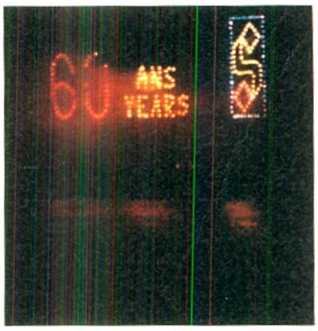
STEINBERG

Annual Report 1977



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The year 1977 marks the 60th Anniversary of the opening of the first Steinberg food store. The cover photograph, taken against the background of the Montreal skyline, shows a part of the spectacular fireworks display held during the closing weekend of this summer's Man and His World Exhibition.

Summary of Results

(thousands of dollars)

	1977	% change
Sales	$1,754,076	+10.02
retail food	1,483,127	+10.9
general merchandise	228,497	+11.4
manufacturing (external sales)	22,568	−32.5
restaurants	19,884	+10.1
Net Earnings	21,895	+ 3
retail and manufacturing operations	18,767	+ 2.1
real estate operations	3,128	+ 8.5
per common and Class "A" share	$ 3.10	+ 3
per dollar of sales	1.25¢	− 6
Dividends per common and Class "A" share	.66¢	+10
Working Capital	74,611	+36.6
Shareholders' Equity	179,701	+ 9.8
per common and Class "A" share	$ 24.67	+10.9
return on equity	12.18%	− 6.3

Report to the Shareholders

This year our Company celebrates the 60th anniversary of its modest beginning, the opening in Montreal of a small food store on St. Lawrence Boulevard ("the Main") in 1917.

Birthdays are usually happy occasions. For that reason, perhaps, individual celebrants seldom spend much time reflecting on the successes and errors of the past or in planning for the future. They are more likely to be caught up in the emotion of the event — the happiness resulting from affectionate personal recognition.

Corporations by their nature are more impersonal, more pragmatic. In any event, those of us who have responsibility for directing Steinberg's Limited believe that the Company's 60th anniversary provides us with the opportunity to take stock of what has been accomplished over the years and the obligation to think seriously of the years ahead.

When Ida Steinberg started this organization on its way, her main objective was to provide a measure of security for her six small children. Sixty years later that security embraces some 12,700 full-time and 13,000 part-time Steinberg employees in establishments extending from Sept-Îles, Quebec to Windsor, Ontario. In fiscal 1977 they earned $261,521,000 in wages and in Company contributions to a variety of fringe benefits ranging from dental plans to retirement pensions.

They work in 206 food stores and 31 department stores, 26 catalogue showrooms, numerous warehouses and offices, 127 restaurants and kiosks, a flour mill, a sugar refinery and a giant bakery. They include buyers, sales clerks, cashiers, wrappers, real estate experts, architects, draftsmen, engineers, doctors, nurses, lawyers, accountants, EDP experts, psychologists, linguists, translators, public relations and advertising specialists, and a host of others.

Thanks to their concerted efforts and devotion to the principle on which the business was founded — "Always give the customer a little more than she expects" — the Steinberg group of companies in fiscal 1977 sold $1,754,076,000 worth of food and general merchandise and realized net earnings after taxes of $21,895,000. Both are record figures.

Much of the Company's success since its founding has been due to an ability to anticipate change and the willingness to assume the risks inherent in introducing new products, equipment and methods and in diversifying into new areas of operation.

For example: Steinberg's pioneered self-service supermarkets; established its own standards for egg grading well ahead of government regulations; first introduced self-service meats, mobile checkout counters and car order delivery; established federal meat inspection in its own meat warehouses; initiated close contact with consumer groups on an ongoing basis; worked closely with farmers to insure production of new varieties of product, encouraged the establishment by apple growers of cold storage facilities and aided the development of a number of faltering supplier firms; developed the Canadian food industry's most successful private label program; among Canadian food retailers it was the first to establish in-house quality control laboratories staffed by qualified microbiologists and other technicians.

Melvyn A. Dobrin,
President

Laszlo ©

Steinberg's pioneered the development and financing of shopping centres through its own real estate subsidiaries; diversified into general merchandise retailing through self-service department stores and catalogue showrooms; integrated vertically through the acquisition of a sugar refinery and a flour mill; opened restaurants and fast food kiosks; established Canada's most modern bakery; led the industry in introducing "every day" low prices; and installed the first fully operational electronic scanning checkouts in Canada.

It is a matter of pride that our Company recognized its "social responsibility" long before that phrase became a corporate cliche. Our community involvement is too extensive to detail here. Suffice it to say that the list ranges all the way from school bursaries, university scholarships and subsidization of the arts to support of youth projects, taking under-privileged children and elderly people to sporting and cultural events, helping to finance an adventurous trip through the Northwest Passage and operating a non-profit National Food Bank Centre for Canada-wide distribution of special foods required for the treatment of metabolic and hereditary diseases.

Over the years the Company has succeeded in maintaining a generally healthy relationship with Steinberg employees and the many unions which share its concern for their interests. In recent years, Steinberg management has placed increased emphasis on the need to improve working relationships at all levels, as well as the quality of the working environment. In a number of experimental situations, employees are working in self-directed groups, free of conventional supervision. The results so far have been encouraging.

Sam Steinberg,
Chairman of the Board and
Chief Executive Officer

Although we lack the depth of middle and senior management we would like to have, our line and staff personnel are very highly qualified, and growing numbers of competent young employees are acceding to positions of responsibility. (We show a few of them elsewhere in this report.) During the past year, we reorganized our major divisions under group vice-presidents; we also appointed a number of new vice-presidents whose responsibilities have been determined in relation to the Company's anticipated management needs over the next several years. We feel confident that they will provide competent, imaginative leadership in their respective areas.

We are less happy about the business environment in which we now operate and the changes and constraints which governments continue to impose. We remain convinced that Canada's unfortunate economic position is largely government induced — through inordinate government spending (including overstaffing and overpayment of salaries in the civil service), excessive foreign borrowing and high taxation.

At the federal level we are witnessing the placid acceptance of a monstrous deficit and a reluctance to terminate wage and price controls. In Quebec the ills of the economy have received less attention than the unnecessarily restrictive language law, the government's preoccupation with the issue of independence and its expressed intention to implement an inequitable and regressive labour statute. Both governments hint that there will be more legislation to "control" business.

Unfortunately, those who govern pay little heed to the maxim, "Physician, heal thyself". We may well have reached the point where the money spent by governments and the volume and complexity of the laws they pass are out of proportion to the benefit such activity can confer.

Nevertheless, to survive, a business must plan its future. At Steinberg's we don't try to anticipate the year 2000; we do have specific plans as far ahead as the early 1980's. For fiscal 1978 our capital expenditures will exceed $50 million.

In the present economic and political context this may seem optimistic but we believe that the fundamental good sense of Canadians must ultimately prevail. We do not expect Canada to go bankrupt, nor do we expect it to break up. We do expect it to put its house in order — which implies a national belt tightening and the establishment of new basis for cooperation between its governments and above all among its many peoples.

At Steinberg's we have managed to grow and prosper while meeting the needs of Canadians during periods of war, boom, depression, inflation and recession. It is a tradition we see no need to change.

Sam Steinberg Chairman of the Board

Mel Dobrin President

November 1, 1977

Financial and Operating Review

The overall results achieved by Steinberg's in its 60th anniversary year are viewed by management as generally satisfactory. Notwithstanding that the year was one of slow economic growth for Canada and was a difficult one for most major retailers in the country, your Company is able to report its highest ever level of sales, net earnings, earnings per share, working capital, total assets, shareholders' equity and equity per share. Earnings per dollar of sales and return on equity declined slightly for the year.

Sales

Total retail and manufacturing sales (excluding internal sales) for the fiscal year ended July 30, 1977 amounted to \$1,754,076,000, an increase of \$159,791,000 or 10% above the sales of \$1,594,285,000 achieved in the previous fiscal year, which included fifty-three weeks. This sales increase, while lower than the rate of increase achieved in the previous year, is felt to be satisfactory in view of the general economic conditions. Our sales have quadrupled since 1967.

Consolidated sales and operating revenue for the year totalled \$1,767,687,000 in comparison to \$1,605,642,000 in fiscal 1976.

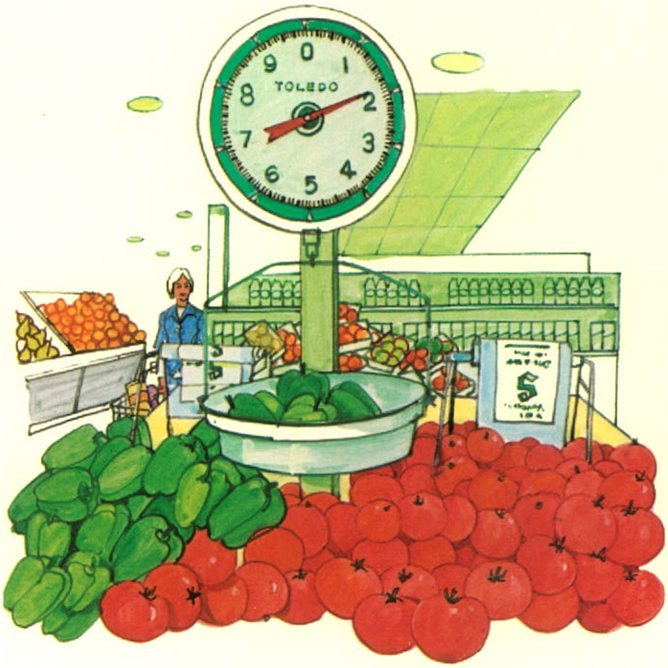
Net Earnings

Consolidated net earnings increased by 3% from \$21,266,000 to an all-time high of \$21,895,000. Earnings per common and Class "A" share similarly rose to \$3.10 from \$3.01. On a per dollar of sales basis earnings showed a decline from 1.33 cents to 1.25 cents. If one considers only the earnings arising from our retail and manufacturing operations we realized 1.07 cents on each dollar of merchandise sold.

Higher earnings were achieved by our two retail food divisions, by the Ivanhoe group of companies, Cardinal Distributors and Steinberg Foods, while Cartier Sugar and Intercity Food Services showed slight declines. Both Phénix Flour and Miracle Mart experienced significant reductions in earnings.

Income Taxes

The total provision for income taxes, both current and deferred, amounts to \$19,445,000 in comparison with \$18,769,000 in the previous year. The tax provision gives effect to the tax reduction permitted to certain of our manufacturing subsidiaries, the proposed inventory tax allowance, adjustments in the Ivanhoe group to account for the equity in non-consolidated companies as well as other minor adjustments.



Assets and Liabilities

During the fiscal year, consolidated assets increased by more than \$50.2 million to \$522.2 million. This increase reflects the considerable cash flow from our operations, the issuance of \$5 million income debentures by each of Cartier Sugar and Cardinal Distributors and normal mortgage borrowings by the Ivanhoe group. The increased assets are represented principally by substantial net additions to our developed real estate and by new equipment utilized by our retail and manufacturing operations (\$27.2 million) as well as higher year-end inventories (\$23.7 million).

Depreciation and amortization for the year amounted to \$20.7 million compared to \$18.9 million in fiscal 1976. We compute and report depreciation on the straight line method at rates sufficient to amortize the cost of assets over their estimated useful lives.

During the year we opened eleven new food stores and a Miracle Mart, completed a major expansion to the Champlain Mall Shopping Centre and carried out major renovations to seven existing food stores and two Miracle Mart department stores. Capital expenditures exceeded \$47 million in comparison to \$46.6 million in fiscal 1976. At year end, total fixed assets equalled $293,955,000 (fiscal 1976 — $267,412,000) and long term debt stood at $199,432,000 (fiscal 1976 — $175,514,000).

Current assets increased by $27.2 million to $198,352,000 and current liabilities by $7.2 million to $123,741,000. At year end, working capital amounted to $74.6 million and our working capital ratio equalled 1.6 to 1, an increase from 1.47 to 1 reported last year.

Dividends and Shareholders' Equity

The Company paid a total of $4,865,000 in dividends to its shareholders during the year. Holders of the Company's common and Class "A" shares received two quarterly dividends of 15¢ each and two of 18¢ for an aggregate dividend for the year of 66¢ per share. The Company also paid normal dividends of $5.25 per share on the 5¼% Preferred shares and $2.45 per share on the 2½% Subordinated Preferred shares.

During the year, 2,700 Class "A" shares were issued to employees under stock options; 105 Series "A" Preferred shares and 10,200 Subordinated Preferred shares were redeemed. Subsequent to the year end, a further 10,200 Subordinated Preferred shares were redeemed and the Board of Directors authorized the purchase, by tender, of an additional 10,200 of these shares at current market value.

Retained earnings increased by $17 million to $153.7 million. The book value of shareholders' equity increased by more than $16 million to $179,701,000 or $24.67 per common and Class "A" share, up from $22.24 reported last year. The rate of return on equity declined slightly from 13% to 12.18%.

Quarterly Performance

Following is a summary of the quarterly sales and earnings of Steinberg's for the past two years.

1977

Quarter*	Sales	Earnings	
	(thousands)		per share
1st	$ 383,017	$ 3,429	$ .49
2nd	437,508	6,251	.89
3rd	394,954	4,106	.57
4th	538,597	8,109	1.15
Total	$1,754,076	$21,895	$3.10

1976

Quarter*	Sales	Earnings	
	(thousands)		per share
1st	$ 342,526	$ 4,535	$ .65
2nd	367,878	4,977	.70
3rd	349,990	3,194	.45
4th	533,891	8,560	1.21
Total	$1,594,285	$21,266	$3.01

*All quarters comprise 12 weeks except the fourth quarter which had 16 weeks in fiscal 1977 and 17 weeks in fiscal 1976.

Retail Food Operations

Our retail food sales increased by 10.9% during the fiscal year to reach a total of $1,483,127,000 and represented approximately 84% of our consolidated retail sales. Pre-tax earnings from this area of our operations rebounded sharply from the depressed level of the previous year.

For the year, average weekly sales per store exceeded $140,000 in both of our retail food divisions, while annual sales per square foot of selling area reached approximately $425.

The continued growth of our retail food business, coinciding with the intention to provide a greater degree of decentralization in decision making, has led us to major management reorganizations in both Quebec and Ontario Divisions. Gerry Spitzer and Norman Auslander were appointed to the positions of Group Vice-President and General Manager of Quebec and Ontario Divisions respectively. Additional vice-presidents with specific geographic or operational responsibilities were subsequently appointed in each of these divisions. These new managerial structures should enable us to meet more easily the demands of the future and to assure the growth of these key areas of our business.

Quebec Division

Our 60th anniversary year was an exciting year for our largest division. Sales exceeded $1 billion — a level achieved by the entire Company only four years ago — while profits returned to

a more normal level in comparison with the results achieved in fiscal 1976. Despite the increase in the rate of inflation in food prices, a poor economy and a high rate of unemployment, the division, by maintaining low margins and placing an increased emphasis on customer service and courtesy, was able to increase its share of market.

Several changes in senior management personnel were made including the appointment of four vice-presidents for unit operations, as well as vice-presidents of marketing, distribution, and human resources. Further appointments are expected in a reorganization program which is designed to realign responsibilities throughout the division so as to better meet management needs over the next decade. Shortly after the end of the fiscal year a new division was established — Québec-Nord — with offices in Quebec City and responsibility for the stores in the eastern and northern parts of the province.

The division's concern for better management will involve the introduction of additional programs designed to involve line employees, including unionized employees, in the decision making process affecting their day to day work.

In order to maintain its leadership position, the division is placing renewed emphasis on providing products of the highest quality, particularly in the meat, produce, delicatessen and bakery departments. Similarly quality control and sanitation programs are constantly being monitored and upgraded where necessary.

During the year seven new food stores were opened and five existing stores modernized — four older stores were closed. A total of 132 stores in Quebec, 10 in eastern Ontario and one in New Brunswick were in operation at year end. The division's expansion plans for the current fiscal year include the opening of two new stores and major renovations to five others involving capital expenditures estimated to be $12 million.

Ontario Division

Ontario Division celebrated the Company's 60th anniversary with a 12% sales gain and with improved earnings. Six Miracle Food Marts were opened and one closed; at the year end a total of 63 stores were in operation. In addition, the division moved into its new office building, the official opening of which was marked by a meeting of the Board of Directors and by a series of other events appropriate to the occasion.

Ontario Division has been innovative in developing strategies to meet the challenge of marketing in today's environment and operating in the highly competitive Ontario marketplace. The division continues to assert its leadership position in terms of low food prices and has developed various advertising, merchandising and operational methods to maintain strong public identity and recognition. The division has recently introduced full scale in-store bakeries — operated under the name "Tudor" — into three of its stores with four more planned for the coming year, and installed its first complete electronic cash register scanning system. Improvements are being carried out to further strengthen the operations of the produce and meat departments.

The division will continue its active expansion and renovation program during the current year with estimated capital expenditures of $15 million for four new food supermarkets and complete modernization scheduled for six older stores.

In order to meet its future management needs vice-presidents for marketing, store operations, human resources and distribution were appointed. In all of its operations the division continues to place strong emphasis on the development of its people, both at management level and below.

General Merchandise Retailing

Despite a general slowdown in the department store industry in Canada, we are able to report that the sales from this area of our business increased during the year by 11.4% to $228,497,000. Net income of Miracle Mart declined significantly, however, Cardinal Distributors showed both increased sales and a marked improvement in earnings.

The Beaucoup operation is no longer being handled as a separate division; results of the general merchandise areas of these stores are included with those of Miracle Mart while those of the food operations are included with the retail food division where the unit is geographically located.

Miracle Mart

Sales and profits of Miracle Mart were below budget for the fiscal year. The lower profit picture was primarily a result of the economic downturn which affected the general merchandising industry throughout Canada. Unfavourable weather conditions also harmed the overall performance as did the disappointing financial results of the three Beaucoup units.

Miracle Mart continues to take steps to improve its long term prospects. The emphasis for the coming year will be on improving store operations and distribution systems including the upgrading of planning and management skills. The responsibilities of merchandising specialists and merchandising group managers in the stores have recently been enlarged as a direct means of improving customer service. Management training and individual goal setting programs will be accelerated. Improvements in merchandising, advertising and store display will continue to be stressed as will the modernization program of existing stores.

During the year Mitzi Dobrin was named Group Vice-President and three vice-presidents, with responsibility for store operations and for the merchandising of hard goods and soft goods respectively, were appointed.

Major renovations to two stores and minor renovations to a number of others were effected. At year end the division operated 31 stores; a new store located in Champlain Mall, a regional shopping centre in the Montreal area, has subsequently been opened.

Cardinal Distributors Limited

Total sales increased by 14% and Cardinal was able to achieve a small profit on its operations.

The Company's strategy concentrated on improving profitability of existing stores by the implementation of a loss prevention program at all levels and by introducing a new merchandising mix. One store was closed, resulting in 37 stores in operation at year end.

Following this year of consolidation, plans for the current year call for the opening of five new units. The 1977-78 catalogue has already been released and, based on sales to date, appears to have been well accepted by the public.

Manufacturing Operations

Sales of our three manufacturing subsidiaries, Steinberg Foods, Cartier Sugar and Phénix Flour, amounted to $78,012,000 for the year. Of this total, $55,444,000 or approximately 71% represented inter-company sales which are excluded on consolidation.

The six-month strike of all flour mill workers in Montreal not only significantly affected the earnings of Phénix Flour, but also those of Steinberg Foods because of resulting higher delivered cost of flour to the latter's Montreal bakery.

Steinberg Foods Limited

Despite increased costs arising from the strike of Montreal flour mill workers, Steinberg Foods and its new subsidiary, Multimarques Inc., by increased sales and higher productivity were able to make a reasonable contribution to consolidated earnings.

During the year, capital expenditures of over $1 million were made to modernize plant and equipment for baked goods, tea packaging, peanut roasting and frozen pizza operations. Excellence in these operations contributes to increasing productivity as well as improved product quality.

In order to utilize production capacity more efficiently the development of outside sales by Multimarques has been expanded to include the complete range of products manufactured or processed by Steinberg Foods. The current year should show a definite increase in such outside sales, including a greater share of the products sold to institutional and fast food outlets.

To meet the changing demands of the consumer, particularly the desire for products with higher nutritional standards, the product development group of Steinberg Foods has developed several new bread items. Following the success of the six grain "Bon Matin" bread, a number of other natural breads will be brought into production during the current year, including a revolutionary new concept in white bread that is already at the test market stage under the trade mark "Le Pain Quotidien". Patents have been taken out in Canada and the United States to protect the unique features of this product.

Cartier Sugar Ltd.

Despite a difficult year due to intense competition, both from other sugar refineries and from alternative types of sweeteners, Cartier's profit, although down somewhat from the previous year, compares favourably with budget.

With its refinery operating at near capacity Cartier was able to maintain a satisfactory share of outside market while meeting the requirements of Steinberg's for private label white

granulated sugar and the needs of Steinberg Foods for liquid sucrose and other forms of refined cane sugar.

During the year the Company issued secured income debentures in the amount of $5,000,000 to a Canadian chartered bank. These debentures due in November 1978, with two one-year extensions at Cartier's option, bear a very favourable rate of interest.

Phénix Flour Limited

The results of Phénix Flour were severely affected by an industry-wide strike in the Montreal area against a wage roll-back ordered by the Anti-Inflation Board with respect to a negotiated increase in a new collective agreement. For Phénix the strike lasted 182 days, or exactly one-half the year, and was settled on terms which were virtually identical to the offer made by the Company prior to the strike.

In order to be able to continue delivery to its customers Phénix bought flour from mills in western Canada, thereby incurring substantial additional costs. The Company also had heavy expenses for plant security and higher warehousing costs. During the latter part of the strike, because of its highly automated plant, Phénix was able to carry on partial production. Work has now returned to normal and it is expected that fiscal 1978 will prove to be a normal year for both sales and earnings.

During the year construction was started on new storage silos at the mill. Phénix is utilizing available bank lines of credit to finance these improved facilities.

Other Retailing

Intercity Food Services Inc.

Total sales increased by approximately 10% and are now approaching the $20 million level. Net earnings showed a slight decline.

Ten units were opened during the year and six unprofitable units closed, for a total of 127 in operation as of July 30. As part of our expansion, a second brasserie unit was opened in a large shopping centre in Chicoutimi, and a new type of outlet selling orange juice from a specially designed kiosk in shopping centre malls was opened under the name "Pik Nik Orange". Prospects for accelerated expansion are good in markets currently served.

Pharmaprix Limited

Sales and market share of units operated by Pharmaprix subscribers continue to improve satisfactorily as these large

self-service stores gain increased acceptance from the Quebec consumer. During the year eight additional outlets were opened bringing the total number in operation to 26 at year end. Seven more are planned for the current year.

The Company was able to introduce new cost control procedures at store level which improved the profitability of the independent pharmacist owners.

Income of the Company, on the other hand, improved only marginally because of the expenses involved in the large expansion program. The results of Pharmaprix, which is jointly owned with Koffler Stores Limited, are accounted for on the equity method.

Employee Relations

Steinberg's provides full-time employment to approximately 12,700 people and more than 13,000 are employed on a part-time or temporary basis to meet staff requirements for week-ends, evening shopping hours and peak seasons. The majority of our employees are unionized.

During fiscal 1977 the total amount expended for salaries, wages and employee benefits amounted to $261,521,000 (14.9% of sales) in comparison to $222,878,000 in the previous year. This was a result of higher wage scales, either negotiated by unions or arising from the recognition of increased skills of our employees, and the greater number of employees needed to operate our expanded facilities.

We believe that we have a dedicated, highly qualified staff that is responsive to the needs of the Company as well as to the needs of our customers, upon whose continued loyalty our success depends.

As this report is being prepared we are presently in negotiations to renew collective agreements with unions representing virtually all unionized employees in the Province of Quebec. While it is too early to gauge the outcome of these negotiations we expect that satisfactory settlements will be concluded.

Architecture and Construction Division

This division is responsible for the planning, design, construction, procurement and equipping of all retail and plant facilities of the Company, as well as for the centralized purchasing of stationery, office equipment, electricity, oil and gas. Its workshops undertake the manufacture and installation of substantially all the Company's merchandising fixtures.

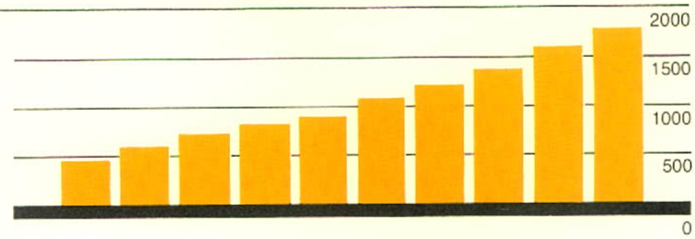
This year the division, with its staff of architects, engineers, designers and other support staff, has overseen the planning, design and construction of the many new and renovated retail facilities referred to elsewhere in this report including the Ontario Division office building. The division provided new designs for bakery departments, flower boutiques, improvements to the delicatessen and produce departments, checkouts and fixturing — the whole resulting in a modern, distinctive environment within our stores.

Architecture and Construction has recently undergone a major reorganization including the appointment of a Vice-President and General Manager and the re-alignment of all departments. The new organization and new staff additions at key levels will enable the division to improve its ability to fulfill its key role in designing and producing future facilities.

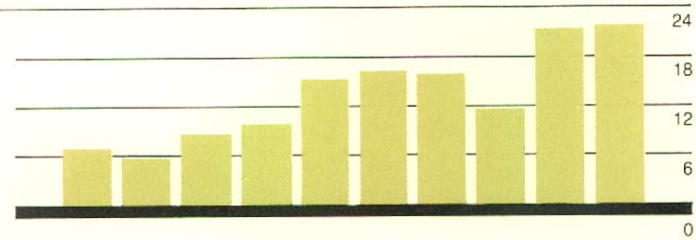
Real Estate Operations

This year, in addition to the normal consolidated financial statements of Steinberg's and all subsidiaries we are providing separately a full set of consolidated statements of Ivanhoe Corporation and its subsidiaries. We believe that this form of presentation, with the additional information it gives, will better enable shareholders and analysts to understand the contribution made by our real estate group of companies to Steinberg's overall results and to be aware of the substantial assets employed in this area of operations.

Sales
in millions of dollars



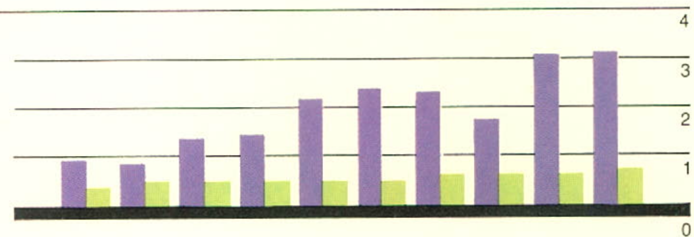
Net Earnings
in millions of dollars



Earnings & Dividends per common & Class "A" share
in dollars

Earnings

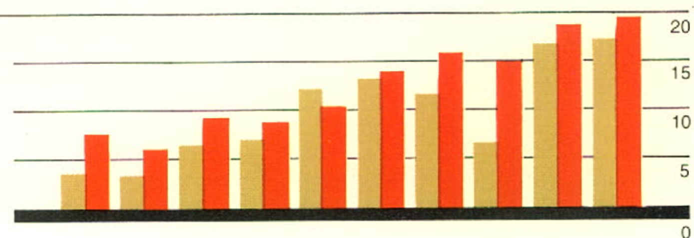
Dividends



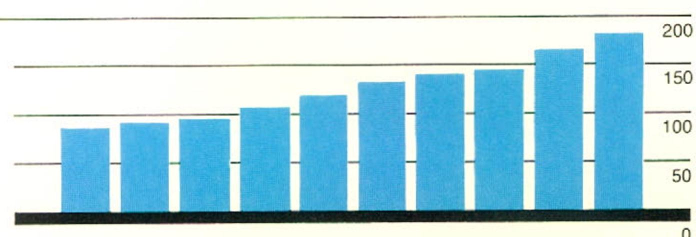
Retained Earnings & Income Taxes
in millions of dollars

Retained Earnings

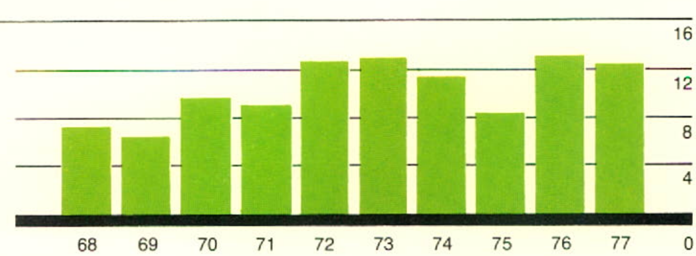
Income Taxes



Shareholders' Equity (Book value)
in millions of dollars



Return on Shareholders' Equity
in percent



Consolidated balance sheet

Steinberg's Limited and Subsidiary Companies
As at July 30, 1977
(thousands of dollars)

Assets

			1977 $	1976 $
Current Assets				
Cash			7,320	10,106
Short-term marketable securities (note 1(c))			28,253	22,971
Accounts receivable			7,988	6,996
Income taxes recoverable				540
Inventories (note 1(b))			146,118	122,432
Prepaid expenses			8,673	8,093
			198,352	171,138
Other Assets (note 2)			12,690	16,021
Fixed Assets — real estate operations				
Undeveloped land — at cost plus carrying charges			23,342	24,040
Land, buildings and parking areas — at cost		186,812		
Less: Accumulated depreciation		40,088	146,724	137,495
			170,066	161,535
Fixed Assets — retail and manufacturing operations				
	Cost $	Accumulated depreciation $		
Land and buildings	4,687	1,054	3,633	3,740
Equipment	178,006	86,518	91,488	83,860
	182,693	87,572	95,121	87,600
Leasehold improvements — at cost, less amortization			28,768	18,277
			123,889	105,877
Intangible Assets				
Unamortized discount on long-term debt			1,757	1,937
Excess of cost of shares in subsidiary companies over net book value at date of acquisition			15,409	15,409
			17,166	17,346
			522,163	471,917

Signed on Behalf of the Board
Sam Steinberg, Director
Mel Dobrin, Director

Liabilities

	1977 $	1976 $
Current Liabilities		
Bank advances and notes payable	2,738	5,349
Accounts payable and accrued liabilities	120,620	110,747
Dividends payable	35	35
Income taxes	148	
Current portion of long-term debt (note 3)	200	379
	123,741	116,510
Long-Term Debt and Other Obligations (note 3)		
Real estate operations	125,582	110,653
Retail and manufacturing operations	73,850	64,861
	199,432	175,514
Deferred Income Taxes	16,765	13,602
Minority Interest	2,524	2,647
	342,462	308,273

Shareholders' Equity

	1977 $	1976 $
Capital Stock (note 4)		
Authorized		
76,255 cumulative redeemable preferred shares of the par value of $100 each		
51,000 2½% non-cumulative subordinated preferred shares redeemable at their par value of $98 each		
4,500,000 Class "A" shares without par value — non-voting		
3,500,000 common shares without par value		
Issued, outstanding and fully paid		
26,255 5¼% preferred shares — Series "A"	2,626	2,636
51,000 2½% subordinated preferred shares	4,998	5,998
3,974,043 Class "A" shares	6,228	6,196
3,000,000 common shares	1,500	1,500
	15,352	16,330
Contributed Surplus (note 5)	10,620	10,615
Retained Earnings	153,729	136,699
	179,701	163,644
	522,163	471,917

Consolidated statements of earnings and retained earnings

Steinberg's Limited and Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

Statement of Earnings

	1977 $	1976 $
Sales and Operating Revenue	**1,767,687**	1,605,642
Expenses		
Cost of sales and other operating and administrative expenses	**1,410,227**	1,293,217
Wages and employee benefits	**259,713**	221,462
Directors' and officers' remuneration	**1,808**	1,416
Rentals and lease purchase payments	**21,261**	19,678
Depreciation and amortization	**20,513**	18,729
	1,713,522	1,554,502
Earnings from Operations	**54,165**	51,140
Financial (Income) and Expenses		
Interest and amortization of discount on long-term debt	**15,641**	13,809
Other interest	**339**	763
Interest earned and gain on redemption of long-term debt	**(2,942)**	(2,586)
Income from 50% owned and from affiliated companies (note 1)	**(552)**	(1,394)
	12,486	10,592
Earnings before Income Taxes	**41,679**	40,548
Income Taxes		
Current	**16,283**	16,442
Deferred	**3,162**	2,327
	19,445	18,769
Earnings before Minority Interest	**22,234**	21,779
Minority Interest	**339**	513
Net Earnings for the Year	**21,895**	21,266
Represented by:		
Retail and manufacturing companies (after eliminating inter-company items of $4,778,000 (1976 — $750,000))	**18,767**	18,383
Real estate companies	**3,128**	2,883
	21,895	21,266
Net Earnings per Class "A" and Common Share (note 4(d))	**$3.10**	$3.01

Statement of Retained Earnings

	1977 $	1976 $
Balance — Beginning of Year	**136,699**	119,901
Net earnings for the year	**21,895**	21,266
	158,594	141,167
Dividends —		
$5^1/_4$% preferred shares Series "A"	**138**	139
$2^1/_2$% subordinated preferred shares	**125**	150
Class "A" and common shares	**4,602**	4,179
	4,865	4,468
Balance — End of Year	**153,729**	136,699

Consolidated statement of changes in financial position

Steinberg's Limited and Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Source of Working Capital		
Net earnings for the year	21,895	21,266
Items not affecting working capital		
Depreciation and amortization	20,694	18,901
Deferred income taxes	3,162	2,327
Minority interest	339	513
Provided from operations	46,090	43,007
Additional debt and capital stock issued		
Income debentures	10,000	
Mortgages and other obligations — net	18,789	30,746
Class "A" shares to employees	32	146
Investments and other items	3,331	5,889
	78,242	79,788
Use of Working Capital		
Net additions to assets		
Real estate property	12,505	22,200
Retail and manufacturing — fixed assets	34,551	24,414
	47,056	46,614
Reduction of long-term debt	4,871	8,160
Reduction of minority interest	462	326
Redemption of Series "A" preferred shares — net	5	31
Redemption of subordinated preferred shares	1,000	999
Dividends	4,865	4,468
	58,259	60,598
Increase in Working Capital	19,983	19,190
Working Capital — Beginning of Year	54,628	35,438
Working Capital — End of Year	74,611	54,628

Consolidated statement of earnings

Steinberg's Limited and its Retail and Manufacturing Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Sales	**1,754,076**	1,594,285
(% increase 1977 — 10.02%; 1976 — 12.19%)		
Operating Expenses		
Cost of sales and other operating and administrative expenses	**1,407,535**	1,290,535
Wages and employee benefits	**259,086**	220,775
Rentals and lease purchase payments	**32,305**	29,158
Depreciation and amortization	**16,539**	15,050
(% increase 1977 — 10.28%; 1976 — 11.63%)	**1,715,465**	1,555,518
Earnings from Operations	**38,611**	38,767
Financial Expenses		
Interest and amortization of discount on long-term debt	**5,965**	5,670
Other interest	**303**	720
	6,268	6,390
	32,343	32,377
Income from Investments		
Interest on advances — Ivanhoe Corporation	**942**	1,887
Dividends on preferred shares — Ivanhoe Corporation	**750**	750
Interest earned and gain on redemption of long-term debt	**2,007**	1,481
Gain on sale of land and buildings to Ivanhoe Corporation	**4,028**	7
Income from 50% owned company	**88**	84
	7,815	4,209
Earnings before Income Taxes	**40,158**	36,586
Income Taxes		
Current	**14,227**	14,968
Deferred	**2,282**	2,012
	16,509	16,980
Earnings before Minority Interest	**23,649**	19,606
Minority Interest	**104**	473
Net Earnings for the Year	**23,545**	19,133

Notes to consolidated financial statements

Steinberg's Limited and Subsidiary Companies
For the year ended July 30, 1977

1. Accounting Policies

(a) 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%, including those of Ivanhoe Corporation and its subsidiary companies. The investments in 50% owned and in affiliated companies are accounted for on the equity basis.

(b) Inventories

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

(c) Depreciation and amortization

(i) Depreciation of fixed assets is computed on the straight line method at rates which are sufficient to amortize the costs over their estimated useful lives.

(ii) Long-term debt discount is amortized over the terms of the issues.

(iii) No amortization is charged on the excess of cost of shares in subsidiary companies over the net book value at date of acquisition. In the opinion of management there has been no diminution in value.

(iv) Short-term marketable securities are carried at cost which approximates quoted value.

2. Other Assets

These comprise the following:

	1977	1976
	(thousands of dollars)	
50% owned companies		
Shares — at equity	**1,492**	1,474
Advances	**629**	574
	2,121	2,048
Affiliated companies		
Shares — at equity	**2,016**	1,505
Advances	**427**	1,156
	2,443	2,661
Advances and other recoverable amounts		
Balances of sales of land	**2,981**	3,302
Real estate transactions	**3,208**	4,001
	6,189	7,303
Funds on deposit and other items	**1,937**	4,009
	12,690	16,021

3. Long-Term Debt and Other Obligations

	1977	1976
	(thousands of dollars)	
Real estate operations		
(Refer to page 24 and note 5 to the consolidated financial statements of Ivanhoe Corporation for the year ended July 30, 1977)	**125,582**	127,073
Elimination of 7% demand loan due to Steinberg's Limited		16,420
	125,582	110,653
Retail and manufacturing operations		
Sinking fund debentures		
Steinberg's Limited		
$5^3/_4$% Series "A", due 1984	**8,583**	9,180
$6^5/_8$% Series "B", due 1986	**9,588**	9,761
$8^5/_8$% Series "C", due 1992	**19,279**	19,699
$10^1/_2$% Series "D", due 1994 (or 1984 at option of holder)	**25,000**	25,000
	62,450	63,640

Note 3 — (continued)

Sinking fund requirements for the above debentures are $1,250,000 annually for the years 1978 to 1980 and $1,700,000 in 1981 and 1982. The excess of bonds cancelled or purchased for redemption to date over the cumulative sinking fund requirements at July 30, 1977 amounting to $1,050,000 may be applied against these requirements.		
$8\frac{1}{4}$% demand bank loan	**1,600**	1,600
Secured income debentures of subsidiaries carrying interest at $1\frac{1}{2}$% - 2% over approximately 50% of the bank prime rate due in equal amounts of $5,000,000 in 1978 and 1979 with an option to renew for two additional one year periods.	**10,000**	
	74,050	65,240
Current portion due within one year	**200**	379
	73,850	64,861

4. Capital Stock

(a) Supplementary letters patent were granted July 13, 1977 reducing the authorized capital of the company by cancelling 105 Series "A" preferred shares and 10,200 subordinated preferred shares.

(b) During the year 105 Series "A" preferred shares were redeemed.

(c) The subordinated preferred shares are subject to the restriction that the company may redeem such shares to a maximum of $1,000,000 in each year. During the year, the company redeemed 10,200 shares at par for a consideration of $999,600. Subsequent to July 30, 1977, the company redeemed a further 10,200 shares at par for a consideration of $999,600.

(d) As at July 30, 1977 the Company had reserved 253,357 Class "A" shares, as options to senior employees as follows:

	Number of shares	Price per share
Exercisable to November 30, 1978	57,300	$12.00
November 30, 1978	1,800	$18.00
November 30, 1978	5,000	$19.00
November 30, 1978	62,680	$20.00
	126,780*	
Exercisable from December 1, 1978 to November 30, 1981	68,500	$16.00
Reserved for future allocation of options 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	58,077	
	253,357	

*The exercise of all the outstanding options would dilute earnings per Class "A" and common share by 4 cents (1976 — 4 cents).

(e) During the year 2,700 (1976 — 10,812) Class "A" shares were issued to employees for cash of $32,400 (1976 — $146,000).

5. Contributed Surplus

The contributed surplus as at July 30, 1977 consists of a premium on issue and conversion of shares and gains on redemption of Series "A" preferred shares amounting to $10,615,000 with respect to prior years and of a gain on redemption of Series "A" preferred shares amounting to $4,830 during 1977.

6. Retirement Plans

There are obligations for past service pension benefits amounting to $4,100,000 according to actuarial estimates. These obligations will be satisfied by annual payments of $370,100 to 1990 and $45,900 in 1991 and 1992. During the year ended July 30, 1977, $300,400 in respect of past service pension benefits was charged to operations.

7. Long-Term Leases

The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long-term leases in effect at July 30, 1977 for each of the periods shown are as follows:

	Payable to Ivanhoe Corporation and subsidiaries	Payable to others
	(thousands of dollars)	
Within five years	40,502	88,689
Within the next five years	33,697	80,985
Within the next five years	27,825	68,901
Within the next five years	9,484	45,063
Within the remainder of the term	3,805	45,592
	115,313	329,230

8. Contingent Liabilities

(a) Income taxes

As reported in prior years, the Deputy Minister of Revenue of the Province of Quebec instituted legal action against the company claiming taxes for the years 1951 to 1963 inclusive aggregating $902,000 including interest to date of the action, on profits made through the disposition of capital assets. Judgment was awarded in favour of the company in the Quebec Superior Court; however, the Deputy Minister of Revenue has appealed the judgment to the Quebec Court of Appeal. The appeal has not yet been heard.

(b) Guarantees

(i) Ivanhoe Corporation has guaranteed bank loans, amounting to $5,614,175 of companies in which it has ownership interests.

(ii) Steinberg's Limited has guaranteed a bank loan on behalf of Pharmaprix Limited in the amount of $1,000,000.

(iii) Steinberg's Limited has guaranteed jointly and severally with Koffler Stores Limited and Pharmaprix Limited leases of pharmacy proprietors affiliated with Pharmaprix Limited in the amount of $9,345,874 payable mostly over a twenty year period.

9. Classes of Business

Classes of business that differ substantially from each other and which respectively contribute 10% or more of the total gross revenue are:

	1977	1976
Food retailing (Quebec and Ontario Divisions)	**84%**	83%
General retailing (Miracle Mart Division)	**11%**	11%

10. Anti-Inflation Legislation

The company and its subsidiaries are subject to the terms of the Federal Anti-Inflation Act and Regulations which from October 15, 1975 provides for the restraint of prices, profit margins, dividends and compensation.

The company has filed its report for the year ended July 30, 1977 with the Anti-Inflation Board indicating no material excess revenue. Acceptance of this report is dependent upon the Board.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Steinberg's Limited as at July 30, 1977 and the consolidated statements of earnings (including the consolidated statement of earnings of Steinberg's Limited and its retail and manufacturing subsidiary companies), 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 30, 1977 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 14, 1977

Chartered Accountants

Ten year statistical review

(thousands of dollars except where noted)

	1977 $	1976* $	1975 $
Sales — retail and manufacturing	**1,754,076**	1,594,285	1,420,966
Salaries, wages and employee benefits	**261,521**	222,878	190,449
Depreciation and amortization	**20,513**	18,729	15,803
Income taxes			
current	**16,283**	16,442	16,039
deferred	**3,162**	2,327	(1,016)
Net earnings	**21,895**	21,266	11,901
per common and Class "A" share	**$3.10**	$3.01	$1.66
per dollar of sales	**1.25¢**	1.33¢	.84¢
Inventories	**146,118**	122,432	112,165
Working capital	**74,611**	54,628	35,438
Total assets	**522,163**	471,917	418,115
Shareholders' equity (book value)	**179,701**	163,644	147,730
per common and Class "A" share	**$24.67**	$22.24	$19.83
return on equity	**12.18%**	13.00%	8.06%
Dividends to shareholders	**4,865**	4,468	4,489
Capital expenditures	**47,056**	46,614	36,590
Food stores	**206**	197	196
sales area (thousands of feet)	**3,488**	3,273	3,185
Department stores	**31**	28	28
sales area (thousands of feet)	**2,112**	2,046	2,046

*53 weeks

1974 $	1973 $	1972 $	1971* $	1970 $	1969 $	1968 $
1,185,581	1,002,304	871,828	786,407	679,650	553,335	480,125
158,399	134,465	114,650	102,575	88,206	77,314	69,835
14,473	12,903	11,511	10,674	10,168	9,389	8,349
13,495	12,759	10,067	9,111	8,393	3,952	5,139
2,339	1,377	552	(111)	1,054	1,685	2,184
16,229	16,729	14,972	9,459	9,317	5,909	6,402
$2.29	$2.37	$2.16	$1.37	$1.34	$0.84	$0.91
1.37¢	1.67¢	1.72¢	1.20¢	1.37¢	1.07¢	1.33¢
113,283	82,391	68,440	59,011	55,723	47,412	41,618
23,440	30,725	26,203	8,979	9,151	10,846	4,863
389,003	338,292	287,848	266,685	252,950	244,808	227,554
141,192	130,331	117,411	104,488	98,083	91,410	88,276
$18.77	$17.10	$15.20	$13.41	$12.36	$11.37	$10.89
11.49%	12.84%	12.75%	9.05%	9.50%	6.46%	7.25%
4,509	3,481	2,620	2,608	2,666	2,671	2,665
34,309	36,329	22,456	18,428	11,631	16,860	21,616
191	187	185	179	176	178	175
3,019	2,815	2,692	2,544	2,455	2,467	2,390
32	31	28	26	23	22	15
2,294	2,173	2,001	2,138	1,980	1,904	1,430

Ivanhoe and Subsidiaries

Consolidated revenues and net earnings of Ivanhoe and its subsidiaries increased substantially during fiscal 1977. During the year the Company reorganized its long term debt structure by replacing virtually all such debt owing to Steinberg's with borrowings from conventional lending institutions.

Rental income increased by $2,686,000 or 13% from $20,781,000 to $23,467,000, while gains on the disposal of real estate increased from $49,000 to $1,188,000. Earnings before taxes amounted to $6.3 million in comparison with $4.7 million in 1976. Total income taxes equalled $2,937,000 compared to $1,789,000. Net earnings amounted to $3,128,000 in comparison with $2,883,000 in the previous year.

Cash flow from operations totalled $8,081,000 compared to $6,972,000 in the previous year.

At the year end fixed assets, including land held for future development, were carried on the books of the Company at $173,767,000, an increase of $12,558,000 from $161,209,000 in 1976. Long term debt showed a decrease of $1.5 million to $125,582,000. Total assets equalled $188,320,000.

Champlain Mall in Brossard, Quebec, which already included a Steinberg food store and a Sears department store, was expanded during the year by the addition of a 100,000 square foot Miracle Mart store and approximately 90,000 square feet of smaller stores. A photograph of a portion of the expanded mall is shown on this page. Expansions were also completed at Place Pierre Boucher in Boucherville and at Carrefour Jean Talon in Orsainville, Quebec. An expansion of approximately 100,000 square feet of gross leasable area to the Île Perrot shopping centre, including a new Canadian Tire store, will be opened in late autumn 1977.

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The Ivanhoe group of companies owns 32 shopping centres, 52 other retail premises and five warehouses and food processing facilities with a total gross leasable area of approximately 8 million square feet. In addition, Ivanhoe has interests, ranging from 15% to 50%, in eight other major shopping centres with a total gross leasable area of approximately 3 million square feet. A major regional centre in which Ivanhoe holds a 24 1/2% interest, Les Promenades St-Bruno, with more than 900,000 square feet of rentable area is under construction and scheduled for opening in September 1978.

As the rate of new shopping centre construction slackens, Ivanhoe will concentrate more on renovation and on improving the tenant mix in its established shopping centres.

Ivanhoe is currently negotiating the sale of a new series of first mortgage bonds intended to be secured on certain of its properties which are presently either unfinanced or financed by secured short term borrowings. By supplementary letters patent issued subsequent to the year end the name of the company was changed to Ivanhoe Inc.

Consolidated balance sheet

Ivanhoe Corporation and Subsidiary Companies
As at July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Assets		
Property Interests (note 2)		
Income producing properties	187,446	172,990
Accumulated depreciation	39,650	35,821
	147,796	137,169
Land held for future development	25,971	24,040
	173,767	161,209
Other Assets		
Cash		355
Accounts receivable (note 4)	8,346	11,770
Prepaid expenses	2,345	2,386
Investments (note 3)	2,985	3,421
Unamortized discount on long-term debt	877	976
	188,320	180,117
Liabilities		
Long-Term Debt and Other Obligations (note 5)	125,582	127,073
Other Liabilities		
Bank advances	1,528	
Accounts payable and accrued liabilities (note 6)	8,453	4,833
	9,981	4,833
Deferred Income Taxes	9,382	8,502
Minority Interest (including $6,990,000 of preferred shares of a subsidiary held by Steinberg Limited	8,462	7,494
	153,407	147,902
Shareholders' Equity		
Capital Stock (note 7)	15,420	15,100
Retained Earnings	19,493	17,115
	34,913	32,215
	188,320	180,117

Signed on Behalf of the Board
Sam Steinberg, Director
H. Arnold Steinberg, Director

Consolidated statement of earnings

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Revenue		
Rentals — Steinberg's Limited and subsidiaries	11,044	9,480
— other	12,423	11,301
Gain on sale of land	1,188	49
	24,655	20,830
Expenses		
Operating and administrative	2,692	2,766
Wages and employee benefits	2,435	2,103
Depreciation	3,974	3,679
	9,101	8,548
Earnings from Operations	15,554	12,282
Financial (Income) and Other Expenses		
Interest and amortization of discount on long-term debt		
Steinberg's Limited	942	1,887
Other	9,676	8,139
Other interest	36	43
Interest earned and gain on redemption of long-term debt	(935)	(1,189)
Income from 50% owned and affiliated companies (note 1)	(464)	(1,310)
	9,255	7,570
Earnings before Income Taxes and Minority Interest	6,299	4,712
Income Taxes		
Current	2,056	1,474
Deferred	881	315
	2,937	1,789
Earnings before Minority Interest	3,362	2,923
Minority Interest	234	40
Net Earnings for the Year	3,128	2,883

Consolidated statement of retained earnings

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Balance — Beginning of Year	17,115	14,982
Net earnings for the year	3,128	2,883
	20,243	17,865
Dividends on preferred shares	750	750
Balance — End of Year	19,493	17,115

Consolidated statement of cash flow and changes in financial position

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 30, 1977
(thousands of dollars)

	1977 $	1976 $
Net Earnings	3,128	2,883
Items not requiring cash		
Depreciation	3,974	3,679
Deferred income taxes	881	315
Other	98	95
Cash Flow from Operations	8,081	6,972
Financing		
Additional long-term debt	38,071	59,500
Mortgage and sinking fund payments	(39,845)	(50,356)
Issuance of capital stock	320	
Issuance of shares of a subsidiary to Steinberg's Limited	582	
	(872)	9,144
Funds obtained from other assets and liabilities	10,073	6,834
Payment of Dividends on Preferred Shares	(750)	(750)
Funds Available for Investment	16,532	22,200
Invested in Property Interests	16,532	22,200

Notes to consolidated financial statements

Ivanhoe Corporation and Subsidiary Companies
For the year ended July 30, 1977

1. Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which Ivanhoe Corporation holds an interest in excess of 50%. The investments in 50% owned and affiliated companies are accounted for on the equity basis.

2. Property Interests

Properties held for future development are carried at cost plus direct carrying charges such as interest and realty taxes on land up to the appraised value of the land and on construction in progress until the official opening date of the project or a satisfactory level of occupancy is achieved.

Capitalization in respect of all projects is subject to a reasonable maximum period of time.

Depreciation is recorded on operating income properties on the straight line method at the following rates which are sufficient to amortize the cost over their estimated useful lives: buildings 40 years, parking areas 25 years, equipment 10 years.

3. Investments

	1977	1976
	(thousands of dollars)	
50% owned companies		
Shares — at equity	**127**	345
Advances	**415**	415
	542	760
Affiliated companies		
Shares — at equity	**2,016**	1,505
Advances	**427**	1,156
	2,443	2,661
	2,985	3,421

4. Accounts Receivable

	1977	1976
	(thousands of dollars)	
Due from tenants	**1,637**	1,655
Amounts recoverable from land transactions, funds on deposit and other items	**6,709**	10,115
	8,346	11,770

5. Long-Term Debt and Other Obligations

	1977	1976
	(thousands of dollars)	
First mortgage sinking fund bonds		
Ivanhoe Corporation		
$7\frac{1}{2}$% Series A, due 1991	**4,355**	4,465
7% Series B, due 1991 repayable in U.S. currency $1,832,000 (1976 — $1,913,000)	**2,009**	2,094
Steinberg's Properties Limited		
$4\frac{1}{2}$% Series A, due 1980	**561**	616
6% Series "B", "C" and "D", due 1982-84	**3,496**	4,390
Steinberg's Shopping Centres Limited		
7% Series A, due 1985	**3,765**	4,408
$8\frac{1}{2}$% Series B, due 1994	**3,905**	3,946
Steinberg Realty Limited		
$8\frac{1}{2}$% Series A, due 1991	**14,224**	14,534
$8\frac{7}{8}$% Series B, due 1993	**21,347**	21,615
	53,662	56,068

Sinking fund requirements for the above bonds for the five ensuing years are as follows: 1978 — $2,058,000; 1979 — $2,366,000; 1980 — $2,427,000; 1981 — $2,658,000; 1982 — $2,636,000. The excess of bonds redeemed and cancelled to date over the cumulative sinking fund requirements at July 30, 1977 amounting to $2,201,000 may be applied against these requirements.

Note 5 — (continued)

	1977	1976
	(thousands of dollars)	
Mortgage loans and balances payable on land purchases		
6% - 10% balances payable on land purchases	**2,123**	2,776
5½% - 7½% mortgage loans, repayable in varying monthly instalments to 1989	**6,622**	7,330
10½% mortgage loan repayable in monthly instalments to 1996	**883**	897
11½% mortgage loans repayable in varying monthly instalments to 1992	**2,121**	
11¾% mortgage loans repayable in varying monthly instalments to 1995	**8,214**	6,672
	19,963	17,675
Other obligations		
Non-interest bearing advance	**35**	61
6% notes due on demand	**780**	780
Secured term loan due May 19, 1982 with interest at ½ of 1% to 1% above prime	**4,200**	3,870
7% demand note due to Steinberg's Limited		16,420
Secured term loan due July 31, 1980 with interest at 1¼% above prime	**15,500**	15,500
Secured term loan due June 15, 1982 with interest at 1¼% above prime	**15,000**	5,000
Secured term loan due on September 1, 1980 with interest at 1¼% above prime	**16,442**	11,699
	51,957	53,330
	125,582	127,073

6. Accounts Payable and Accrued Liabilities

	1977	1976
	(thousands of dollars)	
Steinberg's Limited and subsidiaries	**4,396**	910
Other	**3,683**	3,602
Income taxes	**374**	321
	8,453	4,833

7. Capital Stock

	1977	1976
	(thousands of dollars)	
Authorized		
155,000 5% non-cumulative preferred shares redeemable at their par value of $100 each		
200,000 Class "A" non-voting shares of the par value of $1 each		
50,000 common shares of the par value of $1 each		
Issued, outstanding and fully paid		
153,200 preferred shares	**15,320**	15,000
90,000 Class "A" shares	**90**	90
10,000 common shares	**10**	10
	15,420	15,100

During the year the company issued 3,200 preferred shares with an attributed value of $320,000 in consideration for land purchased.

8. Contingent Liabilities

Guarantees

Ivanhoe Corporation has guaranteed bank loans amounting to $5,614,175 of companies in which it has ownership interests.

9. Comparative Figures

Certain comparative figures for 1976 have been restated to conform with the current year's presentation.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Ivanhoe Corporation as at July 30, 1977 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 30, 1977 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.

Montreal, Quebec
October 14, 1977

Coopers & Lybrand
Chartered Accountants

Developing Tomorrow's Executives Today

The accelerated growth of the Steinberg organization during the 1960's and early 1970's accentuated the need for the early identification and recognition of those individuals with potential management and leadership qualities that would enable the Company to meet the demanding requirements of the future.

This required that our present managers devote a good portion of their time, attention and energies — sometimes at the expense of day to day operational concerns — to solving the longer term human resource needs of the organization. Over recent years we have put into place a number of programs dealing with the accelerated development of promising individuals, some details of which have been provided in previous annual reports.

Rewarding results are being experienced in virtually all areas of our operations as more and more highly trained and skilled young employees are given, and willingly undertake, enlarged responsibilities. The future strength of our organization lies with such persons.

The individuals pictured on these pages are merely representative of the growing core of our future management strength.

Treasurer, Cartier Sugar

Store Manager, Miracle Mart

Leasing Manager, Ivanhoe

Manager of Treasury Services, Steinberg's

Meat Merchandising Manager, Quebec Division

Regional Manager, Ontario Division

Regional Employment Manager, Steinberg's

Directors

Sam Steinberg, O.C.
Chairman of the Board

Nathan Steinberg
Vice-Chairman of the Board

André Charron, Q.C.
President,
Lévesque, Beaubien Inc.

Melvyn A. Dobrin

Mitzi S. Dobrin

James N. Doyle

Campbell W. Leach, D.C.L.

Jack Levine

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

Gérard Plourde
Chairman of the Board,
UAP Inc.

H. Arnold Steinberg

Officers

Corporate

Sam Steinberg
Chairman of the Board,
Chief Executive Officer

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

Melvyn A. Dobrin
President

James N. Doyle
Executive Vice-President,
Legal & Corporate Affairs,
Secretary

Jack Levine
Executive Vice-President,
Retailing

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

Stanley F. English
Vice-President & General
Counsel

Harold G. Geraghty
Vice-President,
Real Estate — Ontario

William Howieson
Vice-President,
Treasurer & Comptroller

Morris Ladenheim
Vice-President,
Private Label Development

Malcolm N. MacIver
Vice-President,
Labor Relations

John Nagy
Vice-President &
General Manager, Architecture
& Construction

Avrum Rubinger
Vice-President,
Real Estate — Quebec

Sidney Pasoff
Vice-President,
Management Systems &
Control

Henri Tremblay
Vice-President, Personnel

Diane Marcelin Laurin
Assistant Secretary

Quebec Division

Gerry Spitzer
Group Vice-President &
General Manager

Rosaire Beauregard
Vice-President, Unit Operations

Marvin Biltis
Vice-President, Marketing

Guy Dulude
Vice-President, Unit Operations

Rodrigue Gagnon
Vice-President, Human Resources

François Jolicoeur
Vice-President, Distribution

Jean-Claude Lelièvre
Vice-President &
General Manager, Québec-Nord

Jean-Roch Vachon
Vice-President, Unit Operations

Ontario Division

Norman Auslander
Group Vice-President &
General Manager

Oscar Plotnick
Senior Vice-President

Albert Alon
Vice-President, Human Resources

Earle Coe
Vice-President, Distribution

Hy Solomon
Vice-President, Marketing

Douglas R. Stewart
Vice-President, Unit Operations

Miracle Mart Division

Mitzi S. Dobrin
Group Vice-President &
General Manager

Soly Cohen
Vice-President, Store Operations

Sam Halpern
Vice-President & General Merchandise
Manager — Hard Goods

Brahm Steinberg
Vice-President & General Merchandise
Manager — Soft Goods

Subsidiary Companies

Cardinal Distributors Limited

Morris Steinberg,
President

Barry Setnor,
Vice-President &
General Manager

Cartier Sugar Ltd.

John A. Lang,
President

Intercity Food Services Inc.

Lewis Steinberg,
President

Edy Lackman,
Vice-President &
General Manager

Ivanhoe Corporation

H. Arnold Steinberg,
President

Ralph H. Ordower,
Vice-President &
General Manager

Phénix Flour Limited

John A. Lang,
President

Guy Tremblay,
Vice-President &
General Manager

Steinberg Foods Limited

Jack Levine,
President

Joe Beerman,
Vice-President &
General Manager

Affiliated Company

Pharmaprix Limited

Mark Schwartz,
Vice-President &
General Manager

Head Office
Alexis Nihon Plaza,
1500 Atwater Avenue,
Montreal, Canada
H3Z 1Y3

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

Class "A" and 5¼% Preferred Shares
Montreal Stock Exchange
Toronto Stock Exchange

Auditors

Coopers & Lybrand
Montreal

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since 1917

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