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ANNUAL

REPORT

2001

BMTC GROUP INC.

HOWARD ROSS LIBRARY
OF MANAGEMENT

DEC 15 2002

MCGILL UNIVERSITY



BOARD OF DIRECTORS

YVES DES GROSEILLERS

Chairman of the Board,
President and Chief Executive Officer
of the Company

PIERRE OUMET

Secretary of the Company
President,
Meubles R. & P. Ouimet Inc.
(Furniture retailer)

ANDRÉ BÉRARD

Chairman of the board and
Chief Executive Officer,
National Bank of Canada
(Financial institution)

GILLES CRÉPEAU**

President,
Bertrand Crépeau & Fils Inc.
(Furniture retailer)

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Executive vice-president,
Ventrum Management Inc.
(Real estate company)

HARVEY KORNBLUTH**

President,
Ventrum Management Inc.
(Real Estate company)

MICHEL LABRECQUE

President,
Brault et Martineau Inc.
(Furniture retailer)

ROBERT PARÉ*

Partner,
Fasken Martineau DuMoulin, LLP
(Law firm)

SIMON SENÉCAL*/**

Investment Counsellor,
National Bank Financial
(Investment dealers)

JACQUES TANGUAY

Vice-president, General Manager
Ameublements Tanguay Inc.
(Furniture retailer)

* Members of the Audit Committee

**Members of the Human Resources
Committee

GENERAL INFORMATION

AUDITORS

Samson Bélair Deloitte & Touche, S.E.N.C.

LEGAL ADVISORS

Fasken Martineau DuMoulin, LLP

BANKERS

National Bank of Canada

REGISTRAR AND TRANSFER AGENT

National Bank Trust

STOCK LISTING

BMTC Class A Subordinate Voting Shares
are listed on the Toronto Stock Exchange
under the symbol GBT.A and CUSIP number
05561N.

ANNUAL SHAREHOLDERS' MEETING

The annual meeting of shareholders will be
held on April 12, 2002, beginning at
2:00 p.m., in the Salon Verrière B at Hotel
Delta Centre-Ville, 777 University Street,
Montreal, Quebec.

HEAD OFFICE

8500 Place Marien
Montréal East, Quebec H1B 5W8
Tel.: (514) 648-5757
Fax: (514) 881-4056

The BMTC Group Inc.

BMTC Group Inc. is a holding company incorporated under Part IA of the Quebec Companies Act. Its Class A Subordinate Voting Shares ("Class A Subordinate Voting Shares") are listed on the Toronto Stock Exchange.

Through its subsidiaries, Brault et Martineau Inc. and Ameublements Tanguay Inc., the Company manages and

operates one of the largest retail sales networks of furniture and household and electronic appliances in Quebec. This network is composed of twenty stores in the Montreal, Quebec City, Laval, Ste-Thérèse, Ste-Foy, St-Georges, Three Rivers, Sherbrooke, Chicoutimi, Rivière-du-Loup, Rimouski and Gatineau regions in Quebec. The network also includes two distribution and administrative centres in Montreal and Quebec City.

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except per-share amounts)

	2001	2000
Operations		
Revenue	\$ 643,774	\$ 588,544
Net income	21,721	21,156
Financial position		
Total assets	\$ 202,789	\$ 174,028
Shareholders' equity	117,599	111,795
Per-share information		
Net income	\$ 1.76	\$ 1.58
Dividends	0.21	0.175
Book value	9.94	8.72
Stock market value*		
Year high	18.00	11.00
Year low	8.00	7.53
Number of shares outstanding	11,834,900	12,824,200

*Only Class A Subordinate Voting Shares are listed on a stock exchange.

MANAGEMENT REPORT

BMTC Group Inc. once again posted excellent results for the 2001 fiscal year. In fact, both its revenue and net income have grown over the course of the fiscal year.

Results

For the fiscal year ended December 31, 2001, the Company's revenue increased to \$643.8 million, up \$55.3 million from the \$588.5 million recorded in the corresponding 2000 period.

Net income for the fiscal year ended December 31, 2001 stood at \$21.7 million compared with \$21.2 million, for the previous fiscal year. This increase represents a 3% gain compared with net income for the corresponding 2000 period. Taking into consideration the share redemption program carried out over the fiscal year, earnings per share increased from \$1.58 to \$1.76 in 2001, for a growth rate of 11% over the year.

Financial position and dividends

As at December 31, 2001, the Company's working capital amounted to \$19.5 million, up \$2 million from December 31, 2000.

As at December 31, 2001, shareholders equity amounted to \$117.6 million, up 5% over the \$111.8 million recorded last year. The book value per share rose to \$9.94, compared with \$8.72 on the same date in 2000.

The number of outstanding shares of the Company changed yet again in 2001 due to redemptions carried out under share redemption programs implemented in April 2001, as has been done in past years, and to the conversion of Class B Multiple Voting Shares. 234,154 Class B Multiple Voting Shares and 755,146 Class A Subordinate Voting Shares were redeemed by the Company and cancelled in 2001

pursuant to redemption programs, while 21,908 Class B Multiple Voting Shares were converted into as many Class A Subordinate Voting Shares. As a result of these changes, the Company had, as at December 31, 2001, 4,960,896 Class B Multiple Voting Shares and 6,874,004 Class A Subordinate Voting Shares outstanding.

During the fiscal year, the Company paid dividends of 0.21 cents per share to holders of Class A Subordinate Voting Shares and Class B Multiple Voting Shares. It also paid a total amount, before taxes, of \$3.7 million as a cash award in lieu of shares as a result of the exercise of 458,000 stock options previously granted, of which \$2.5 million were charged to retained earnings and \$1.2 million were charged to the year's earnings as a result of the adoption of the new recommendations of the Canadian Institute of Chartered Accountants with respect to stock-based compensation and other stock-based payments. Following the immediate adoption of these accounting recommendations by the Company, an additional compensation expense of \$5.1 million, regarding non exercised options, was also charged to earnings for the twelve month period ending December 31, 2001. These adjustments to the compensation expense of \$6.3 million were charged to the last quarter of 2001, which had the effect of reducing the year's earnings per share by \$0.34.

Operations

Ameublements Tanguay

In April 2001, the Company opened a new 47,300-square-foot Signature Maurice Tanguay store in Ste-Foy with respect to which a 15-year lease was concluded.

In the course of 2002, the Company proposes to proceed with the restructuring of the store in Chicoutimi as well as the relocation of another store of its Ameublements Tanguay network.

Brault et Martineau

Since the fiscal year-end of 2000, the Company made several acquisitions and renovations with a view to improving its Brault et Martineau network.

Firstly, in August 2001, the Company built and opened a new 70,000-square-foot store in Repentigny, replacing the 40,000-square-foot store in Pointe-aux-Trembles.

In November 2001, the Company also built and opened a new 70,000-square-foot store in Laval replacing the existing one in Laval, which was converted into a liquidation centre.

In addition, in 2001, the Company purchased a lot and undertook the construction of a new 70,000-square-foot store in Kirkland which is expected to open in September 2002. This store will replace the 40,000-square-foot store also situated in Kirkland, which lease ends in August 2002.

The Company is considering during 2002 expanding by 10,000-square-feet two of its stores in the Montreal region, being those on Jean-Talon Street and in St-Hubert, which will increase the surface area of these stores to 70,000-square-feet.

Finally, the Company is also considering selling excess land at two of its locations and a site change for another store in the Montreal region during 2002.

Outlook for the future

Once again, this year the Company's balance sheet is healthier than ever, thus enabling it

to look forward to the 2002 fiscal year with optimism. The year 2002 has begun with an increase in revenue recorded in January and February similar to that of the last quarter of 2001 and the Company expects strong results for the first six-month period of 2002.

Taking into account results that historically are weaker for the first six-month period, the Company expects to easily meet and surpass the results of the first six-month period of 2001 in the corresponding period of 2002. On the other hand, due to spectacular growth recorded for the second six-month period of 2001, the level of success for results of the corresponding period of 2002, as compared to 2001, remains uncertain.

The Company remains confident that, with its efficient management, its market leadership role and its sound financial structure, it will be able to continue to deliver a level of financial performance superior to that of other companies operating in this sphere of activity.

We would also like to offer thanks to messrs. Louis Galardo and Harvey Kornbluth for their support and contribution to the board of directors over the course of the last several years. They will not be renewing their mandates for the next year.

Chairman, President and
Chief Executive Officer,

Yves Des Groseillers

February 20, 2002

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The accompanying consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles, and the other financial information provided in the Annual Report, which is consistent with the financial statements, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include some amounts that are based on management's best estimates and judgement and, in their opinion, present fairly the company's financial position, results of operations and changes in financial position. The company's procedures and internal control systems are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets.

The Audit Committee is responsible for reviewing the consolidated financial statements and Annual Report and recommending their approval to the Board of Directors. In order to fulfill its responsibilities, the Audit Committee meets with management and external auditors to discuss internal control over the financial reporting process, significant accounting policies, other financial matters and the results of the examination by the external auditors.

These consolidated financial statements have been audited by the external auditors Samson Bélair / Deloitte & Touche, Chartered Accountants, and their report is included herein.

Yves Des Groseillers
President and C.E.O.

AUDITORS' REPORT

To the Shareholders of Groupe BMTC Inc.

We have audited the consolidated balance sheets of Groupe BMTC Inc. as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**Samson Bélair
Deloitte &
Touche**

Chartered Accountants
February 15, 2002

CONSOLIDATED STATEMENTS OF EARNINGS
years ended December 31,
(in thousands of dollars, except per share amounts)

	2001	2000
Revenue	\$ 643,774	\$ 588,544
Cost of sales, selling and administrative expenses	606,192	550,293
Depreciation	3,389	2,770
Amortization of goodwill	<u>—</u>	<u>599</u>
	<u>609,581</u>	<u>553,662</u>
Earnings before income taxes	34,193	34,882
Income taxes (Note 6)	<u>12,472</u>	<u>13,726</u>
NET EARNINGS	<u>\$ 21,721</u>	<u>\$ 21,156</u>
Net earnings per share (Note 5)		
Basic	\$ 1.76	\$ 1.58
Diluted	<u>\$ 1.76</u>	<u>\$ 1.55</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
years ended December 31,
(in thousands of dollars)

	2001	2000
Balance, beginning of year		
As previously reported	\$ 103,604	\$ 93,160
Change in accounting policy (Note 1)	<u>(1,580)</u>	<u>—</u>
Adjusted balance	102,024	93,160
Net earnings	21,721	21,156
Dividends	(2,508)	(2,273)
Premium on redemption of shares	<u>(11,083)</u>	<u>(8,439)</u>
Balance, end of year	<u>\$ 110,154</u>	<u>\$ 103,604</u>

CONSOLIDATED BALANCE SHEETS
as at December 31,
(in thousands of dollars)

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,815	\$ 1,740
Accounts receivable	28,146	7,806
Inventories	59,291	66,902
Prepaid expenses	106	415
Income taxes receivable	<u>3,062</u>	<u>—</u>
	93,420	76,863
Note receivable	338	788
Investments (Note 2)	24,252	23,035
Fixed assets (Note 3)	84,729	71,215
Future income taxes	<u>—</u>	<u>2,127</u>
	<u>\$ 202,739</u>	<u>\$ 174,028</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	72,690	56,064
Income taxes payable	—	1,606
Deferred revenue	<u>1,189</u>	<u>1,755</u>
	73,879	59,425
Deferred revenue	873	1,989
Deferred pension liability (Note 7)	797	819
Future income taxes	4,496	—
Debt relating to the share option plan (Note 5)	<u>5,095</u>	<u>—</u>
	<u>85,140</u>	<u>62,233</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	7,445	8,191
Retained earnings	<u>110,154</u>	<u>103,604</u>
	117,599	111,795
	<u>\$ 202,739</u>	<u>\$ 174,028</u>

APPROVED BY THE BOARD

[s] Yves Des Groseillers Director

[s] Pierre Ouimet Director

CONSOLIDATED STATEMENTS OF CASH FLOWSyears ended December 31,
(in thousands of dollars)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 21,721	\$ 21,156
Adjustments for:		
Depreciation of fixed assets and amortization of goodwill	3,389	3,369
Future income taxes	6,623	(166)
Loss on disposal of fixed assets	21	5
Gain on disposal of investments	(194)	(101)
Pension expense	(22)	819
Debt relating to the share option plan	5,095	-
	<u>36,633</u>	<u>25,082</u>
Changes in non-cash operating working capital items		
Accounts receivable	(20,340)	(3,585)
Inventories	7,611	(10,696)
Prepaid expenses	309	(265)
Accounts payable and accrued liabilities	16,626	6,031
Income taxes payable	(3,733)	565
Deferred revenue	(1,682)	(190)
	<u>35,424</u>	<u>16,942</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(2,508)	(2,273)
Redemption of shares	(11,829)	(9,228)
Reimbursement of debt relating to the share option plan	(2,515)	-
	<u>(16,852)</u>	<u>(11,501)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash position of subsidiary at disposition	-	(162)
Decrease of note receivable	450	500
Acquisition of fixed assets	(18,551)	(6,608)
Disposal of fixed assets	1,627	77
Disposal of investments	5,942	21,349
Acquisition of investments	(6,965)	(26,256)
	<u>(17,497)</u>	<u>(11,100)</u>
Net change in cash and cash equivalents	1,075	(5,659)
Cash and cash equivalents, beginning of year	1,740	7,399
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,815</u>	<u>\$ 1,740</u>
Supplemental cash flow disclosure		
Interest paid	165	103
Income taxes paid	10,375	14,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2001 and 2000
(tabular amounts only are in thousands of dollars)

1. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the wholly-owned subsidiaries, Brault et Martineau Inc. and Ameublements Tanguay Inc.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is substantially determined under the average cost method.

Fixed assets

Fixed assets are accounted for at historical cost. Depreciation is calculated over their estimated useful lives under the diminishing balance method at the following annual rates:

Parking and buildings	4% to 8%
Leasehold improvements	Term of the lease
Automotive equipment	30%
Software	100%
Computers	30%
Furniture and equipment	20%

Costs related to the layout of the retail stores such as electrical installation and decoration, as well as the stores' pre-opening costs are charged to the statements of earnings as they are incurred.

Future income taxes

Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using current tax rates as an estimate of

these rates which will be in effect when the differences are expected to reverse.

Earnings per share

During the year ended December 31, 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants, with respect to earnings per share. Under the revised standard, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of options issued of other similar instruments. Reconciliation of the numerators and denominators used in the calculation of basic and diluted income per share is presented in accordance with the recommendation. The new recommendations were applied retroactively with restatement of comparative figures. As a result, diluted earnings per share of \$1.49 as presented in 2000 were restated to \$1.55 under the new recommendations.

Employee share option plan

The Company has a stock-based compensation plan where options to purchase common shares are issued to directors and employees. During the year ending December 31, 2001, the Company immediately adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to stock-based compensation and other stock-based payments. Under this new accounting standard, the Company accounts for stocks appreciation rights and similar awards to be settled in cash by measuring, on an on-going basis, the amount by which the quoted market price exceeds the option price at settlement date. These changes were applied retroactively through an adjustment to opening retained earnings and the comparative figures have not been restated.

As a result, as at January 1, 2001, the debt relating to the share option plan was increased by \$2,515,000, future income tax assets were increased by \$935,000, and retained earnings were reduced by \$1,580,000.

assets, salary escalation and retirement ages of employees.

- For the purpose of calculating the expected return on plan assets, those assets are recorded at fair value.

Employee future benefits

In the financial year ended December 31, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for employee future benefits. Under these recommendations, the Company accrued its obligations under employee pension plan and the related costs, net of plan assets as the services are rendered. The Company has adopted the following policies:

- The Company selected the prospective method of adopting the recommendations and amortizes the transitional asset on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the pension plan representing 18 years.
- The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected return on plan

Segmented information

The Company considers its retail activities as a single operating segment.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in the current year.

2. INVESTMENTS

	2001	2000
Portfolio investments, at cost (market value \$24,968; \$23,394 in 2000)	<u>\$ 24,252</u>	<u>\$ 23,035</u>

3. FIXED ASSETS

	2001		2000
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 29,473	\$ -	\$ 29,473
Parking and buildings	67,527	17,057	50,470
Leasehold improvements	3,051	623	2,428
Automotive equipment	2,885	1,687	1,198
Computers and software	1,906	1,175	731
Furniture and equipment	1,494	1,065	429
	\$ 106,336	\$ 21,607	\$ 84,729
			\$ 71,215

4. BANK INDEBTEDNESS

The Company has an unsecured line of credit in the amount of \$20,000,000 bearing interest at prime rate.

5. CAPITAL STOCK

- a) Authorized, an unlimited number and without par value
- First preferred shares, issuable in series
 - Second preferred shares, issuable in series
 - Class "A" subordinate voting shares
 - Class "B" multiple voting shares, conferring 20 votes per share

		2001	2000
Issued			
6,874,004	Class "A" subordinate voting shares (7,607,242 in 2000)	\$ 6,285	\$ 6,971
4,960,896	Class "B" multiple voting shares (5,216,958 in 2000)	1,160	1,220
		\$ 7,445	\$ 8,191

During the year, the Company redeemed 755,146 (838,282 in 2000) Class "A" subordinate shares and 234,154 (98,318 in 2000) Class "B" shares for a cash consideration of \$9,085,393 and \$2,742,599, respectively (\$8,293,210 and \$935,715 in 2000). The premium on redemption of shares of \$11,082,792 (\$8,439,385 in 2000) was debited to retained earnings. Furthermore, 21,908 (2,808 in 2000) Class "B" shares were converted into 21,908 (2,808 in 2000) Class "A" subordinate shares.

On December 6, 2001, The Company effected a share split on a 2 for 1 basis.

b) Employee share option plan

The Company has a stock option plan for certain directors and employees which provides for the purchase of Class "A" subordinate voting shares up to a maximum number of 2,302,708 issuable shares.

According to the plan, the holder of an option can choose, at any time, to receive from the Company, a payment in cash equal to the number of shares for which the option is exercised multiplied by the amount for which the market value of the share exceeds the exercise price, or to subscribe to a number of shares for which the option is exercised. The rights relating to the options are vested at the date of grant, and the maximum life is 10 years.

	2001		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,288,000	\$ 8.55	1,048,000	\$ 8.20
Granted	16,000	11.00	240,000	10.08
Exercised, for cash	(458,000)	3.96	—	—
Outstanding at end of year	<u>846,000</u>	<u>\$ 11.09</u>	<u>1,288,000</u>	<u>\$ 8.55</u>

During the year, 458,000 shares options were exercised and the holders choose to receive a payment in cash of \$3,678,000. Of this amount, \$2,515,000 was recorded against the debt relating to the share option plan, created upon application of the new accounting standard (Note 1) and \$1,163,000 was charged to earnings in the current year. In addition, an amount of \$5,095,000 was also charged to earnings in the current year to account for the stock appreciation rights.

The following tables summarize information about the stock options outstanding at December 31, 2001 and 2000, respectively:

Range of Exercise Prices	2001				
	Options outstanding		Options exercisable		
\$	Number Outstanding at December 31	Weighted Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31	Weighted Average Exercise Price
10.08 to 11.50	846,000	4 years	\$ 11.09	846,000	\$ 11.09

2000					
Range of Exercise Prices \$	Options outstanding			Options exercisable	
	Number Outstanding at December 31	Weighted Remaining Contractual Life	Weighted Average Exercise Price \$	Number Exercisable at December 31	Weighted Average Exercise Price \$
3.75 to 5.35	458,000	0.9 year	3.96	458,000	3.96
10.08 to 11.50	830,000	3.4 years	11.09	830,000	11.09
	1,288,000	2.5 years	8.55	1,288,000	8.55

c) Earnings per share

The following table provides a reconciliation between basic and diluted earnings per share:

	2001	2000
Net earnings – basic and diluted	<u>\$ 21,721</u>	<u>\$ 21,156</u>
Weighted average number of common shares outstanding	12,338	13,376
Effect of dilutive stock options	<u>36</u>	<u>265</u>
Weighted average number of diluted common shares outstanding	<u>\$ 12,374</u>	<u>\$ 13,641</u>

6. INCOME TAXES

	2001	2000
Earnings before income taxes	<u>\$ 34,193</u>	<u>\$ 34,882</u>
Provision for income taxes based on combined basic federal and provincial tax rate	12,706	13,349
Effect of amortization of consolidated goodwill	–	229
Other	<u>(234)</u>	<u>148</u>
	<u>\$ 12,472</u>	<u>\$ 13,726</u>

Future income taxes arise mainly from timing differences relating to fixed assets and accounts receivable.

7. EMPLOYEE FUTURE BENEFITS

The Company has a defined benefit pension plan providing pension benefits to most of its employees.

Information about the Company's defined benefit plan is as follows:

	2001	2000
Accrued benefit obligation:		
Balance at beginning of year	\$ 24,563	\$ 17,325
Current service cost	3,116	2,378
Interest cost	1,769	1,246
Benefits paid	(920)	(488)
Actuarial loss	839	2,233
Plan amendments	—	1,869
Balance at end of year	<u>\$ 29,367</u>	<u>\$ 24,563</u>
Plan assets:		
Fair value at beginning of year	\$ 26,289	\$ 21,685
Actual return on plan assets	1,288	2,276
Employer contributions	1,806	1,681
Employees' contributions	1,237	1,135
Benefits paid	(920)	(488)
Fair value at end of year	<u>\$ 29,700</u>	<u>\$ 26,289</u>
Funded status – plan surplus	\$ 333	\$ 1,726
Unamortized transitional asset	(3,876)	(4,118)
Unamortized net actuarial loss	<u>2,746</u>	<u>1,573</u>
Deferred pension liability	<u>\$ (797)</u>	<u>\$ (819)</u>

The significant actuarial assumptions used in measuring the Company's accrued benefit obligations are as follows (weighted-average assumption as of December 31):

	2001	2000
Discount rate	6.50%	6.50%
Expected long-term rate of return on plan assets	6.25	7.25
Rate of compensation increase	4.25	4.25

The Company's net benefit plan expense is as follows:

Current service cost, net of employee contributions	\$ 1,878	\$ 1,243
Interest cost	1,769	1,246
Expected return on plan assets	(1,709)	(1,616)
Amortization of past service costs resulting from plan amendments	—	1,869
Amortization of transitional asset	(242)	(242)
Amortization of net actuarial gain	<u>87</u>	<u>—</u>
Net benefit plan expense	<u>\$ 1,783</u>	<u>\$ 2,500</u>

The amortization of transitional asset and unamortized transitional asset is as follows:

	2001	2000
Transitional asset upon adoption of new accounting standards	\$ 4,118	\$ 4,360
Amortization for current year	<u>(242)</u>	<u>(242)</u>
Unamortized transitional asset at end of year	<u>\$ 3,876</u>	<u>\$ 4,118</u>

8. COMMITMENTS

The Company is committed under non-cancellable net leases principally for stores and warehouses for \$22,856,266. The minimum lease payments over the next five years and thereafter are as follows:

2002	\$ 2,487,657
2003	1,977,729
2004	1,901,433
2005	1,856,337
2006	1,884,973
2007 and thereafter	12,748,137

The Company is committed under a contract with a third party for the construction of a new store for an amount of \$4,166,764. As at December 31, 2001, an amount of \$1,090,062 had already been engaged by the Company.

The Company also placed an offer to buy a land for an amount of \$2,400,000.

9. RELATED PARTY TRANSACTIONS

The following transactions occurred with the normal course of business and have been measured at their exchange amount. These transactions were as follows:

	2001	2000
Rent – company controlled by directors	<u>\$ 708</u>	<u>\$ 623</u>

10. SUBSEQUENT EVENT

On February 20, 2002, the Board of Directors of the Company approved the making of a cash issuer bid for the purchase of up to a maximum of 1,000,000 Class A Subordinate Voting Shares of the Company at a price of not more than \$21.00 and not less than \$18.50 per share, pursuant to a modified dutch auction procedure. The Offer expires on April 19, 2002, unless withdrawn, extended or varied.

BMTC GROUP INC.

HEAD OFFICE

8500 Place Marien, Montreal East, Québec H1B 5W8
Tel. : (514) 648-5757 Fax : (514) 881-4056