STEINBERG Inc.

ANNUAL REPORT 1984

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Company Profile

Steinberg Inc., one of Canada's largest retailing organizations, has grown in the past 67 years from one small food store in Montreal to a diversified company that includes supermarkets, limited-assortment grocery stores, warehouse food stores, franchised convenience stores, department stores and restaurants. Through a wholly-owned subsidiary, the Company also owns and operates extensive real estate holdings.

Steinberg, with its Head Office in Montreal, is active throughout Quebec and Ontario, in New Brunswick, the Western provinces and the Southwestern United States.

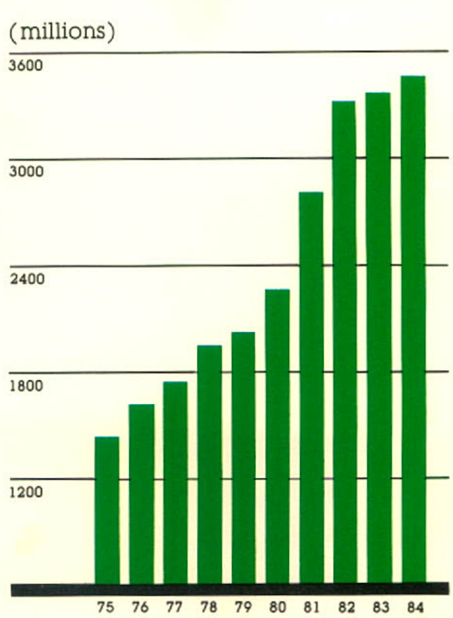
The Company's shares are listed on the Montreal Exchange and on the Toronto Stock Exchange.

The Annual Meeting of Shareholders of Steinberg Inc. will be held in the Royal Bank auditorium, 1 Place Ville Marie, Mezzanine 2, in Montreal, Quebec, on Friday, November 23rd, 1984, at 11 A.M.

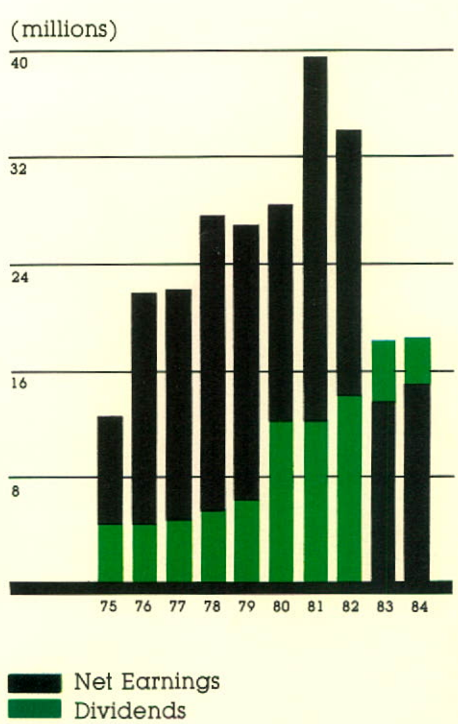
FINANCIAL HIGHLIGHTS

(in thousands of dollars except per share items)	1984 $	1983 $	1982 $
Sales and Operating Revenue	3,452,275	3,357,942	3,303,756
Canadian retail food	2,379,234	2,351,210	2,349,625
American retail	727,033	652,716	606,045
general merchandise	244,196	239,242	240,629
manufacturing (external sales)	8,261	34,324	29,019
restaurants	54,013	50,578	49,148
real estate operations (external)	39,538	29,872	29,290
Net Earnings	15,021	13,392	34,103
retail and manufacturing operations	4,216	6,195	25,323
real estate operations	10,805	7,197	8,780
per dollar of sales and operating revenue	0.44¢	0.40¢	1.03¢
Cash Flow from Operations	62,169	39,886	70,618
Working Capital	134,426	121,481	133,866
Shareholders' Equity (common and non-voting Class "A")	276,250	275,799	281,073
Per Common and Non-Voting Class "A" Share			
net earnings	0.48	0.72	4.10
dividends	1.00	1.40	1.30
book value	38.76	38.70	39.44
return on average equity	1.24%	1.84%	10.80%

Sales & Operating Revenue



Net Earnings & Dividends



Irving Ludmer Melvyn A. Dobrin

REPORT TO SHAREHOLDERS

The past year was a difficult one, producing results which must be considered unsatisfactory, even though sales and operating revenue were marginally higher than last year's.

- Consolidated sales and operating revenue for the 52 weeks ended July 28, 1984, totalled $3,452,275,000, an increase of 2.8% over last year's $3,357,942,000.
- Consolidated net earnings after taxes rose $1,629,000 to $15,021,000. Provision for income taxes totalled $14,725,000 this year, compared to a tax credit of $10,284,000, in the previous year. Our accounting policy regarding the tax affecting of losses resulted in a substantial net credit to income in 1983; however in the current year a much lower level of credits was available to cover tax losses. This resulted in a significant increase in the provision for income taxes.
- Earnings per common and non-voting Class "A" share dropped from $0.72 to $0.48. Earnings per share are stated after deducting preferred and preference dividends of $8,265,000 in fiscal 1983 and $11,598,000 this year.

The Company's performance during the year under review was affected by certain conditions which have resulted in fragmentation of a mature market and intensified competition.

A number of social and demographic factors has affected the markets we serve. More women in the workforce, smaller families, more single-parent families, and a growing public awareness of the importance of nutrition have created more complex markets than in the past.

To meet these conditions, we are reappraising and revising the retailing vehicles we currently operate. These include conventional supermarkets, combination stores, limited-assortment grocery stores, food warehouse stores and franchised convenience stores.

Through strengthened management teams, better labour relations and improved employee morale, modernization of stores, and recognition of the importance of quality and service, we are now moving in the right direction.

During our 67-year history, we earned a reputation for unmatched supermarket standards. We intend to re-establish such standards. That means giving our customers more of what they want — well-planned, attractive stores, quality products, full-service and self-service areas, and courteous, well-trained store personnel.

Our increased sales in the last quarter of fiscal 1984 indicate the soundness of the quality approach to food retailing. We will continue with this approach in all areas of our operations until, once again, the Steinberg standard is the measure of excellence.

The strengths and weaknesses of all our stores are being re-examined. With a clearer understanding of the complex elements re-shaping our various markets, we are taking action to rejuvenate our retail food operations. Merchandising in each of our stores, for example, will be geared to meet individual market needs. Our success in obtaining permits to sell beer and wine in most of our Quebec supermarkets now enables us to offer more complete service and a fuller assortment of products to our customers.

We are renovating, repositioning or transforming our stores to achieve profitability. A return to the basics of quality, service, variety and value in our Ontario supermarkets helped increase both sales and market share of these stores. This approach also had a positive effect on our Quebec supermarket sales in the latter part of the fiscal year. We anticipate further improvement in these key provinces.

We are exploring innovative approaches to food retailing, both in our existing outlets and in the design of new ones. As always, we are paying close attention to what best meets consumer needs.

In response to the increasing popularity of "open" markets in Quebec, we transformed our existing Dorval supermarket into Le Super Marché Steinberg. Its warm, inviting atmosphere has a special appeal to shoppers. Shortly after year-end, we implemented this concept in nine additional Quebec supermarkets, and in one much larger store, Le Marché du Jour, in Laval.

Our La Maisonnée franchised convenience stores are being scrutinized in the light of poor financial results. Important changes will soon be made in an effort to move toward profitability both for the operation as a whole and the individual entrepreneurs associated with us.

The post-recession period of the past year brought a more modest recovery than was anticipated. Although inflation was down sharply, interest rates remained relatively high and unstable. Most damaging for our industry were high unemployment and minimal growth in disposable income.

Despite unsatisfactory financial results, we have begun to lay firm foundations for future growth in the fiercely competitive food-retailing industry. Extensive market research has clearly identified the areas in which we can best utilize our strengths. Improved employee communications, and better fourth-quarter results, have renewed the enthusiasm and commitment of our more than 31,000 employees.

Smitty's, in the U.S., continued to perform well, as did Atlantic Sugar Limited, in which Steinberg holds a 47.5% interest.

The year under review brought change to the senior executive level of your Company. Following the resignation of Peter F. McGoldrick, the Board elected Irving Ludmer to the position of President and Chief Operating Officer in April, 1984. Mr. Ludmer was President and Chief Executive Officer of Ivanhoe Inc., the Company's real estate subsidiary, a position he retains. Mr. Ludmer is an executive of proven ability and experience. His long association with the Company has given him a deep understanding of the retailing industry as well as our other core business of real estate.

Yet other appointments during the year have strengthened the Company's executive personnel and made our divisional management teams more responsive to our customers. To provide strong links between our key executive and management groups, coordinating committees were established for the increasingly complex areas of Finance, Taxation, and more recently, Legislative Affairs.

Our commitment to our shareholders, customers, employees and the community at large goes beyond profits — the primary concern of any business — to that of responsible corporate citizenship. For Steinberg, this means social responsibility in the fullest sense. In good times and bad, through prosperity and recession, your Company has maintained an unstinting commitment to institutions promoting health, education, amateur sport, culture and the arts. As the special section in this report illustrates, the past year was no exception.

As business recognizes its social responsibility, governments must recognize their responsibility to business. Legislative solutions to economic problems have too often been wanting. High unemployment, for example, exacts too high a social cost to be dealt with only by direct government intervention. Economic growth and prosperity are best encouraged through entrepreneurship. Business can only flourish when fiscal policy provides incentives for achievement.

In the final analysis, only a healthy climate for business can produce real economic recovery and provide for the well-being of all.

Tangible signs of recovery in certain of our divisions make us optimistic about your Company's future. We have come through a difficult year, but the groundwork has been laid for Steinberg's return to its historic level of profitability and progress.

On behalf of the Directors, we thank all our customers, employees and suppliers for their support and encouragement during this time of renewal and rebuilding.

The past few years have been extremely challenging. Steinberg, like most other businesses and like the population in general, felt the strain of the worst recession in half a century. Your Company is a resilient one that has long been a leader in its industry and in the communities it serves. In the coming years, we firmly intend to enhance that leadership.

On behalf of the Board,

Mel Dobrin

Melvyn A. Dobrin
Chairman of the Board

October 25, 1984

FINANCIAL REVIEW

The consolidated financial results of Steinberg Inc. and its subsidiaries for the 52-week fiscal year ended July 28, 1984 showed gains in sales and operating revenue. Increased competition in the Canadian retail food market, however, depressed operating margins and resulted in an unsatisfactory level of conslidated earnings.

Sales and Operating Revenue

Sales and operating revenue totalled $3,452,275,000, a 2.8% increase over the previous year. The increase is 3.7%, if we exclude $29,233,000 in external sales from Phénix Flour Limited and Steinberg Foods Limited which ceased to be part of the group near the end of fiscal 1983.

Highly competitive market conditions, together with sales losses from a 10-day strike in our Montreal-area supermarkets, resulted in lower sales in Quebec. Improved market penetration, and sales gains in our Ontario supermarket division and our Valdi limited-assortment grocery stores, created an overall increase of 1.2% in our Canadian retail food sales.

Our American retail operations continued to solidify market share and achieved sales gains (in U.S. dollars) of 8.7% over the previous year. Sales gains of 2.1% were recorded by our general merchandising group. Restaurant sales rose 6.8%. Real estate operating revenue amounted to $39,538,000, up from $29,872,000 last year. A significant part of this increase was from land sales, which were $6,386,000 higher than in the previous year. Real estate rentals were up 13.7%, mainly because of higher retail sales by tenants whose rentals are tied to their sales performance.

Net Earnings

Consolidated net earnings for the year were $15,021,000, which after deducting preferred and preference dividends of $11,598,000 resulted in $0.48 per common and non-voting Class "A" share. This compares with earnings of $13,392,000 in the previous year, which after deducting preferred and preference dividends of $8,265,000 resulted in $0.72 per share. Earnings as a percent of sales and operating revenue were 0.44% compared to 0.40% last year.

Pre-tax earnings rose sharply from $2,599,000 in 1983 to $30,081,000 in the current year. The after-tax earnings were relatively unchanged, due to a large credit to deferred taxes and an extraordinary item in 1983.

Canadian retail food operations continued to show losses; however, these were sharply decreased from those of the previous year. Operating margins in our Ontario retail food operations improved significantly, although return on investment is still below acceptable levels. The continued non-profitability of the Quebec supermarket division and the disappointing performance of the La Maisonnée franchised convenience store operations were the major negative factors. Miracle Mart achieved slightly higher sales, but lower margins resulted in a loss for the year. Our restaurant operations showed good results, with profits returning to more normal levels.

Increased operating revenues in our Ivanhoe subsidiary resulted in sharply higher earnings. These results are discussed in the report preceding the consolidated financial statements of Ivanhoe Inc.

Smitty's Super Valu, Inc. contributed $25,092,000 (U.S.), before inter-company interest expenses and income taxes, an increase of 37.1% over last year. The improvement in profitability was due principally to increased sales and a continuing emphasis on programs to improve productivity and reduce costs.

The Company's share of net earnings in non-controlled companies was $12,223,000, which is $3,061,000 higher than in the preceding year. This increase is principally due to our equity investment in Atlantic Sugar Limited; however, our share of net earnings in real estate equity investments also experienced a significant improvement.

Income Taxes

Tax losses are treated as recoverable only to the extent that they are offset by deferred tax credits. Because of the availability of deferred tax credits in 1983 this treatment resulted in a net credit to income of $16,261,000. In the current year, tax losses amounting to $34,000,000 could not be tax affected although the Company believes that these will be fully recoverable against future profits.

Assets and Liabilities

Consolidated assets increased by $14,580,000 to $1,012,954,000 at July 28, 1984. Current assets showed an increase of $26,367,000. This was partially offset by a net reduction in fixed assets of $15,759,000. Other assets increased by $3,250,000 principally due to our equity investment in Atlantic Sugar Limited. Working capital increased by $12,945,000, mainly from the issuance of 832,450 Convertible Third Preferred Shares, the proceeds of which were applied in part to reduce bank advances.

Shareholders' Equity

The book value of common and non-voting Class "A" shareholders' equity increased by $451,000 or 0.2% to $276,250,000 at year-end.

Quarterly Performance

The Company's financial results on a quarterly basis (three quarters of 12 weeks each and a 16-week fourth quarter) for this fiscal year, with comparative data for the previous two years, are summarized below:

(unaudited)
(in thousands of dollars except per share items)

Quarter I

	First 12 weeks		
	1984 **$**	1983 $	1982 $
Sales & Operating Revenue	**753,625**	763,272	720,649
Net Earnings	**329**	6,660	5,606
Earnings (Loss) Per Share	**(0.32)**	0.78	0.63

Quarter II

	Second 12 weeks		
	1984 **$**	1983 $	1982 $
Sales & Operating Revenue	**819,157**	819,053	785,780
Net Earnings	**6,758**	8,009	9,639
Earnings Per Share	**0.59**	0.89	1.19

Quarter III

	Third 12 weeks		
	1984 **$**	1983 $	1982 $
Sales & Operating Revenue	**786,922**	756,007	742,572
Net Earnings (Loss)	**249**	(2,101)	7,260
Earnings (Loss) Per Share	**(0.33)**	(0.66)	0.87

Quarter IV

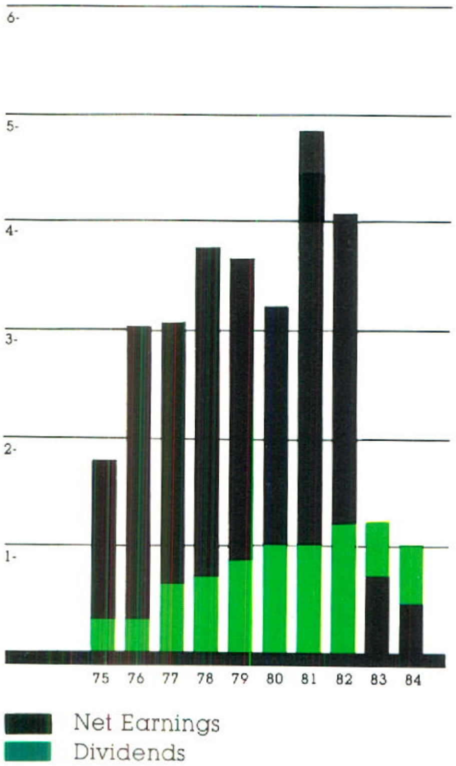
	Last 16 weeks		
	1984 **$**	1983 $	1982* $
Sales & Operating Revenue	**1,092,571**	1,019,610	1,054,755
Net Earnings	**7,685**	824	11,598
Earnings (Loss) Per Share	**0.54**	(0.29)	1.41

*Last 17 weeks

KEY FINANCIAL INDICATORS

Net Earnings & Dividends per Common & Non-Voting Class "A" Share

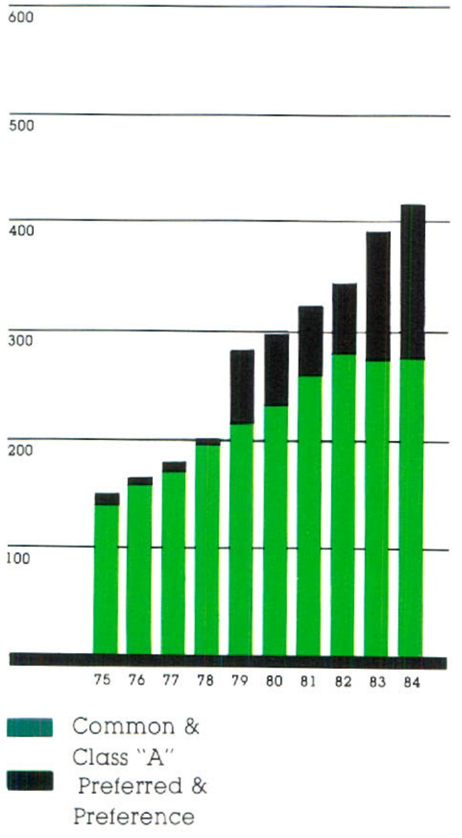
(dollars)



Earnings per share, after provision for preferred and preference dividends, decreased by 33.3% to $0.48 from $0.72 last year. The rate of dividend paid per common and non-voting Class "A" share was decreased 28.6% from that of last year, resulting in a compounded average growth of 5.2% over ten years.

Book Value of Shareholders' Equity

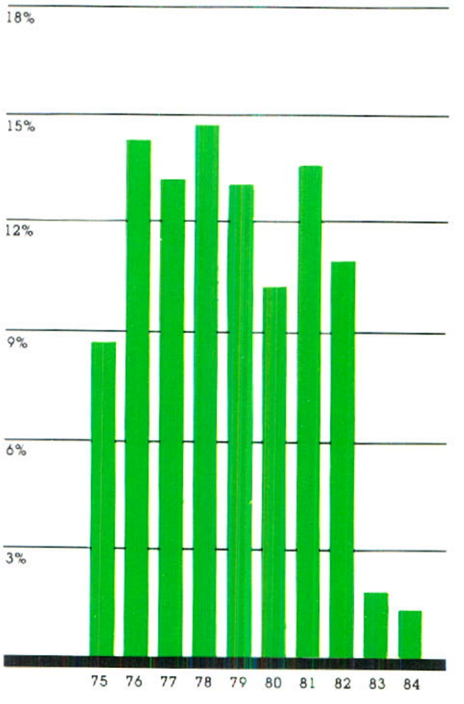
(millions)



Total shareholders' equity increased by 6.2% to $417,958,000 this year, due to a $25.2 million issue of convertible preferred shares. Common and non-voting Class "A" shareholders' equity increased by 0.2% to $276,250,000 this year and the book value per common and non-voting Class "A" share outstanding increased to $38.76 from $38.70 last year.

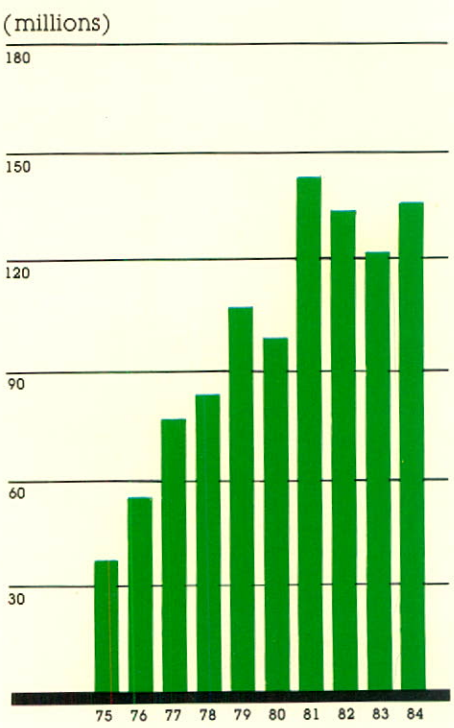
Return on Average Common and Non-Voting Class "A" Equity

(percentage)



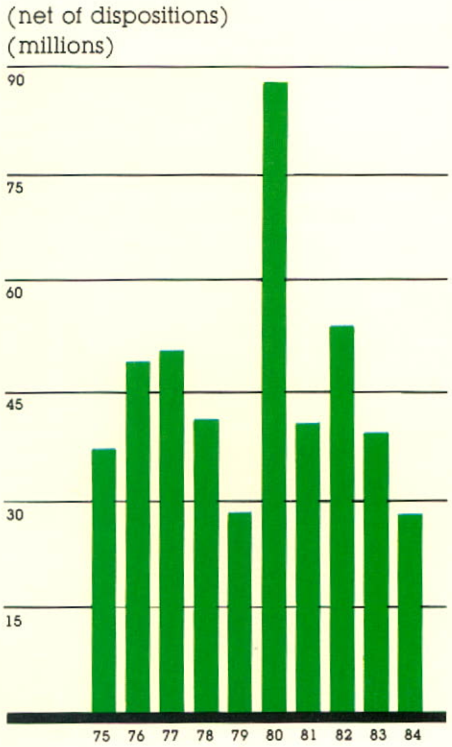
Return on average common and non-voting Class "A" equity declined to 1.24% from 1.84% last year. The return on common and non-voting Class "A" equity averaged 10.21% for the past ten years.

Working Capital



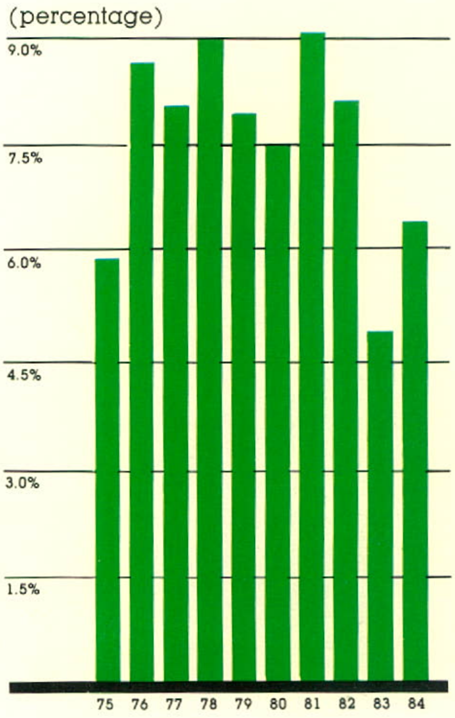
Working capital increased by $12,945,000 and the Company's working capital ratio was 1.42:1 compared with 1.40:1 for the previous year.

Capital Expenditures



This year's capital expenditure in the amount of $26 million was $12 million or 31.5% below last year.

Return on Average Capital Employed



The return on average capital employed increased to 6.35% from 4.75% last year and averaged 7.54% for the past ten years.

DIVISIONAL OPERATING REVIEW

Canadian Retail Food Operations

Canada experienced a modest economic recovery in 1984, but retail food sales in our primary markets showed no real growth. This kept pressure on food prices and intensified competition.

To strengthen the Company's Canadian retail food operations, two key appointments were made during the year. Norman Auslander, a highly qualified executive, was appointed Executive Vice-President, Supermarket Divisions, Canada. He has overall responsibility for supermarket operations in Quebec and Ontario, Trillium Meats, the Volume I buying group and the Company's private label department.

Morris Ladenheim was appointed Group Vice-President and General Manager of Valdi Inc. and Yesteryear Grocers Inc., two subsidiaries that operate limited-assortment grocery stores and Jadis/Basics food warehouse stores. He is also responsible for Franchise Plus Inc.

Annual sales in our conventional supermarkets and food warehouse stores averaged $499 per square foot of selling area while weekly sales averaged $187,000 per store.

Immediately following year-end, Yesteryear Grocers Inc. and Valdi Inc. were merged under the name Valdi Inc. In this report, these two specialty food-retailing operations are reviewed separately.

Quebec Division

Reorganization, in 1983, and strong consumer-oriented programs began to pay dividends as a positive sales trend emerged in the last quarter of fiscal 1984. New administrative practices, a revitalized marketing program and a "back-to-basics" approach should sustain this trend.

Close attention is being paid to healthy labour relations and to the optimal use of our human resources. New collective agreements affecting store employees were signed in the second quarter. The division is currently involved in labour negotiations for distribution centre employees.

In January, 1984, the Quebec Division successfully obtained 43 beer and wine permits. Shortly after year-end, 101 of its 129 Quebec supermarkets had been granted such permits. These permits have given Steinberg customers access to a greater variety of products.Beer and wine account for 1% of the division's total sales.

An intensive, store refurbishing program was begun during the year. Enhanced shopping environments have been well received by customers.

An innovative concept introduced in the existing Dorval supermarket offers all the advantages of a conventional supermarket in a "public market" atmosphere. Called Le Super Marché Steinberg, it incorporates inviting boutiques, produce and bulk-food departments, an in-store bakery, a salad bar, specialty areas and well-planned merchandise islands. As of this writing, the Company had implemented this concept in 10 stores.

Despite a 10-day strike, a highly charged competitive environment and the entry of new retailing formats, the past year was one of renewal and new initiatives. The division, which operates 141 supermarkets in Quebec, eastern Ontario and New Brunswick, is now being positioned for a return to profitability. In April, 1984, Douglas Stewart was appointed Group Vice-President and General Manager. Mr. Stewart has recently played a major role in the planning and implementation of successful marketing strategies for Miracle Food Mart stores in Ontario.

Ontario Division

The past year was encouraging, as Miracle Food Mart returned to profitability after two years of disappointing results. The division's supermarkets increased both sales and market share. Good service, quality products at competitive prices, and aggressive advertising all contributed to the improved position.

Nevertheless, intense competition, the growth of non-unionized independent food retailers and sporadic price wars on staple items kept margins and profits low.

In April, 1984, Leslie Mann, was appointed Vice-President and Assistant General Manager of the Ontario Division. Over the years, Mr. Mann has been an important contributor to the division.

At year-end, Miracle Food Mart operated 74 supermarkets. One Toronto store was renovated and a small store in Cambridge was closed.

Plans for next year include completion of three store expansions, two major renovations, and minor improvements to several stores. Subsequent to year-end, collective agreements affecting store employees were ratified and negotiations were underway with distribution centre personnel.

Valdi Inc.

Valdi Inc., which operates limited-assortment grocery stores in Ontario and the Prairie Provinces, offers discount prices on brand-name merchandise.

In fiscal 1984, Valdi Inc. opened seven new stores and closed four unprofitable ones. An experimental "mini" Valdi was opened in Ontario to allow the division profitable entry into less-populated municipalities within convenient delivery distance of its Toronto warehouse.

Sales and net income were up from the previous year. Ontario sales growth continued strong, while Western operations were very disappointing.

In the coming year, Valdi Inc. will continue its strategy of discount prices. It will also continue to monitor its stores and, if necessary, will withdraw from market areas where an acceptable return on investment cannot be achieved.

Yesteryear Grocers Inc.

The sales of this subsidiary (now a division of Valdi Inc.) were higher than in the previous fiscal year. Yesteryear Grocers Inc. operates six warehouse stores. Five of these stores, in Quebec, are called Jadis; the sixth, in Ontario, operates under the name Basics. On a trial basis, a Quebec City store will be renovated to improve its services and appeal to customers.

Shortly after year-end, the largest of the Jadis stores, in Laval, Quebec, was expanded to 85,000 square feet and transformed into "Le Marché du Jour". Its wide range of services and in-store boutiques make it one of Canada's finest food-retailing outlets.

Franchise Plus Inc.

This subsidiary franchises a group of specialty convenience stores in Quebec under the name La Maisonnée. These stores offer a variety of grocery products, beer and wine, fine cheeses, deli food and freshly baked bread and pastries. Open longer hours than supermarkets, La Maisonnée meets the needs of a growing number of consumers.

After rapid expansion in fiscal 1983, during which the concept was acclaimed for its excellence, some franchisees failed to achieve profitability. The subsidiary recorded a heavier loss than in the previous year. Consequently, planned store openings were reduced and an exhaustive study of the franchising system was undertaken. This led to revision of the franchise agreement, changes in buying policy, and reorganization of the subsidiary's management and administrative personnel.

In August, 1984, Claude Allard, an experienced convenience-store executive, was appointed President of Franchise Plus Inc.

At year-end, 72 La Maisonnée stores were in operation.

American Retail Operations

Smitty's Super Valu, Inc. employs more than 5,000 people and operates 20 supermarket/department stores in Phoenix, Arizona.

Smitty's faced stiff food-price competition in the U.S. Southwest, where major retailers routinely offer advertised specials at prices below cost. Low margins prevail. In spite of this, sales rose 8.7% to more than $575,000,000 (U.S.).

Improved sales, tight control of store and office expenses, and a volume-incentive program by the subsidiary's major supplier contributed to record operating results, well above budgeted expectations.

Capital expenditures exceeded $4,300,000 (U.S.), including some $2,000,000 for renovations to five stores. The installation of electronic registers in all 20 stores neared completion.

Construction was approved for two combination supermarket/department stores of more than 100,000 square feet each. Openings are scheduled for the fall of 1985.

Department Store Operations

Although sales were up slightly in Miracle Mart department stores, the division again reported considerable losses. Minimal sales growth led to significant markdowns and higher promotional costs. These disappointing results were aggravated by a five-day strike in the Montreal area and Sherbrooke stores.

To counter further erosion of its position, Miracle Mart launched new market research and a division-wide, customer service program. Greater use was made of point-of-sale equipment to provide management with timely sales information, vital for the refinement of Miracle Mart's merchandise mix.

The division began testing a prototype store that emphasizes better merchandising, exciting displays and a more inviting atmosphere. Quality fashion at a fair price is the theme of the store, and quality is seen throughout in both the selection and presentation of merchandise. If successful, this approach will be extended to other stores.

Manufacturing Operations

The Ontario Meat Plant, which was part of Miracle Food Mart, became a separate division of Steinberg Inc. under the name Trillium Meats. The plant, formerly a centralized meat-cutting operation for Miracle Food Mart, now also serves as a packing house for other Canadian and export customers.

An aggressive sales campaign helped expand existing accounts and establish new ones in wholesale, retail, and institutional markets. A vacuum-packaging system, introduced in December, has improved productivity and product shelf-life. These factors, combined with regular shipments to Quebec Division in the latter part of the year, led to higher sales. Nevertheless, the meat plant reported a loss.

A successful outcome to current labour negotiations is crucial to the division's future.

Restaurant Operations

Sales and earnings increased as Multi Restaurants Inc. opened 10 new units, renovated eight older ones and closed 18 unprofitable locations. Higher customer traffic, improved productivity and cost control contributed to the subsidiary's better results.

The Intercity subsidiary became the exclusive food distributor for Toronto's International Centre. Intercity also provides food services to the Ontario Science Centre, and operates restaurants and snack counters in Ontario and Quebec. The Salisbury House chain, in Manitoba, opened two restaurants, renovated two others and closed two. Salisbury House now operates 26 units.

At year-end, the Multi Restaurants group was operating 189 restaurants and snack counters under such familiar names as Pik-Nik, Le Quick and Le Comptoir.

Personnel

It was a year of reorganization and renewal in human-resource management.

The recent recessionary years appear to have had a lasting impact on the expectations of our people. Labour is moderating its demands. Management is finding innovative ways of designing and financing benefits that provide real value to employees at an acceptable cost.

In the past year, we began an in-depth examination of our needs and priorities in human resources and management development.

At year-end, the Company provided employment for more than 31,000 men and women in North America, over 26,000 of them in Canada.

CARING ABOUT THE COMMUNITY

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Since its founding in 1917, Steinberg has been dedicated to the principle of good corporate citizenship. This philosophy signifies respect for our customers, concern for our employees, and involvement in the welfare of our community. It has also meant a total financial contribution, since the beginning of the '80s, of more than $3,000,000 to hundreds of institutions, organizations and associations.

Through donations and services, Steinberg supports universities (photo 1), hospitals (photo 3), charitable organizations, and a host of other social and cultural activities in Canada and the U.S. In the past year, despite difficulties and budget restrictions, Steinberg continued this commitment.

With Steinberg's help, several health institutions were able to develop new services, pursue crucial research and acquire state-of-the-art medical equipment (photo 4). For the 10th consecutive year, the Company operated the non-profit National Food Distribution Centre for the Treatment of Metabolic Hereditary Diseases. The Centre supplies special foods to some 50 hospitals and genetic centres across Canada (photo 5).

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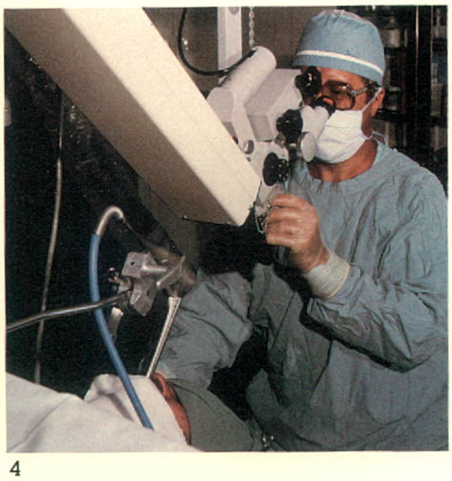

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Steinberg's contribution to various organizations provided help and hope to the handicapped. And, of course, the Company and its thousands of employees (through their own charity fund) subscribed generously to the annual campaigns of Centraide/United Way (photo 6).

In education, Steinberg continued its program of aid to Canadian universities. Bursaries and scholarships were again made available to outstanding students — tomorrow's leaders. The Company also encouraged athletic participation through sponsorship of amateur sport (photos 7, 10).

Steinberg supported the arts through financial assistance to several museums (photo 8), dance and theatre companies (photo 9), and cultural events (photo 2).

The Company applauds its many employees who gave of themselves to help others. Throughout the organization, many caring people volunteered their time and talent to the well-being of their communities.

At Steinberg, good corporate and individual citizenship is a proud tradition.

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Consolidated Statements of Earnings and Retained Earnings

Steinberg Inc. and Subsidiary Companies
For the year ended July 28, 1984

Earnings	1984	1983
	(thousands of dollars)	
Sales and Operating Revenue	**3,452,275**	3,357,942
Expenses		
Cost of sales and expenses except those shown below	**2,748,482**	2,685,504
Wages and employee benefits	**574,277**	560,683
Rentals	**39,930**	40,173
Depreciation and amortization	**43,585**	45,208
Interest and amortization of discount on long-term debt	**35,225**	37,361
Other interest	**4,269**	4,572
Investment income and gain on redemption of long-term debt	**(11,351)**	(8,996)
	3,434,417	3,364,505
Earnings (Loss) before Other Income, Income Taxes, Minority Interest and Extraordinary Items	**17,858**	(6,563)
Other Income		
Share of net earnings of significantly influenced companies and partnerships	**12,223**	9,162
	30,081	2,599
Income Taxes (note 8)		
Current	**9,160**	5,977
Deferred	**5,565**	(16,261)
	14,725	(10,284)
Earnings before Minority Interest and Extraordinary Items	**15,356**	12,883
Minority Interest	**335**	804
Earnings before Extraordinary Items	**15,021**	12,079
Extraordinary Items (note 9)	—	1,313
Net Earnings for the Year	**15,021**	13,392
Basic and Fully Diluted Earnings per Common and Non-Voting Class "A" Share		
Before Extraordinary Items	**$0.48**	$0.54
Net Earnings for the Year	**$0.48**	$0.72

Retained Earnings	1984	1983
	(thousands of dollars)	
Balance — Beginning of Year	**238,771**	244,750
Net earnings for the year	**15,021**	13,392
	253,792	258,142
Dividends —		
Preferred and preference shares	**11,195**	8,265
Common and non-voting Class "A" shares	**7,126**	9,977
	18,321	18,242
Expenses relating to the issue of shares (net of applicable income taxes of nil in 1984; $932,900 in 1983)	**365**	1,129
	18,686	19,371
Balance — End of Year	**235,106**	238,771

Consolidated Balance Sheet

Steinberg Inc. and Subsidiary Companies
As at July 28, 1984

Assets	1984	1983
	(thousands of dollars)	
Current Assets		
Cash	20,178	23,705
Short-term marketable securities — at cost and market	56,416	37,065
Accounts receivable	43,133	35,976
Inventories	314,765	310,559
Prepaid expenses	19,632	20,452
	454,124	427,757
Other Assets (note 2)	37,594	34,344
Fixed Assets (note 3)		
Real estate operations	193,341	201,271
Retail and manufacturing operations	273,707	281,536
	467,048	482,807
Intangible Assets		
Unamortized discount on long-term debt	1,138	1,297
Goodwill	53,050	52,169
	54,188	53,466
	1,012,954	998,374

Signed on Behalf of the Board

Mel Dobrin Director

Irving Ludmer Director

Liabilities

	1984	1983
	(thousands of dollars)	
Current Liabilities		
Bank advances and notes payable	**40,911**	53,130
Accounts payable and accrued liabilities	**246,284**	243,101
Income taxes	**2,551**	928
Dividends payable	**26**	27
Current portion of deferred income taxes	**4,309**	1,944
Current portion of long-term debt (note 4)	**25,617**	7,146
	319,698	306,276
Long-Term Debt and Other Obligations (note 4)		
Real estate operations	**108,742**	115,183
Retail and manufacturing operations	**157,188**	177,372
	265,930	292,555
Deferred Income Taxes	**8,102**	4,874
Minority Interest	**1,266**	931
	594,996	604,636

Shareholders' Equity

Capital Stock (note 5)	**176,774**	153,005
Contributed Surplus (note 6)	**2,077**	1,741
Retained Earnings	**235,106**	238,771
Foreign Exchange Translation Adjustments (note 7)	**4,001**	221
	417,958	393,738
	1,012,954	998,374

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Steinberg Inc. as at July 28, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 28, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Montreal, Quebec
October 1, 1984

Coopers & Lybrand
Chartered Accountants

Consolidated Statement of Changes in Financial Position

Steinberg Inc. and Subsidiary Companies
For the year ended July 28, 1984

	1984	1983
	(thousands of dollars)	
Source of Working Capital		
Earnings for the year before extraordinary items	15,021	12,079
Items not affecting working capital —		
Depreciation and amortization	43,585	45,208
Deferred income taxes — long-term portion	3,228	(18,205)
Minority interest	335	804
Provided from operations	62,169	39,886
Additional debt and capital stock issued —		
Present value of obligations under capital leases	—	4,795
Net proceeds from issue of third preferred shares	24,809	—
Net proceeds from issue of second preference shares	—	54,639
Mortgages	5,986	6,235
Bankers' acceptances under long-term commitment	1,000	—
Term bank loans	7,000	—
Net increase in working capital arising from translation adjustments	3,780	221
Increase from extraordinary items	—	5,932
	104,744	111,708
Use of Working Capital		
Net additions to fixed assets —		
Real estate	(1,155)	7,751
Retail and manufacturing	27,151	30,216
	25,996	37,967
Present value of obligations under capital leases	2,526	—
Investments and other items — net	5,802	(3,588)
Reduction of long-term debt	38,085	65,925
Reduction of minority interest	—	4,194
Retirement of preferred shares	1,069	1,353
Dividends	18,321	18,242
	91,799	124,093
Increase (Decrease) in Working Capital	12,945	(12,385)
Working Capital — Beginning of Year	121,481	133,866
Working Capital — End of Year	134,426	121,481

Notes to Consolidated Financial Statements

Steinberg Inc. and Subsidiary Companies
For the year ended July 28, 1984

1. Accounting Policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards relating to the presentation of historical cost financial information.

Principles of consolidation

The consolidated financial statements include the accounts of all companies in which the parent company holds an interest in excess of 50%. Investments in significantly influenced companies and partnerships are accounted for on the equity basis.

Inventories

Canadian operations

Inventories are valued at the lower of cost and net realizable value using principally the retail method for retail stores and average cost for the remaining inventories.

United States operations

Merchandise inventories for retail stores are valued at last-in, first-out cost, which is lower than market and for the remaining inventories at the lower of first-in, first-out cost and market.

Fixed assets

Real estate operations

Income producing properties are recorded at cost (including development expenses). Land held for future development is recorded at cost including direct carrying charges up to the most recently appraised value. Construction in progress includes carrying charges until the official opening date of the project subject to a reasonable construction period.

Retail and manufacturing operations

Land, buildings and equipment are recorded at cost. Leasehold improvements are recorded at cost less amortization. Store opening expenses are charged to operations as incurred.

Depreciation and amortization

(a) Depreciation of fixed assets is computed on the straight-line method over the following estimated useful lives:

Buildings and building improvements	40 years
Parking areas	25 years
Store equipment	10 years
Automotive equipment	6 to 12 years
Data processing equipment	5 years

Amortization of leasehold improvements is computed on the straight-line method over their estimated useful life which in no case exceeds the lesser of the term of the lease plus one option term or forty years.

(b) Long-term debt discount is amortized over the term of the issue.

(c) Goodwill represents the excess of the cost of shares in subsidiary companies over the fair value of assets acquired in transactions subsequent to April 1, 1974 and over the net book value of assets acquired in transactions prior to that date. Goodwill attributable to transactions subsequent to April 1, 1974 is amortized on a straight-line basis over forty years. Goodwill prior to that date is carried at cost, subject to revision in the event of diminution in value.

Leases

For Canadian operations leases entered into after July 28, 1979 that transfer substantially all the benefits and risks incident to the ownership of property to the lessee have been classified as capital leases. For United States operations all such leases have been classified as capital leases. Where the company is the lessee this has resulted in certain leases being accounted for as if fixed assets had been purchased and an equivalent debt obligation incurred. Where the company is the lessor it has not resulted in any leases being accounted for as if fixed assets had been sold.

Assets recorded under capital leases are depreciated on a straight-line basis over the term of the lease. Obligations under capital leases are reduced by rental payments net of imputed interest and executory costs.

All other leases are accounted for as operating leases and the rental costs or income are accounted for as incurred or earned.

1. Accounting Policies (cont'd)

Foreign currency translation

Integrated foreign operations

Foreign currency transactions and balances of Steinberg Inc. and its integrated foreign subsidiaries are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end rates, non-monetary assets and liabilities at rates prevailing at the transaction dates. Revenues and expenses (other than depreciation and amortization which are translated at the rate applicable to the related assets) are translated at the average rate for the year. Gains or losses arising on translation are included in earnings for the current period except where they relate to long-term monetary items, in which case they are deferred and amortized over the remaining life of the item.

Self-sustaining foreign operations

All assets and liabilities of self-sustaining foreign subsidiaries and debt related thereto, are translated at year-end rates and revenues and expenses at the average rate for the year. Resulting gains or losses are deferred and included in a separate component of shareholders' equity described as "Foreign Exchange Translation Adjustments". Gains and losses resulting from a reduction of the net investment in self-sustaining foreign subsidiaries through the payment of dividends are included in earnings for the current period.

Income taxes

Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes offset by the future tax benefit of losses. Investment tax credits are accounted for on the flow-through basis.

Calculation of earnings per share

Net earnings per common and non-voting Class "A" share are calculated using the weighted average number of such shares outstanding during the year and are based on the net earnings for the year after deducting dividends on all preferred and preference shares.

2. Other Assets

	1984	1983
	(thousands of dollars)	
Interest in significantly influenced companies and partnerships		
Shares and interests — at equity	12,958	11,039
Advances	1,645	1,074
	14,603	12,113
Advances and other recoverable amounts with respect to real estate transactions	3,597	2,308
Funds on deposit and other items	20,762	21,191
	38,962	35,612
Less: Current portion due within one year	1,368	1,268
	37,594	34,344

3. Fixed Assets

	1984	1983
	(thousands of dollars)	
Real estate operations		
Income producing properties	224,868	223,282
Accumulated depreciation	74,362	68,342
	150,506	154,940
Land held for future development	42,835	46,331
	193,341	201,271
Retail and manufacturing operations		
Land and buildings	74,114	65,661
Equipment	299,042	288,536
	373,156	354,197
Accumulated depreciation	181,501	157,828
	191,655	196,369
Leasehold improvements, at cost less amortization of $40,476,000 (1983 — $35,994,000)	54,806	55,185
Assets under capital leases, at cost less amortization of $4,834,000 (1983 — $3,538,000)	27,246	29,982
	273,707	281,536

4. Long-Term Debt and Other Obligations

	1984	1983
	(thousands of dollars)	
Real estate operations —		
(Refer to page 29 and note 4 to the consolidated financial statements of Ivanhoe Inc.)	**178,081**	144,848
Elimination of notes and advances to Steinberg Inc.	**69,339**	29,665
	108,742	115,183
Retail and manufacturing operations —		
Term loan due November 1988 (repayable in U.S. currency $80,000,000) (note 4 (a))	**105,184**	98,728
Steinberg Inc. sinking fund debentures —		
5¾% Series A, due 1984	**—**	5,956
6⅝% Series B, due 1986	**6,274**	6,552
8⅝% Series C, due 1992	**15,354**	16,132
10½% Series D, due 1994 (or December 15, 1984 at option of holder) (note 4 (b))	**25,000**	25,000
Present value of obligations under capital leases (note 11)	**20,136**	22,475
Various mortgage loans	**10,857**	9,675
	182,805	184,518
Less: Current portion due within one year	**25,617**	7,146
	157,188	177,372

(a) The loan due in November 1988 may be repaid at any time at the option of the company, without any mandatory repayment provisions, but not reborrowed.

The interest payable on the loan is equal to the lender's cost of funds which is, among other options, a function of the lender's cost of issuing its commercial paper in the United States and of maintaining with a Canadian bank a support agreement to provide advances and letters of credit.

The Canadian bank has agreed that it would, upon the maturity of the above-mentioned loan, provide a non-revolving credit facility to the company in the principal amount of U.S. $80,000,000 bearing interest at a rate involving a margin of up to 1¼% over Prime, LIBOR or U.S. base rate depending on the company's option and the currency chosen. This facility provides for mandatory semi-annual repayments of 10% of the outstanding principal amount commencing on November 15, 1989 and matures on May 15, 1994.

The company has entered into interest rate swap contracts with third parties with the effect of setting a ceiling on the rate of interest on an amount of U.S. $65,000,000, $50,000,000 to 1987 and $15,000,000 to 1989. This ceiling is equal to 15.82% (16.07% after July 15, 1985).

(b) Holders of $23,781,000 of the $25,000,000 10½% Series D sinking fund debentures have elected to surrender their debentures for payment on December 15, 1984 and this amount has been included in the current portion of debt due within one year.

(c) At July 28, 1984 the amounts of long-term debt payable, including purchase and sinking fund requirements and payments at maturity, by Steinberg Inc. and its subsidiaries for the next five fiscal years are as follows (not including repayments which might be required on bonds in 1988 — $24,300,000, any amounts with respect to the revolving term bank loan facilities described in note 4 (a) of the consolidated financial statements of Ivanhoe Inc., nor any amounts with respect to redeemable preferred or preference shares described in note 5 (c) and (f):

	1985	1986	1987	1988	1989
			(thousands of dollars)		
Real estate operations	6,688	7,274	6,920	6,067	11,450
Retail and manufacturing operations	25,862	7,209	1,472	1,483	1,342
	32,550	14,483	8,392	7,550	12,792

The excess of bonds cancelled or purchased for cancellation to date over the cumulative sinking and purchase fund requirements at July 28, 1984, amounting to $2,553,000 in the case of real estate operations and $596,000 in the case of retail and manufacturing operations, may be applied against these requirements.

4. Long-Term Debt and Other Obligations (cont'd)

(d) The credit agreement in respect of the term loan contains covenants requiring the company to maintain certain financial ratios. The trust indenture securing the company's sinking fund debentures contains a covenant governing the declaration of dividends on other than preferred or preference shares. As at July 28, 1984 the company was in compliance with these covenants.

5. Capital Stock

(a) This is comprised as follows:

	Authorized	Issued and fully paid			
		1984	1983	**1984**	1983
	(number of shares)	(number of shares)		(thousands of dollars)	
Cumulative redeemable preferred shares of the par value of $100 each — Series "A", 5¼%	**21,660**	**19,710**	20,460	**1,971**	2,046
Second preferred shares of the par value of $25 each, issuable in series:	**unlimited**				
— Series one, $1.95 cumulative redeemable shares		**1,551,800**	1,605,000	**38,795**	40,125
— Series two, variable rate cumulative redeemable shares, 8,6563% to 1989 (being 52% of the GIC rate plus 2% — fixed every 5 years)		**800,000**	800,000	**20,000**	20,000
Second preference shares without par value, issuable in series:	**unlimited**				
— Series "A" $2.9375 cumulative redeemable retractable shares		**1,425,000**	1,425,000	**35,625**	35,625
— Series "B" U.S. $2.875 cumulative redeemable retractable shares		**650,000**	650,000	**20,143**	20,143
Third preferred shares without par value, issuable in series:	**unlimited**				
— $2.72 cumulative redeemable third preferred shares Series I, issued for $30.24 a share and convertible at any time on a one for one basis into non-voting Class "A" shares		**832,450**	—	**25,174**	—
Fourth preferred shares without par value issuable in series	**unlimited**				
Non-voting Class "A" shares without par value	**unlimited**	**4,126,288**	4,126,288	**22,890**	22,890
Common shares without par value	**unlimited**	**3,000,000**	3,000,000	**12,176**	12,176
				176,774	153,005

5. Capital Stock (cont'd)

(b) During the year the company purchased for cancellation 750 5¼% cumulative redeemable preferred shares, Series "A" and 53,200 $1.95 cumulative redeemable second preferred shares, Series one.

(c) The cumulative redeemable retractable second preference shares, Series "A" and Series "B" are retractable at the option of the holder, the Series "A" on June 30, 1988 at $25 per share and the Series "B" on December 31, 1987 at U.S. $25 per share. The Series "B" shares are denominated in U.S. dollars, U.S. $16,250,000 being outstanding at July 28, 1984.

(d) The cumulative redeemable convertible third preferred shares Series I were issued during the year for cash.

(e) As at July 28, 1984 the company had reserved 101,112 non-voting Class "A" shares for future allocation of options to senior employees at a price to be determined by the Board of Directors but not less than 90% of the market value at the time of allocation.

(f) The preferred and preference shares have the following redemption features:

Preferred shares —
Series "A", 5¼% — redeemable at any time at their par value of $100 each plus a premium of 1%.
Second preferred shares —
Series one, $1.95 — redeemable at any time at varying amounts no less than $25.
Series two, variable rate — commitment to offer to purchase on July 4 of each year a maximum of 5% of shares issued. The remaining shares are redeemable at any time but no later than July 4, 2004 at varying amounts no less than $25.
Second preference shares —
Series "A", $2.9375 — redeemable at any time after June 30, 1988 at varying amounts no less than $25.
Series "B", U.S. $2.875 — redeemable at any time after December 31, 1987 at varying amounts no less than U.S. $25.
Third preferred shares —
Series I, $2.72 — redeemable at any time after May 24, 1989 at $30.24. In addition, the shares may be redeemed between May 24, 1988 and May 24, 1989 providing specific conditions are met.

6. Contributed Surplus

The contributed surplus as at July 28, 1984 consisted of gains on redemption of 5¼% cumulative redeemable preferred shares, Series "A" and $1.95 cumulative redeemable second preferred shares, Series one, amounting to $1,741,214 with respect to prior years and $335,338 with respect to the current year.

7. Foreign Exchange Translation Adjustments

An analysis of the Foreign Exchange Translation Adjustments included in shareholders' equity is as follows:

	1984	1983
	(thousands of dollars)	
Balance — beginning of year	221	1 772
Translation adjustments for the year arising from change in foreign exchange rates	5,010	(1,551)
Realization of exchange gain during the year through the payment of dividends	(1,230)	—
Balance — end of year	4,001	221

8. Income Taxes

The company's income tax provision is made up as follows:

	1984	1983
	%	%
Combined Canadian and United States income tax rates	45.7	47.8
	(thousands of dollars)	
Provisions for income taxes based on combined Canadian and United States income tax rates	13,747	1,242
Increase (Decrease) in taxes resulting from —		
Inventory allowance	(3,468)	(3,332)
Intercompany interest income taxed at reduced rates	(6,217)	(6,379)
Share of net earnings of significantly influenced companies	(4,453)	(3,755)
Future benefit of current losses not recognized	15,538	—
Investment tax credits	—	430
Other	(422)	1,510
	14,725	(10,284)

At July 28, 1984 the amount of losses for which potential income tax benefits have not been recorded in the accounts amounted to approximately $34,000,000 which may be carried forward in order to reduce income otherwise taxable until 1991.

9. Extraordinary Items

The extraordinary items in the year ended July 30, 1983 were as follows:

	(thousands of dollars)
Gain on the sale of the shares of Phénix Flour Limited (net of applicable income taxes of $416,000)	5,376
Gain on sale by Steinberg Foods Limited of its bakery assets, less costs relating to the closure of the bakery (net of applicable income taxes of $472,000)	1,673
Additional depreciation reflecting the reduced utility of the Meat Plant in Ontario (net of applicable income taxes of $4,738,000)	(5,736)
	1,313
Included in net earnings of 1983 are the following net earnings (loss) relating to operations which were ceased during that year:	
Phénix Flour Limited	1,535
Steinberg Foods Limited	(9)
	1,526

10. Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed retirement plans, most of which are non-contributory. Actuarial valuations dated January 1, 1982 and January 1, 1983 indicate that the pension plans are fully funded.

11. Lease Obligations and Commitments

Future minimum lease payments relating to capital and operating leases are as follows:

		Capital leases	Operating leases
		(thousands of dollars)	
Fiscal years ending	July 1985	4,183	38,956
	July 1986	3,886	37,641
	July 1987	3,508	35,302
	July 1988	3,469	33,358
	July 1989	3,469	30,621
Subsequent years		75,085	323,227
Total future minimum lease payments		93,600	499,105
Less: Amounts representing imputed interest and executory costs		73,464	
Present value of obligations under capital leases (note 4)		20,136	
Less: Current portion due within one year		576	
		19,560	

The terms relating to long-term obligations under capital leases range substantially from 30 to 40 years, with related interest rates ranging from 12.16% to 17.00%.

For Canadian operations the recommendations of the Canadian Institute of Chartered Accountants relating to accounting for leases have not been applied on a retroactive basis for those leases entered into prior to July 29, 1979. As a result, leases in existence on July 29, 1979 meeting the capitalization criteria have continued to be treated as operating leases. Had the recommendations been applied on a retroactive basis, assets and obligations of $32,784,000 (1983 — $31,965,000) and $44,977,000 (1983 — $43,081,000) respectively would have been included in the balance sheet, and net earnings for the current year would have been reduced by $715,000 (1983 — $693,000).

12. Contingent Liabilities

(a) Steinberg Inc. has guaranteed leases assigned to Consumers Distributing Company Limited in connection with the sale of the retail operations of Cardinal Distributors Limited in the amount of $1,998,445 payable over periods ranging from 1 to 15 years.

(b) A subsidiary of Steinberg Inc. has guaranteed loans amounting to $6,860,000 of companies in which it has ownership interests. In addition a subsidiary of the company has guaranteed the payment of a note receivable held by a third party amounting to $4,628,875.

(c) Following the closure of the bakery in 1983, a collective grievance was taken by the Employees' Union to claim compensation for monies that they felt should have been paid to employees laid off as a consequence of this closure, based on a section of the collective agreement. This grievance has been contested. Counsel for the company is of the opinion that it is unlikely that this grievance will give rise to any liability to the company.

13. Supplementary Information

Remuneration of ten (1983 — ten) directors and sixteen (1983 — eleven) officers amounted to $1,835,000 (1983 — $1,515,000). As at July 28, 1984 amounts owing to the company by seven (1983 — eight) of the officers of Steinberg Inc. amounted to $593,000 (1983 — $459,000) in respect, for the most part, of housing loans secured by mortgages.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the 1984 financial statement presentation. This reclassification had the effect of reducing working capital as at July 30, 1983 by an amount of $5,049,000.

15. Segmented Information

(a) Results by Business Segment

	Food retailing and manufacturing		General merchandise retailing		Real estate		Consolidated	
	1984	1983	1984	1983	1984	1983	1984	1983
	(thousands of dollars)							
Sales and Operating Revenue								
Outside customers	3,168,541	3,088,828	244,196	239,242	39,538	29,872	3,452,275	3,357,942
Inter-segment	—	—	—	—	22,501	22,581	—	—
Total	3,168,541	3,088,828	244,196	239,242	62,039	52,453	3,452,275	3,357,942
Profit (loss) before the Following	24,410	1,354	(5,448)	(185)	25,528	21,130	44,490	22,299
Corporate Expenses, (including income taxes, less income)							29,469	8,907
Net Earnings							15,021	13,392
Assets								
Identifiable by segment	691,993	681,365	67,754	80,547	220,052	211,224	979,799	973,136
Corporate							34,158	22,676
Investment in affiliates							(1,003)	2,562
Total							1,012,954	998,374
Capital Expenditures — net	25,897	30,612	1,254	(396)	(1,155)	7,751	25,996	37,967
Depreciation	32,810	35,189	2,170	2,346	6,775	5,861	41,755	43,396

Food retailing and manufacturing — merchandises a complete range of food and non-food products, through supermarkets, limited-assortment grocery stores and restaurants.

General merchandise retailing — operation of self-service department stores in Quebec and Ontario.

Real estate — acquisition, development, operation and management of real estate, principally in Quebec and Ontario, with certain land held for future development in the United States.

Inter-segment transactions are carried out approximately at market values.

(b) Results by Geographic Area

	Canada		United States		Consolidated	
	1984	1983	1984	1983	1984	1983
	(thousands of dollars)					
Sales and Operating Revenue	2,725,242	2,705,222	727,033	652,720	3,452,275	3,357,942
Profit before the Following	12,647	381	31,843	21,918	44,490	22,299
Corporate Expenses, including income taxes, less income					29,469	8,907
Net Earnings					15,021	13,392
Assets						
Identifiable	723,224	734,435	256,575	238,701	979,799	973,136
Corporate					34,158	22,676
Investment in affiliates					(1,003)	2,562
Total					1,012,954	998,374
Capital Expenditures — net	16,805	24,784	9,191	13,183	25,996	37,967
Depreciation	34,054	36,544	7,701	6,852	41,755	43,396

Ivanhoe Inc. and Subsidiaries

Ivanhoe Inc. a wholly-owned subsidiary of Steinberg Inc., is engaged in the acquisition, development and management of commercial real estate, primarily in Quebec and Ontario. It also joins with retailers and other real estate developers in the development of major shopping centres and other commercial properties in which it has various ownership interests. The Company also has significant undeveloped land holdings in Quebec, Ontario and Texas. All of the Company's commercial shopping centres include food or department stores operated by Steinberg Inc., or by one of its subsidiaries, under long-term rental agreements.

Development and Acquisition

In accordance with the Company's business plan, several of its shopping centres were modernized and remerchandised during the past fiscal year. This should result in increased rental revenue and ensure their continued viability. Plans for the coming year call for a major expansion and modernization of the Dorval Gardens Shopping Centre, and the renovation of Place Bourassa in the Montreal area and of Place Ste. Foy, a regional shopping centre in Quebec City.

A market-research program completed in the past year has identified opportunities for Ivanhoe in several high-growth areas in the United States. As a result, an initial entry into one or more of these target markets is anticipated.

The Company profitably sold several undeveloped properties which had been identified as surplus.

Shopping Centre Management

Ivanhoe currently operates 34 shopping centres with a gross leasable area in excess of 5,5 million square feet. Sales by tenants, other than those of the major ones, increased nearly 13% during the past year to more than $315,000,000. This gratifying result, due in part to a general economic improvement in its market, reflects Ivanhoe's continuing efforts to remerchandise existing centres and to provide tenants with marketing services that emphasize visual merchandising.

Common area costs increased only slightly, the result of effective cost controls. An energy-saving program saw the conversion of eight shopping centres from oil to natural gas heating during the past fiscal year. In keeping with its energy-conservation program, Ivanhoe will soon install its first fully computerized energy-monitoring system, in Champlain Mall, a Quebec regional shopping centre.

Management and Administration

The appointment of Irving Ludmer as President and Chief Operating Officer of Steinberg Inc. required the reorganization of Ivanhoe's senior management. William Cleman was appointed Executive Vice-President and General Manager. Hans Schumeth was named Vice-President, Treasurer and Controller.

Shopping centre operations and leasing activities were also strengthened by the addition of several new management positions.

Financial Performance

Consolidated revenue, for the fiscal year ended July 28, 1984, was $62,039,000 compared to last year's $52,453,000. Included in this year's figure is a gain of $7,359,000 from the sale of surplus land. Last year's gain on such land sales was $973,000.

Revenue from income-producing properties totalled $54,680,000 compared to $51,480,000 in fiscal 1983. This 6.2% increase reflects improved sales performance by tenants and results achieved by the ongoing remerchandising of existing shopping centres.

Earnings from operations were $34,307,000, up from $25,880,000 the previous year. Ivanhoe's equity investments, which continue to perform well, now include earnings from the recently redeveloped Rockland Centre.

Net financial expenses were $16,472,000, an increase of $2,821,000 primarily due to a loan made during the year by parent Steinberg Inc.

Net after-tax earnings of $10,805,000 compare favorably with last year's $7,197,000.

Cash flow from operations increased from $14,188,000 to $21,953,000, mainly a result of higher earnings and lower current income taxes.

Consolidated Statement of Earnings and Retained Earnings

Ivanhoe Inc. and Subsidiary Companies
For the year ended July 28, 1984

Earnings

	1984	1983
	(thousands of dollars)	
Revenue		
Rentals — Steinberg Inc. and subsidiaries	17,844	17,635
— other	23,379	20,565
Tenants' share of expenses — Steinberg Inc. and subsidiaries	4,657	4,946
— other	8,800	8,334
Gain arising from real estate transactions	7,359	973
	62,039	52,453
Expenses		
Operating and administrative	18,705	18,296
Wages and employee benefits	5,991	5,004
Depreciation and amortization	6,775	6,504
	31,471	29,804
	30,568	22,649
Other Income		
Share of net earnings of significantly influenced companies and partnerships	3,739	3,231
Earnings from Operations	34,307	25,880
Interest Expense (income)		
Interest and amortization of discount on long-term debt —		
Steinberg Inc.	7,075	3,140
Other	10,849	10,755
Other interest	154	1,377
Interest earned and gain on redemption of long-term debt	(1,606)	(1,621)
	16,472	13,651
Earnings before Income Taxes and Minority Interest	17,835	12,229
Income Taxes (note 7)		
Current	2,755	4,667
Deferred	3,940	(37)
	6,695	4,630
Earnings before Minority Interest	11,140	7,599
Minority Interest	335	402
Net Earnings for the Year	10,805	7,197
Represented by:		
Canadian operations	11,076	7,863
United States operations	(271)	(666)
	10,805	7,197

Retained Earnings

	1984	1983
	(thousands of dollars)	
Balance — Beginning of Year	38,418	33,168
Net earnings for the year	10,805	7,197
	49,223	40,365
Dividends —		
9¾% cumulative preferred shares	161	215
Common shares	39,000	1,732
	39,161	1,947
Balance — End of Year	10,062	38,418

Consolidated Balance Sheet

Ivanhoe Inc. and Subsidiary Companies
As at July 28, 1984

Assets	1984	1983
	(thousands of dollars)	
Property Interests		
Income producing properties	231,502	229,916
Accumulated depreciation	73,923	67,904
	157,579	162,012
Land held for future development	45,463	48,959
	203,042	210,971
Other Assets		
Cash and short-term deposits	4,102	387
Accounts receivable (note 2)	14,183	4,700
Prepaid expenses	5,384	4,912
Investments (note 3)	2,456	2,717
Unamortized discount on long-term debt	758	855
	229,925	224,542

Liabilities	1984	1983
Long-Term Debt and Other Obligations (note 4)		
Steinberg Inc.	69,339	29,665
Other	108,742	115,183
	178,081	144,848
Other Liabilities		
Bank advances and notes payable	935	8,956
Accounts payable and accrued liabilities (note 5)	10,294	9,569
	11,229	18,525
Deferred Income Taxes	23,460	19,520
Minority Interest	1,266	931
	214,036	183,824

Shareholders' Equity	1984	1983
Capital Stock (note 6)	100	2,300
Contributed Surplus (note 6 (c))	5,727	—
Retained Earnings	10,062	38,418
	15,889	40,718
	229,925	224,542

Signed on Behalf of the Board

Director

Director

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Ivanhoe Inc. as at July 28, 1984 and the consolidated statements of earnings, retained earnings and cash flow and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 28, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Montreal, Quebec
October 1, 1984

Coopers & Lybrand
Chartered accountants

Consolidated Statement of Cash Flow and Changes in Financial Position

Ivanhoe Inc. and Subsidiary Companies
For the year ended July 28, 1984

	1984	1983
	(thousands of dollars)	
Net Earnings for the Year	10,805	7,197
Items not requiring cash —		
Depreciation and amortization	6,873	6,626
Deferred income taxes	3,940	(37)
Minority interest	335	402
Cash Flow from Operations	21,953	14,188
Financing		
Additional long-term debt	13,000	4,000
Repayment of long-term debt	(19,441)	(7,505)
Additions to advances and subordinated notes from Steinberg Inc.	39,674	5,418
Proceeds on issue of preference shares	5,727	—
Redemption of preferred shares	(2,200)	—
	36,760	1,913
Funds Obtained from (used for) Other Assets and Liabilities	(21,117)	(4,936)
Payment of Dividends to Minority Shareholders by a Subsidiary Company	—	(1,225)
Payment of Dividends	(39,161)	(1,947)
Increase (Decrease) in Funds Invested in Property Interests — net	(1,565)	7,993

Notes to Consolidated Financial Statements

Ivanhoe Inc. and Subsidiary Companies
For the year ended July 28, 1984

1. Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of all companies in which the parent company holds an interest in excess of 50%. The investments in significantly influenced companies and partnerships are accounted for on the equity basis.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at year-end rates, non-monetary assets and liabilities at rates prevailing at the transaction dates. Revenues and expenses (other than depreciation and amortization which are translated at the rate applicable to the related assets) are translated at the average rate for the year. Gains or losses arising on translation are included in earnings for the current period except those relating to long-term debt which are deferred and amortized over the life of the debt.

Income taxes

Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes. Investment tax credits are accounted for on the flow-through basis.

Property interests

Income producing properties are recorded at cost (including development expenses). Land held for future development is recorded at cost including direct carrying charges, up to the most recently appraised value. Construction in progress includes carrying charges until the official opening date of the project subject to a reasonable construction period.

Depreciation is computed on income producing properties on the straight-line method over the following estimated useful lives:

Buildings	40 years	Parking areas	25 years	Equipment	5-10 years

Certain amounts included in equipment which represent costs incurred at the commencement of leases to tenants are being amortized over the terms of the leases.

Leases

The company, as a lessor, has retained substantially all the risks and benefits of ownership and accordingly accounts for all its leases as operating leases.

Notes to Consolidated Financial Statements (cont'd)

2. Accounts Receivable

	1984	1983
	(thousands of dollars)	
Due from tenants	799	709
Amounts recoverable from land transactions, funds on deposit and other items	10,831	3,991
Income taxes recoverable	2,553	—
	14,183	4,700

3. Investments

	1984	1983
	(thousands of dollars)	
Interest in significantly influenced companies and partnerships —		
Shares and interests — at equity, less advance distributions	(1,862)	(149)
Advances	1,645	1,074
Other	2,673	1,792
	2,456	2,717

4. Long-Term Debt and Other Obligations

	1984	1983
	(thousands of dollars)	
Steinberg Inc. —		
Due to Steinberg Inc. bearing interest at 1½% above prime —		
Advances	7,942	7,268
Subordinated notes	61,397	22,397
	69,339	29,665
Other —		
First mortgage sinking fund bonds —		
Ivanhoe Inc. —		
7½% Series A, due 1991	2,454	2,654
7% Series B, due 1991 (repayable in U.S. currency $1,107,000; 1983 — $1,230,000)	1,447	1,525
10¼% — 10½% Series 1978, due 1998 (or 1988 at option of holder)	26,507	26,766
12.40% Series 1980, due 1995	13,155	13,695
Steinberg's Shopping Centres Limited —		
7% Series A, due 1985	610	710
8½% Series B, due 1994	1,680	1,949
Steinberg Realty Limited —		
8½% Series A, due 1991	11,308	11,957
8⅞% Series B, due 1993	18,569	19,018
Other Obligations —		
6% — 10% balances payable on land purchases to 1995 (repayable in U.S. currency $5,017,000; 1983 — $6,175,000)	6,596	7,657
7½% — 16¾% mortgage loans, repayable in varying monthly instalments to 1996	18,846	14,252
11½% term bank loan, due 1986	1,000	—
13½% term bank loan, due 1991	5,570	—
Revolving term bank loan facility, due 1990 — Bankers' acceptances (note 4 (a))	1,000	—
Revolving term bank loan facility, due 1993 — Bankers' acceptances (note 4 (a))	—	15,000
	108,742	115,183
	178,081	144,848

4. Long-term Debt and other Obligations (cont'd)

(a) These loans have revolving periods during which Ivanhoe Inc. may, at its option, repay or reborrow without any mandatory repayment provisions. These revolving periods expire on April 1, 1985 and August 15, 1986 respectively, unless extended annually for additional twelve month periods by mutual agreement. Subsequent to the revolving periods, these loans have term periods, during which mandatory repayments of the principal amounts outstanding at the end of the revolving periods are required as follows:

(i) Five year term loan, due 1990: years 1-4, 15%; year 5, 40%.

(ii) Seven year term loan, due 1993; years 1-3, 10%; years 4-5, 15%; and years 6-7, 20%.

(b) At July 28, 1984 the amounts of long-term debt payable, including purchase and sinking fund requirements and payments at maturity, by Ivanhoe Inc. and its subsidiaries for the ensuing five fiscal years, are as follows:

1985	1986	1987	1988	1989
		(thousands of dollars)		
6,688	12,692	6,920	6,067	11,450

The amount shown as payable in 1988 does not include $24,300,000 of the 10¼% — 10½% Series 1978 first mortgage sinking fund bonds all or part of which may become payable in that year at the option of the holder or any amounts with respect to the revolving term bank loan facilities (described in (a) above) since the periods of revolving credit of these loans are extendible by mutual agreement.

The excess of bonds cancelled or purchased for cancellation to date, over the cumulative sinking and purchase fund requirements at July 28, 1984 amounting to $2,553,000 may be applied against these requirements.

5. Accounts Payable and Accrued Liabilities

	1984	1983
	(thousands of dollars)	
Deferred income	1,752	1,752
Steinberg Inc.	1,477	1,045
Income taxes	—	1,525
Other	7,065	5,247
	10,294	9,569

6. Capital Stock

	1984	1983
	(thousands of dollars)	
(a) Capital stock is comprised as follows:		
Authorized —		
1,000 cumulative redeemable preference shares of the par value of $1 each, issuable in series. The first series is to consist of one 9⅝% cumulative Series One preference share of the par value of $1, redeemable at $2,200,000. The second series is to consist of one 9⅝% cumulative Series Two Preference share of the par value of $1, redeemable at $3,526,955		
2,000 common shares without par value		
Issued and fully paid —		
10 15% cumulative redeemable Series A preferred shares	—	
22,000 9¾% cumulative redeemable preferred shares	—	2,200
2 9⅝% cumulative redeemable preference shares		—
1,000 common shares	100	100
	100	2,300

6. Capital Stock (cont'd)

(b) During the year, the company applied for and received supplementary letters patent to effect the following changes to its authorized capital stock:

(i) On January 27, 1984, the authorized capital stock of the company was increased through the creation of the following class of shares:

1,000 cumulative redeemable preference shares of the par value of $1 each, issuable in series

(ii) On July 27, 1984, the authorized capital stock of the company was reduced through the cancellation of the following classes of shares:

1,000 cumulative, to a maximum of 25% of par value, redeemable preferred shares of the aggregate par value of $100,000, issuable in series

22,000 9¾% cumulative redeemable preferred shares of the par value of $100 each.

(c) During the year, the following transactions affecting the company's issued and fully paid capital stock occurred:

(i) The company redeemed ten 15% cumulative redeemable Series A preferred shares for a total cash consideration of $100. This class of shares was subsequently cancelled, as described in note 6 (b) (ii).

(ii) The company redeemed 22,000 9¾% cumulative redeemable preferred shares of the par value of $100 each in exchange for one 9⅝% cumulative Series One preference share of the par value of $1, redeemable at $2,200,000. The 9¾% cumulative redeemable preferred shares were subsequently cancelled, as described in note 6 (b) (ii).

(iii) The company issued for a total cash consideration of $3,526,955, one 9⅝% cumulative Series Two preference share of the par value of $1, redeemable at its issue price.

Ivanhoe Inc.'s contributed surplus relates to the consideration received from shareholders during the year in excess of amounts allocated to the par value of shares issued.

7. Income Taxes

The company's income tax provision is made up as follows:

	1984 %	1983 %
Combined Canadian and United States income tax rates	43,8	47,8
	(thousands of dollars)	
Provision for income taxes based on combined Canadian and United States income tax rates	7,812	5,845
Increase (decrease) in taxes resulting from —		
Share of net earnings of significantly influenced companies	(552)	(910)
Non-taxable portion of capital gains	(216)	(245)
Investment tax credits	—	(96)
Net gain on investment in scientific research tax credits	(177)	—
Other	(172)	36
	6,695	4,630

8. Contingent Liabilities

Guarantees

Ivanhoe Inc. has guaranteed secured loans amounting to $6,860,000 of companies in which it has ownership interests. In addition, the company has guaranteed the payment of a note receivable held by a third party amounting to $4,628,875.

9. Related Parties

Ivanhoe Inc. is a wholly-owned subsidiary of Steinberg Inc. Transactions with the parent company are identified separately in these financial statements. Steinberg Inc. has guaranteed the payment of principal and interest related to the first mortgage sinking fund bonds of Steinberg's Shopping Centre Limited and Steinberg Realty Limited, subsidiaries of Ivanhoe Inc.

Ten Year Statistical Review

Steinberg Inc. and Subsidiary Companies
(thousands of dollars except where noted)

		1984	1983
		$	$
Summary Income Statement	Sales and operating revenue	3,452,275	3,357,942
	Salaries, wages and employee benefits	574,277	560,683
	Rentals	39,930	40,173
	Depreciation and amortization	43,585	45,208
	Interest on long-term debt	35,225	37,361
	Income taxes	14,725	(10,284)
	Net earnings	15,021	13,392
Selected Balance Sheet Items	Inventories	314,765	310,559
	Working capital	134,426	121,481
	Investments and other assets	37,594	34,344
	Fixed assets — net	467,048	482,807
	Total assets	1,012,954	998,374
Capital Employed	Long-term debt	265,930	292,555
	Deferred income taxes	8,102	4,874
	Minority interest	1,266	931
	Preferred and Preference Stock	141,708	117,939
	Common and non-voting Class "A" shareholder's equity	276,250	275,799
	Total capital employed	693,256	692,098
Cash Flow Items	Capital expenditures — net	25,996	37,967
	Cash Flow from operations	62,169	39,886
	Dividends paid to shareholders	18,321	18,242
Key Financial Ratios	Return on average capital employed**	6.35%	4.75%
	Return on average common and non-voting Class "A" equity	1.24%	1.84%
	Net earnings as % of sales and operating revenue	0.44%	0.40%
	Long-term debt: equity ratio	39:61	43:57
	Long-term interest coverage ratio	1.85	1.07
	Working capital ratio	1.42	1.40
	Inventory turn-over ratio	8.94	9.17
Per share Data	Earnings per common and non-voting Class "A" share		
	Before extraordinary item	$ 0.48	$ 0.54
	Net earnings for the year	$ 0.48	$ 0.72
	Dividend paid per common and non-voting Class "A" share	$ 1.00	$ 1.40
	Book value per common and non-voting Class "A" share	$38.76	$38.70
Retail Facilities Data	Supermarkets (including combination stores)		
	Canada — Number of units	221	222
	— Gross leasable area (thousands of sq. ft.)	7,466	7,488
	— Sales area (thousands of sq. ft.)	4,302	4,313
	United States — Number of units	20	20
	— Gross leasable area (thousands of sq. ft.)	1,679	1,679
	Limited-assortment grocery stores		
	— Number of units	88	85
	— Gross leasable area (thousands of sq. ft.)	616	610
	Department stores		
	— Number of units	32	32
	— Ground floor area (thousands of sq ft.)	3,160	3,160
	— Sales area (thousands of sq. ft.)	2,208	2,208
	Restaurants — Number of units	189	198

*53 weeks.

**Definition of Return on Average Capital Employed: Net after-tax earnings before minority interest and extraordinary items plus after-tax interest expense on long-term debt as a percentage of average capital employed for the year. Capital employed is calculated by deducting current liabilities from total assets.

1982*	1981	1980	1979	1978	1977	1976*	1975
$	$	$	$	$	$	$	$
3,303,756	2,813,376	2,253,343	2,089,053	1,922,712	1,767,687	1,605,642	1,430,195
533,006	441,027	350,352	310,922	280,641	261,521	222,878	190,449
38,525	33,707	30,512	28,642	24,155	21,261	19,678	17,107
40,791	33,304	27,928	25,463	23,161	20,513	18,729	15,803
47,614	32,795	16,733	15,483	18,124	15,641	13,809	9,774
(1,469)	16,967	15,142	18,956	17,485	19,580	18,551	14,614
34,103	39,480	27,961	26,851	27,182	21,760	21,484	12,310
289,138	267,506	204,378	159,885	156,863	146,118	122,432	112,165
133,866	142,628	98,926	106,780	84,054	75,245	55,397	35,989
39,709	37,360	24,539	31,338	13,209	12,690	16,021	21,920
498,710	479,687	373,100	313,461	312,716	293,955	267,412	239,527
998,196	1,041,332	760,750	648,294	572,541	522,797	472,686	418,666
347,450	350,531	186,648	160,600	206,929	199,432	175,514	152,928
28,934	34,467	26,826	23,264	19,003	16,765	13,602	11,275
4,321	3,946	3,365	3,309	2,950	2,524	2,647	2,460
64,008	65,196	67,760	69,435	5,472	7,624	8,634	9,689
281,073	260,406	232,086	215,222	195,099	172,711	155,779	138,592
725,786	714,546	516,685	471,830	429,453	399,056	356,176	314,944
58,022	41,111	87,567	26,208	41,922	47,056	46,614	36,590
70,618	82,255	60,082	57,103	53,367	45,955	43,225	27,684
14,119	12,060	12,126	6,240	5,233	4,685	4,468	4,489
8.20%	9.16%	7.48%	7.89%	8.97%	8.01%	8.70%	5.91%
10.80%	14.02%	10.24%	13.00%	14.67%	13.09%	14.40%	8.91%
1.03%	1.40%	1.24%	1.29%	1.41%	1.23%	1.34%	0.86%
50:50	52:48	38:62	36:64	51:49	53:47	52:48	51:49
1.70	2.72	3.65	3.99	3.49	3.66	3.94	3.80
1.49	1.44	1.40	1.61	1.59	1.60	1.47	1.35
9.19	9.11	9.76	10.48	10.46	10.45	10.87	11.25
$ 4.10	$ 5.02	$ 3.24	$ 3.78	$ 3.86	$ 3.08	$ 3.04	$ 1.72
$ 4.10	$ 4.86	$ 3.24	$ 3.78	$ 3.86	$ 3.08	$ 3.04	$ 1.72
$ 1.30	$ 1.00	$ 1.00	$ 0.86	$ 0.72	$ 0.66	$ 0.60	$ 0.60
$39.44	$36.60	$32.76	$30.43	$27.87	$24.76	$22.35	$19.91
226	227	224	218	209	206	197	196
7,561	7,543	7,380	6,889	6,517	6,374	5,977	5,877
4,335	4,324	4,214	3,883	3,593	3,488	3,273	3,185
20	20						
1,679	1,679						
70	44	28	6				
509	311	205					
32	32	32	34	32	31	28	28
3,160	3,223	3,223	3,348	3,132	3,038	2,743	2,743
2,208	2,255	2,255	2,350	2,178	2,112	2,046	2,046
196	200	200	194	164	153	123	119

Directors

Donald G. Campbell▲
Chairman of the Board &
Chief Executive Officer,
Maclean Hunter Limited

André Charron, Q.C.■
Chairman of the Board &
Chief Executive Officer,
Lévesque, Beaubien Inc.

J.V. Raymond Cyr■
President &
Chief Executive Officer,
Bell Canada

Melvyn A. Dobrin*▲
Chairman

Mitzi Steinberg Dobrin*

Irving Ludmer*▲

Hon. Lazarus Phillips, O.B.E., Q.C.
Senior Partner,
Phillips & Vineberg

Gérard Plourde*▲
Chairman of the Board,
UAP Inc.

H. Arnold Steinberg*■

Nathan Steinberg*

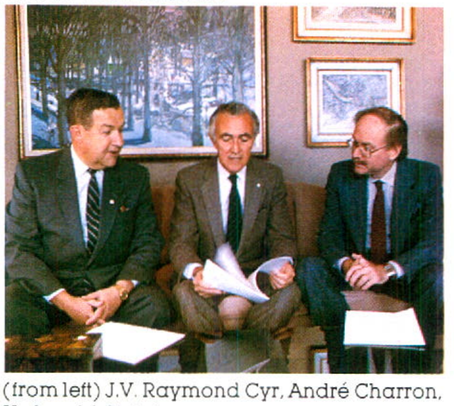
* Member of the Executive Committee
■ Member of the Audit Committee
▲ Member of the Management Resources & Compensation Committee

Board Committees

Executive Committee

(from left) Diane Marcelin Laurin, Irving Ludmer, Melvyn A. Dobrin, Mitzi Steinberg Dobrin, Gérard Plourde, H. Arnold Steinberg.

Audit Committee



(from left) J.V. Raymond Cyr, André Charron, H. Arnold Steinberg.

Management Resources & Compensation Committee

(from left) Gérard Plourde, Donald G. Campbell, Melvyn A. Dobrin, Irving Ludmer.

Officers

Melvyn A. Dobrin
Chairman of the Board &
Chief Executive Officer

Nathan Steinberg
Vice-Chairman of the Board &
Senior Vice-President

Irving Ludmer
President &
Chief Operating Officer

Norman Auslander
Executive Vice-President,
Supermarket Divisions — Canada
& General Manager — Ontario
Division

Mitzi Steinberg Dobrin
Executive Vice-President,
Legal & Corporate Affairs

H. Arnold Steinberg
Executive Vice-President,
Finance & Development

Soly Cohen
Group Vice-President
& General Manager,
Miracle Mart Division

Morris Ladenheim
Group Vice-President
& General Manager
Valdi Inc.

Douglas R. Stewart
Group Vice-President
& General Manager,
Quebec Division

Henri Tremblay
Group Vice-President,
Human Resources

Alain Bilodeau
Vice-President,
Labour Relations

Pierre de Grandpré
Vice-President,
Taxation

William Howieson
Vice-President,
Treasurer and Comptroller

Diane Marcelin Laurin
Vice-President,
General Counsel & Secretary

Michel Béland
Assistant-Secretary

Divisional Officers

Quebec Division

Morris Alvo
Vice-President,
Real Estate

Marvin Biltis
Vice-President,
Merchandising & Procurement

Bernard Brunet
Vice-President,
Distribution

Terence Connoy
Vice-President,
Planning & Sales Development

Jacques Lacas
Vice-President,
Store Operations

John Zeller
Vice-President &
Controller

Ontario Division

Ian Bullock
Vice-President &
Controller

Earle Coe
Vice-President,
Distribution

Harold G. Geraghty
Vice-President,
Development & Expansion

Leslie Mann
Vice-President &
Assistant General Manager

Earle Near
Vice-President,
Marketing

Miracle Mart Division

Daniel Carr
Vice-President,
Store Operations

Norbert Gertler
Vice-President &
Controller

Michael Kershaw
Vice-President &
General Merchandise Manager

Company Brands

Allan Mattison
Vice-President

Principal Subsidiaries

Franchise Plus Inc.

Claude Allard
President

Marc Bolduc
Vice-President,
Store Operations

Ivanhoe Inc.

H. Arnold Steinberg
Chairman of the Board

Irving Ludmer
President &
Chief Executive Officer

William Cleman
Executive Vice-President &
General Manager

David Gandell
Vice-President,
Operations

Lee Martin
Vice-President,
Development

Hans Schumeth
Vice-President,
Treasurer & Controller

Multi Restaurants Inc.

Lewis Steinberg
President

David Steinberg
Vice-President &
General Manager
Intercity Food Services Inc.

David Cook
Vice-President &
General Manager
Salisbury House of Canada Ltd.

Oak Pharmacies Limited

Mark Schwartz
Vice-President &
General Manager

Smitty's Super Valu, Inc.

C. Thomas Hickey
President &
Chief Executive Officer

J. Winslow Smith
Executive Vice-President,
General Manager &
Chief Operating Officer

Stanley F. English
Vice-President, Legal &
Corporate Affairs, Secretary

Ward S. Noble
Vice-President, Finance,
Assistant-Secretary

Valdi Inc.

Morris Ladenheim
Group Vice-President &
General Manager

Max Kollman
Vice-President,
Special Projects

Peter Lebedewski
Vice-President,
Development & Expansion

Harry Lutgens
Vice-President,
Operations

Barry Seitz
Vice-President,
Marketing

Affiliate

Atlantic Sugar Limited

Transfer Agent

Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Registrar

The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Stock Exchange Listings

— Non-Voting Class "A" Shares
— 5¼% Preferred Shares
— $1.95 Second Preferred Shares
— $2.9375 Series A Second Preference Shares
— U.S. $2.875 Series B Second Preference Shares

Montreal Exchange
Toronto Stock Exchange

Auditors

Coopers & Lybrand
Montreal

Head Office

Alexis Nihon Plaza
1500 Atwater Avenue
Montreal, Canada
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