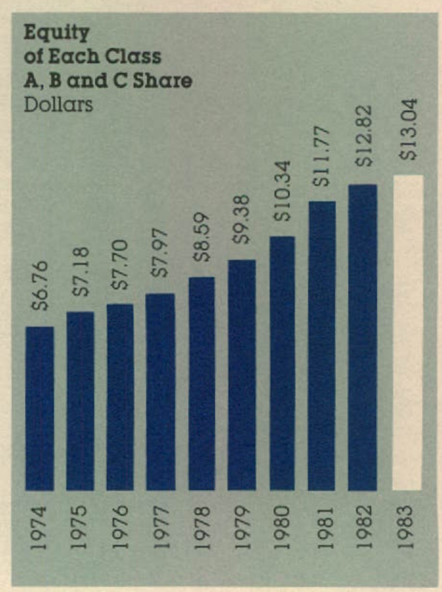












2. CONSOLIDATED DEBT TO EQUITY RATIO:

The outstanding non-current portion of long-term debt of Woodward Realty Limited and its subsidiaries as at January 29, 1983 and January 30, 1982 approximated $106,408,000 and $80,901,000 respectively, which represented 51.9% and 51.0% 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 29, 1983 was 1.08 to 1 (1982 — .85 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 .58 to 1 (1982 — .44 to 1).

WOODWARD
STORES
LIMITED
and subsidiary
companies

Comparative Record

Fiscal Years Ended	January 29, 1983	January 30, 1982	January 31, 1981(1)
Sales Including Service Charges	**$1,087,926,017**	$1,137,051,022	$1,042,633,351
Rental Revenue and Other Income	**16,202,400**	15,940,841	14,905,792
Selling, General and Administrative Expenses	**237,533,224**	249,333,286	214,010,248
Provision for Depreciation and Amortization Charged to Operations	**12,580,946**	10,470,661	9,618,687
Interest on Long-Term Debt	**17,273,338**	12,313,815	12,708,898
Interest on Capital Lease Obligations	**1,021,754**	1,058,549	1,091,956
Profit Sharing and Retirement Funds	**10,639,235**	11,347,850	11,671,858
Provision for (Recovery of) Income Taxes	**(1,022,000)**	6,300,000	17,520,000
Net Earnings (*Excluding Extraordinary Items of Income)	***8,435,968**	*14,786,775	*22,802,703
Net Earnings per Share Excluding Extraordinary Items (2)	**$ .58**	$ 1.03	$ 1.61
Regular Dividends per Share	**.59**	.59	.52
Working Capital (Current Assets less Current Liabilities)	**$ 163,851,308**	$ 139,946,321	$ 144,627,122
Ratio of Current Assets to Current Liabilities	**2.77**	1.95	2.36
Properties, Fixtures and Equipment less Depreciation Provided	**$ 221,628,739**	$ 193,832,486	$ 150,514,534
Assets Under Capital Leases less Amortization Provided	**9,019,732**	9,589,135	10,157,721
Total Assets	**501,986,586**	510,061,411	419,528,400
Long-Term Debt	**195,901,015**	148,960,047	129,815,674
Capital Lease Obligations	**9,223,675**	9,660,331	9,941,740
Shareholders' Equity	**$ 189,132,517**	$ 185,907,934	$ 167,110,938
Equity of Each Class A, B and C Share (2) (3)	**13.04**	12.82	11.77
Return on Average Shareholders' Equity	**% 4.50**	% 8.38	% 14.53

(1) Fifty-three week period.

(2) The per share figures for 1982 and prior have been restated to reflect stock dividends paid during the 1983 fiscal year.

(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 were held by Class C shareholders and the equity attached to the Class D shares is ascribed to the Class C shares.

January 26, 1980	January 27, 1979	January 28, 1978	January 31, 1977	January 31, 1976	January 31, 1975	January 31, 1974
$887,543,335	$779,978,339	$707,021,959	$653,461,110	$596,058,036	$504,491,394	$427,981,693
12,179,334	11,373,254	8,706,781	6,298,581	4,610,957	3,690,544	3,475,086
180,421,586	155,745,105	144,515,877	135,108,476	120,408,625	102,289,899	84,141,922
7,816,806	6,989,128	6,287,736	6,254,336	5,227,545	4,520,716	3,917,706
13,347,187	13,887,698	10,576,742	7,496,609	5,171,384	4,153,786	2,838,741
670,046	582,988	583,679	584,299	584,855	438,971	—
9,653,643	6,989,980	6,247,903	5,481,067	5,545,359	5,083,836	4,701,465
13,367,000	10,394,000	7,311,500	6,357,000	11,414,000	10,960,000	10,443,300
19,400,183	15,269,286	*12,102,766	*7,443,417	11,781,322	10,246,128	10,362,776
$ 1.41	$ 1.15	$ .91	$ .56	$ .89	$ .77	$ .78
.47	.37	.37	.37	.37	.37	.35
$138,093,925	$128,534,788	$116,441,029	$ 89,194,111	$ 68,474,622	$ 69,886,699	$ 71,682,180
2.91	3.29	2.93	2.39	1.87	2.38	2.83
$133,714,268	$131,066,597	$134,156,303	$119,787,942	$102,326,245	$ 82,525,737	$ 64,313,679
10,725,528	5,310,021	5,324,144	5,337,595	5,350,404	5,362,604	—
358,747,348	324,827,246	320,442,026	281,657,785	256,858,094	210,448,258	176,759,643
124,888,412	137,463,526	140,347,987	105,830,112	68,976,000	57,241,000	46,204,224
10,416,804	5,289,400	5,296,808	5,303,430	5,309,338	5,314,596	—
$146,753,966	$125,333,129	$114,371,931	$106,020,630	$102,480,907	$ 95,459,512	$ 89,929,844
10.34	9.38	8.59	7.97	7.70	7.18	6.76
% 14.26	% 12.74	% 10.98	% 7.14	% 11.90	% 11.05	% 11.91

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.