Automotive replacement parts
Automotive performance parts
Automotive garage equipment
Remanufactured automotive engines and parts
Paint and body supplies
Welding equipment, supplies and gases
Fasteners
Janitorial and maintenance products
Safety equipment
Abrasives
Turf care equipment
Machine shops
Electrical supplies
Doors and hardware
Hand and power tools
Construction supplies
Farm supplies
Mining and assay supplies

"Our people are the key to our success."

Acklands Limited

Annual Report

1988

Acklands Limited 100 1889 1989

CELEBRATES THE FUTURE

Annual Meeting

The Annual Meeting of Acklands Limited will be held on Monday, July 31, 1989, at 4 p.m. in the British Columbia Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario

Rapport Annuel

Si vous désirez recevoir un exemplaire en français de ce rapport, veuillez vous adresser au Secétaire, Acklands Limitée.

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Acklands Mission

To continue to grow and become the most profitable distributor of automotive, industrial and related products in Canada. The products we handle will be carefully selected from quality manufacturers around the world, assessed by our own Acklands experts to ensure optimum quality at competitive prices for our customers, and sold by competent sales staff through market channels that will include Acklands' own stores and distribution centres, associates and a direct sales force serving national accounts.

"Our people are the key to our success."

Financial Highlights

	January 31, 1989 14 months	November 30, 1988 12 months (unaudited)	November 30, 1987 12 months
Sales	$ 480,032,000	$ 421,868,000	$ 395,893,000
Income before income taxes,			
unusual and extraordinary items	58,000	5,021,000	7,173,000
Net income (Loss)	(15,478,000)	(2,511,000)	3,768,000
Earnings per common share			
Income before income taxes,			
unusual and extraordinary items	0.01	1.01	1.45
Net income (Loss)	(3.13)	(0.51)	0.76
Shareholders ' equity	80,240,000	93,207,000	98,687,000
Equity per common share	16.21	18.83	19.94
Total Assets	207,971,000	233,240,000	230,354,000

Acklands

Acklands is a Canadian distributor of automotive, industrial and related products. It operates over 200 branches with 135 Bumper to Bumper associates and 74 Maurice Rousseau cie associates across Canada.

Acklands sells more than 150,000 different types of products to more than 150,000 customers.

Acklands employs 2,500 Canadians and is 100 years old in 1989.

David Blank
Chairman
Acklands Limited

1988 was a year of evaluation and change at Acklands

1988 was the end of the first century of Acklands history, and a year in which the company made major efforts to prepare itself for a successful future.

It was a year of evaluation and change.

The financial results themselves do not reflect the positive developments in the company over the past year. Rather, they indicate one-time charges related to the disposition of non-profitable businesses, the closing of several duplicate locations, warehouse consolidations, and the write-down of some computer equipment. Results were also affected by a provision for excessive and discontinued inventory. Severance and other expenses required to restructure Acklands were also incurred so that the company can fulfil its mission.

During the year, we discontinued several businesses. We no longer distribute Yanmar tractors and marine engines, and consumer products including boat trailers and fishing tackle. We have sold our Turf Care distribution operations in Manitoba, Saskatchewan and Alberta.

We moved our Canadian Performance Distributors business from Burlington, consolidating it into our Toronto automotive warehouse. We completely re-organized and realigned the Toronto industrial distribution centre.

In British Columbia, we moved fasteners and paint and body supplies from their own warehouses into our main distribution centre.

In Manitoba, we built a new distribution centre in Winnipeg, to serve our branches throughout the province and in Northwest Ontario.

In order to reduce costs and improve service, we consolidated branches in Victoria, Burnaby, Campbell River, Prince George, Saskatoon, Prince Albert, Winnipeg, Dauphin, Thunder Bay and Toronto.

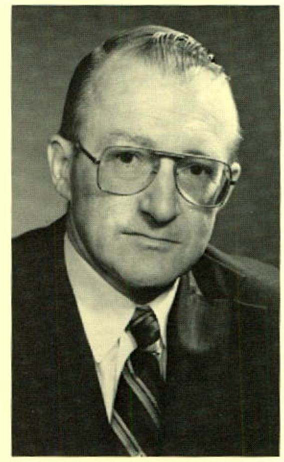
We appointed new regional general managers in Manitoba, Ontario and Quebec, in order to better capitalize on the above average sales potential in these regions.

More details on other changes during the year are found in ***" The report on 1988 and Plans for 1989 at Acklands,"*** which begins on ***page 5***

The board of directors decided in November 1988 to change the year end from November 30 to January 31.

In light of the current financial results, the company suspended the normal quarterly dividend payments.

For the 14 month period ending January 31, 1989 Acklands Limited had sales of \$480,032,000 and a loss of \$15,478,000 or \$3.13 per share. This loss of \$15,478,000 is after giving effect to a \$17,840,000 special charge (\$15,528,000 after tax or \$3.14 per share) . This charge is a result of a restructuring program which the company has undertaken



Robert H. Lane
President
Acklands Limited

to divest itself of marginal operations, restructure and re-evaluate its core businesses. This restructuring charge is recorded as an unusual item and includes amounts for severance expenses, closure of branches, provisions for excess and discontinued inventory and other write-downs.

During 1988, Robert H. Lane was appointed President, and David Blank took on additional responsibilities as full time Chairman. Murray Cutler joined the company as Senior Vice-president, responsible for operations. George Ellis came to Acklands as Director of Human Resources. The four of us form the executive committee of the company.

We travelled across the country, meeting with customers, employees, and suppliers, working together to assess and understand the company. We learned what changes are necessary to allow the company to grow and prosper. We have created a strategic plan, the most important aspects of which are communicated through our mission statement. This mission statement is found on *page 1* of this report

Acklands is a very large company. Its success depends on the ability of managers and other employees throughout the organization to adapt overall company policies to the particular needs of their own communities and markets. The initiative and imagination of our employees is particularly valuable. Improved communications across the country helps good ideas spread.

We would like to thank several groups for their support in 1988. We thank our suppliers and our customers, for several reasons. Not only did they continue to conduct business with Acklands during the year, they provided excellent advice on new directions for the company.

Our board deserves special recognition. In addition to providing advice and counsel over the year, board members travelled to Acklands branches, attended our national sales meeting, and met with hundreds of employees and dozens of customers throughout the year. In order to learn more about the company and its customers, board meetings were held in Saskatoon, Winnipeg and Sudbury, in addition to the regular meetings in Toronto.

Our employees contributed to our efforts to make Acklands even more successful. It is particularly gratifying that so many long service employees have welcomed us and have pledged their assistance in the changes that are needed. Thanks to all of you.

The major goal of management in 1988 was to examine the company, and determine how it should proceed in the future. We believe that this has been done, and that the future of Acklands is bright.

Our outlook for 1989 and beyond indicates that Acklands must continue to be very flexible. In the past, the distribution business was relatively static. Now it is constantly in flux, and we believe that we must be prepared for evolution. Nothing remains constant. The heart of Acklands will continue to be our automotive and industrial distribution operations.

In 1989, we will continue to strengthen the automotive sector of our business. Changes to our management team have made it more effective, and we welcomed new members to our Bumper to Bumper associate program. We are planning to expand in market areas we currently do not cover.

On the industrial side, programs are in place to provide the same range of product offerings in all of Canada. Particular emphasis will be directed at welding products, fasteners and machine tools.

In Quebec, we were not in the industrial business until late in 1988. We recognize Quebec is a large market, and we are converting some of our automotive locations and adding staff to provide industrial products to customers throughout the province.

Automotive and industrial sales in all of Canada will benefit from our revamped trade show program. In 1989, we are holding major regional and local trade shows across Canada, where our suppliers demonstrate directly to our customers the products we sell. During the shows, we hold senior level customer meetings, explaining to our major customers and prospects the changes Acklands is undertaking to improve customer service and product quality. We explore various ways of increasing sales. The overall emphasis is on increasing sales and raising awareness of Acklands with our suppliers, customers and employees.

During 1988 we examined our advertising and promotion, and launched an advertising program in early 1989 covering the automotive and industrial fields.

Inventory control and the management of the products we sell have been improved by a product mix alignment. Some lines have been discontinued, duplicate lines have been dropped, and new lines have been added, all to make product selection easier for our customers. Overall, the management of these important assets has improved as reflected in the increase in inventory turns from 2.5 to 2.8. Additional improvements are forecast for 1989.

In our related businesses, in the door, turf care, remanufactured automotive parts and mines assay divisions, we expect continuing profitability and growth over the next year, followed by greater growth as expansion plans are put into place. While these businesses will operate in 1989 with their own identities, they are also becoming more integrated into the overall Acklands group, and employees of these divisions are encouraged to think of themselves as part of Acklands.

We are committed to change. We are undergoing fundamental reorganization, bringing an increased national focus to our various operations across Canada, eliminating peripheral distractions, and concentrating on increasing the profitability of the company.

We look upon change as an investment. In 1988 we spent a great deal of money getting ready for the future. Without this spending, however, we would not prosper tomorrow. The investment in better facilities, better staff, better inventory, better controls, better promotion, and better products will begin to pay off in the latter half of 1989.

Yours truly,

David Blank,
Chairman

Robert H. Lane
President

The report on 1988 and plans for 1989 at Acklands

Our principal businesses

Automotive

During 1988 steps were taken to strengthen our positions in four sectors of the industry. We are active in traditional automotive replacement parts, performance products, paint and body, and automotive garage equipment.

Automotive products are sold through corporate Acklands branches, Bumper To Bumper and Maurice Rousseau associates, and independent jobbers. Automotive products are also sold to major national accounts for resale to the public, and many of our industrial customers buy automotive parts for their own garages and fleets.

We also operate 30 machine shops which specialize in repairs to automotive and industrial engines. These shops are located primarily in Ontario, Saskatchewan, Alberta and British Columbia.

Industrial

Industrial distribution is a major element at Acklands, and industrial activities can be divided in several segments.

We sell welding supplies and gases, fasteners, janitorial and maintenance products, safety equipment, electrical supplies, abrasives, power and hand tools, construction equipment and supplies, machine tools and general industrial supplies.

Farm supplies

We distribute a wide range of specialized farming supplies, primarily through our branches in Western Canada. Farm supplies are a specially chosen mix of industrial and automotive products, including specialized parts for farm tractors and equipment.

Our related businesses

Western Automotive Rebuilders

This organization is headquartered in Saskatoon. WAR remanufactures car and truck engines, water pumps, and a variety of other automobile parts. These parts are sold through Acklands automotive branches, our Bumper To Bumper and Maurice Rousseau associates, independent jobbers, national chains, and are also exported to customers in the United States.

Accurate Door and Hardware

This is a Vancouver-based company supplying industrial and residential doors to the British Columbia building trades, and to renovators. Accurate Door buys and modifies both metal and wood doors, and its products can be found in industrial buildings, shopping centres and stores, and all types of residences.

Turf Care

This division is based in Vancouver and distributes lawn and garden equipment throughout British Columbia. Turf Care is the British Columbia distributor of Toro lawn mowers and equipment. It sells power saws, generators, portable water pumps, hedge trimmers, tillers, and similar products, in addition to residential and commercial lawn mowers and sweepers. Turf Care's customers include hardware stores and other retailers, many rental stores, and municipal, provincial and federal governments, golf courses, and school districts.

Mines Assay

This division operates from Kirkland Lake, Ontario, and sells equipment and chemicals used by mines to determine the quality of their ore. While many customers are in the northern Ontario mining belt, Mines Assay also sells via catalog to customers across the country. Products include crucibles, crushers and other equipment, along with the specialized chemicals used to determine the kinds and qualities of ore in a mineral sample.

Changes and progress

Throughout 1988, Acklands management evaluated the company and developed a strategic plan. Management looked at the people and job functions serving our customers. We then put into place a series of changes designed to concentrate efforts on profitable aspects of the business, eliminate duplicate facilities and streamline our inventory.

Operations

Operations managers

We decided that there should be an individual in each region directly responsible for ensuring that products reached our warehouses and stores, and then our customers, as efficiently as possible. In early 1989 we added regional operations managers across the country. The operations managers have overall regional responsibility for the flow of products, and are also responsible for computer operations within the regions. Improved customer service and increased productivity are paramount with them.

Real estate

The Acklands distribution centres and branches total more than 2.75 million square feet of owned and leased space. A full time real estate professional has joined Acklands to maximize our return on this important asset.

New branches

The market for the automotive and industrial products we distribute includes major cities and many smaller communities. During 1988, we opened new branches in Mississauga, Georgetown, Whitehorse, Drumheller, and Sherbrooke.

Product managers

Proper selection and promotion of the products we sell to our customers is a key to our profitability. During 1988 we put in place a product manager group. These managers are responsible for the selection, pricing, marketing and turn rates of all Acklands products. They make sure we have the optimum balance of price, quality and variety. Duplicate lines are being eliminated, and low volume products are being discontinued.

Finance and control

In early 1989, a network of regional controllers was established across the country. These financial professionals are responsible for all the financial controls, budgeting, credit and receivables, and analysis within each region.

Human resources

In 1988, Acklands created a human resources department. The human resources group has established new standardized benefits for all employees, to ensure fair treatment regardless of where an employee works.

In order to attract and keep quality employees, it is necessary to pay them fairly. A new compensation plan has been developed during 1988 and implemented at the beginning of 1989. All branch employess now participate in an incentive plan. Acklands recognizes the need to attract quality staff, and keep our most valuable employees.

We are establishing new career planning and training programs, to identify employees with the skills that will permit them to be promoted. Training to improve business management techniques, sales skills and product knowledge is being put in place in 1989.

Sales and marketing

National accounts

Changing demands in the marketplace have lead many customers to the realization they can benefit from national purchasing. Acklands recognized this during 1988, and established a national accounts team. It has already achieved success in the automotive field, negotiating supply contracts with several national chains. On the industrial side, the national accounts team has obtained contracts from a number of major Canadian companies to supply their organizations in various locations across the country.

Telemarketing

Many of our customers buy small amounts from us, and we cannot justify the costs of having sales staff call on them. In order to continue to serve them, we have begun telemarketing pilot projects in Quebec, Ontario and British Columbia. This outbound business solicitation service is in addition to the traditional inbound telephone order desks we operate in all regions.

National sales conference

In January 1989, we held the first Acklands national sales conference. It was attended by over 600 employees who learned about the company's plans for the future, and re-examined the sales techniques they use in their own branches and territories.

Emphasis at the conference was on working as a team, whether within a branch, a region, or nationally. We are dedicated to selling each of our customers more of our products than they previously bought from our range of 150,000 different items.

Consolidated Balance Sheet

Assets	January 31, 1989	November 3o, 1987
Current Assets		
Accounts receivable	$ 54,937,000	$ 66,519,000
Income taxes recoverable	2,200,000	-
Inventories	98,822,000	113,513,000
Prepaid expenses	2,055,000	1,421,000
	158,014,000	181,453,000
Other Assets		
Mortgages and lien notes receivable and other assets	6,095,000	7,688,000
Fixed Assets (note 3)		
Land, buildings and equipment	77,012,000	71,979,000
Accumulated depreciation	33,150,000	30,766,000
	43,862,000	41,213,000
	$ 207,971,000	$ 230,354,000
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (note4)	$ 68,553,000	$ 41,880,000
Accounts payable and accrued liabilities	43,454,000	53,672,000
Income and other taxes payable	899,000	2,007,000
Principal due within one year on long-term debt	3,107,000	2,768,000
	116,013,000	100,327,000
Long-Term Debt (note 5)	9,039,000	26,958,000
Deferred Real Estate Income	2,679,000	3,090,000
Deferred Income Taxes	-	1,292,000
Shareholders' Equity		
Capital stock (note 6) 4,948,731 Common shares	53,707,000	53,707,000
Retained Earnings	26,533,000	44,980,000
	80,240,000	98,687,000
	$ 207,971,000	$ 230,354,000

Approved by the Board:

David Blank

David Blank
Director

Robert H. Lane

Robert H. Lane
Director

Consolidated Statement of Income

	Fourteen months ended January 31, 1989	Year ended November 30, 1987
Sales	$ 480,032,000	$ 395,893,000
Cost of sales, selling and administrative expenses	463,998,000	376,941,000
	16,034,000	18,952,000
Other expenses		
Depreciation	5,886,000	4,220,000
Interest on long-term debt	4,189,000	3,213,000
Other interest	6,812,000	5,356,000
	16,887,000	12,789,000
	(853,000)	6,163,000
Gain on sale of fixed assets	911,000	1,010,000
Income before the undernoted (note 8)	58,000	7,173,000
Unusual items (note 9)	17,840,000	964,000
Income (loss) before income taxes and extraordinary item	(17,782,000)	6,209,000
Income taxes (recovery) (note 10)	(2,304,000)	3,051,000
Income (loss) before extraordinary item	(15,478,000)	3,158,000
Income tax reduction on application of unrecognized tax benefits of prior years	-	610,000
Net Income (Loss)	$(15,478,000)	$ 3,768,000
Earnings (Loss) Per Share		
Income (loss) before extraordinary item	$ (3.13)	$ .64
Net income (loss)	(3.13)	.76

Consolidated Statement of Retained Earnings

	Fourteen months ended January 31, 1989	*Year ended November 30, 1987*
Balance at beginning of period,		
as restated (note 11)	$ 44,980,000	$ 44,181,000
Net income (loss)	(15,478,000)	3,768,000
	29,502,000	47,949,000
Dividends on common shares	2,969,000	2,969,000
Balance at end of period	$26,533,000	$44,980,000

Consolidated Statement of Changes in Financial Position

Cash Provided by (Used For) :	*Fourteen months ended January 31, 1989*	*Year ended November 30, 1987*
Operations		
Income (loss) before extraordinary item	$ (15,478,000)	$ 3,158,000
Items not involving cash		
Depreciation	5,886,000	4,220,000
Income taxes	(1,438,000)	2,114,000
Gain on sale of fixed assets, net of write down	(911,000)	(1,010,000)
Non-cash items included in unusual items	932,000	67,000
Other items	1,031,000	300,000
Change in non-cash operating working capital	12,073,000	(1,480,000)
	2,095,000	7,369,000
Financing		
Proceeds from issue of long-term debt	3,817,000	3,593,000
Reclassification of long-term debt to		
demand bank indebtedness	(18,006,000)	-
Repayments of long-term debt	(3,391,000)	(2,725,000)
Dividends	(2,969,000)	(2,969,000)
Issue of common shares on acquisition		
of business	-	1,933,000
	(20,549,000)	(168,000)
Investments		
Additions to fixed assets	(10,083,000)	(5,569,000)
Proceeds from sale of fixed assets	1,257,000	1,762,000
Acquisition of net assets of business	-	(3,888,000)
Decrease (increase) in mortgages and lien		
notes receivable and other assets	607,000	(1,740,000)
	(8,219,000)	(9,435,000)
Increase in Bank indebtedness	26,673,000	2,234,000
Bank indebtedness at beginning of period	41,880,000	39,646,000
Bank indebtedness at end of period	$ 68,553,000	$ 41,880,000

Acklands Limited
Notes To Consolidated Financial Statements
Fourteen Months Ended January 31, 1989

1. General

The company is incorporated under the laws of Manitoba and is engaged in the integrated distribution of automotive and industrial products in Canada. During the period, the company changed its fiscal year end from November 30 to January 31.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows :

Buildings	2% Straight-line
Computer equipment	12.5% to 20% Straight-line
Equipment, other than automotive	10% Straight-line
Equipment, automotive	30% Diminishing balance
Leasehold improvements	Over the unexpired term of the lease

(d) Deferred real estate income

The profits realized on the sale and lease back of property have been deferred and are being amortized over various periods according to the terms of the related leases.

(e) Leases

Leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (c) above. Rental payments under operating leases are expensed as incurred.

(f) Pension Plan

The pension amount reflected in income includes the amortization of the difference between plan assets and benefit obligations calculated on a straight-line basis over the estimated average service life of the employee group. The plan assets are valued on a moving average basis related to market.

3. Fixed Assets

	January 31, 1989			November 30, 1987
	Cost	Accumulated depreciation	Net	Net
Land	$ 3,626,000	$ -	$ 3,626,000	$ 3,121,000
Buildings	22,977,000	5,257,000	17,720,000	16,204,000
Equipment	27,504,000	18,645,000	8,859,000	8,114,000
Equipment under capital leases	14,740,000	5,763,000	8,977,000	9,244,000
Leasehold improvements	8,165,000	3,485,000	4,680,000	4,530,000
	$ 77,012,000	$ 33,150,000	$ 43,862,000	$ 41,213,000

4. Bank Indebtedness

At January 31, 1989, and subsequently, certain of the financial covenants contained in the company's banking agreement were not met due to the unusual charge to earnings. (note 9)

On June 12, 1989, the company's bankers removed the restrictive covenants and converted the loans to being due on demand. All bank indebtedness at January 31, 1989 has been reclassified to reflect this change, bears interest at prime plus 1/4% and is secured by a first and floating charge on the assets of the company.

The company has entered into interest rate swap contracts to fix the interest rate on $35,000,000 of its bank debt for varying periods up to 1996 at an average rate of interest of 10.8%.

5. Long-Term Debt

	January 31, 1989	November 30, 1987
Term Bank Loan		$ 18,006,000
Obligations under capital leases with maturities to 1999	$ 9,502,000	8,738,000
Mortgages, agreements and notes, payable in monthly or quarterly instalments with a weighted average interest rate of 10 1/4%	2,644,000	2,982,000
	12,146,000	29,726,000
Principal included in current liabilities	3,107,000	2,768,000
	$ 9,039,000	$ 26,958,000

(a) Capital leases

Future minimum lease payments due under capital leases are as follows:

	January 31, 1989	November 30, 1987
1989	$ -	$ 3,794,000
1990	3,466,000	2,491,000
1991	2,753,000	1,878,000
1992	2,198,000	1,245,000
1993	1,660,000	791,000
1994	912,000	289,000
1995 to 2000	1,221,000	542,000
	12,210,000	11,030,000
Less Amount representing interest	2,708,000	2,292,000
Balance of obligations included in long-term debt	$ 9,502,000	$ 8,738,000

5. Long-term debt *(continued)*

(b) Principal due in each of the next five years as follows:

1990	$	3,107,000
1991		2,223,000
1992		1,887,000
1993		2,990,000
1994		864,000
Thereafter		1,075,000
	$	12,146,000

6. Capital Stock

(a) Authorized share capital of the company is a follows :

(i) 623,116 preference shares issuable in series
(ii) an unlimited number of common shares

(b) 494,871 common shares have been reserved for the employee stock option plan. During the fourteen months ended January 31, 1989, options were granted to employees, officers and directors for an aggregate of 347,500 shares at prices ranging from $15.00 to $16.125 per share. These options are exercisable on a cumulative basis to the extent of 69,500 shares per year in each of the years 1990 to 1994 and expire in 1998.

7. Contingent Liabilities and Commitments

(a) An officer's bank loan of $1,563,000 to purchase shares of the company has been guaranteed by the company.

(b) Operating leases
After recoveries of $5,029,000 from subtenants, future net rental payments for operating leases are as follows :

1990	$	7,008,000
1991		6,081,000
1992		4,914,000
1993		3,414,000
1994		3,201,000
1995 to 2006		25,608,000
		$50,226,000

8. Change in Estmate

During the period, the company revised the estimated useful life of certain computer equipment from eight years to five years. This change resulted in an increase in depreciation expense for the period of $470,000.

9. Unusual Items

In the current period, the company embarked on a restructuring program to divest itself of marginal operations, restructure and re-evaluate its core businesses. This has resulted in a charge of $17,840,000 ($15,528,000 after tax or $3.14 per share) for serverance expenses, closure of branches, provision for excess and discontinued inventory and other write downs. The 1987 comparative figures have been reclassified to separately disclose the losses of operations divested.

10. Income Taxes

(a) Provision for income taxes

The company's provision for income taxes is reconciled as follows:

	January 31, 1989	*November 30, 1987*
Income taxes (recovery) based on Canadian statutory income tax rates applied to income before income taxes and extraordinary item	$ (8,357,000)	$ 3,167,000
Increase (decrease) in taxes resulting from		
Loss carried forward to future periods	6,307,000	-
Lower effective income tax rates on capital gains	(108,000)	(242,000)
Other	(146,000)	126,000
	6,053,000	(116,000)
Income taxes (recovery)	$ (2,304,000)	$ 3,051,000

(b) Losses carried forward

At January 31, 1989 the company has the following available to reduce future years' income for tax purposes on a tax filing basis :

Losses carried forward for tax purposes until	
1991	$ 103,000
1992	204,000
1993	20,000
1995	559,000
1996	15,067,000
Net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for financial purposes	476,000
	$ 16,429,000

11. Prior Years Adjustment

In prior years, the company recorded vacation pay and certain other contractual compensation expenses on a cash basis, which did not materially differ from the amounts that would have been recorded on an accrual basis. The company has adopted the accrual method of accounting for these expenses resulting in a charge to retained earnings as at November 30, 1986 and 1987 of $1,696,000 after income taxes.

12. Pension Plan

The company maintains a contributory defined benefit pension plan covering substantially all of its employees. The plan provides benefits based on length of service and final average earnings.

As determined by the company's actuaries as at January 31, 1989, the approximate present value of accrued pension benefits amounts to $46,275,000 and the value of pension fund assets amounts to approximately $51,485,000.

Financial Statements

Management's Reporting Responsibility

The accompanying consolidated financial statements of Acklands Limited and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the corporation and its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting of a majority of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been examined by the shareholders' auditors,Thorne Ernst & Whinney, Chartered Accountants, and their report is presented below.

David Blank

David Blank
Chairman of the Board

Robert H. Lane

Robert H. Lane
President

Auditors' Report

To the Shareholders of Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at January, 31, 1989 and the consolidated statements of income, retained earnings and changes in financial position for the fourteen months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1989 and the results of its operations and the changes in its financial position for the fourteen months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 31, 1989
(June 12, 1989 as to note 4)

Thorne Ernst + Whinney

Chartered Accountants

Corporate Directory

Management

David Blank, Chairman of the Board
William Clifford, General Manager, Mines Assay
Murray Cutler, Senior Vice-President
George Ellis, Director of Human Resources
Walter Fedorak, Vice-President, Alberta
Larry B. Hesketh, General Manager, Manitoba
Ross Hurst, General Manager, British Columbia
Eugene Hretzay, Corporate Counsel and Secretary
Robert H. Lane, President and Chief Executive Officer
Michel Maheux, Vice-President, Quebec
Reginald Martin, General Manager, Turf Care
Gerald McCallum, Director of Finance and Treasurer
Gilbert Miller, General Manager, Accurate Door and Hardware
Tom Sanderson, General Manager, Ontario
Dale Scruby, General Manager, Western Automotive Rebuilders
Samuel N. Smilski, Comptroller
Ted Stokes, Vice-President, Saskatchewan

Board of directors

David Blank,
Chairman
Acklands Limited
Toronto

Philip F. Connell, F.C.A.
Senior vice-president, finance,
The Oshawa Group Limited
Toronto

Thomas Cook
Retired automotive executive
Naples, Florida

Robert H. Lane
President and chief executive officer
Acklands Limited
Toronto

Grant W. MacLaren
President
Sylvan Ventures Ltd.
Vancouver, British Columbia

Walter Stracey,
Chairman
Indal Limited
Tarpen Springs, Florida

Audit committee
Philip F. Connell, chairman
Grant W. MacLaren
Robert H. Lane

Compensation committee
Thomas Cook, chairman
Robert H. Lane
Walter Stracey

Auditors
Thorne Ernst & Whinney

Transfer agents and registrars of common shares
Montreal Trust

Share listings
Toronto and Winnipeg Stock Exchanges

Ticker symbol
ACK

Head office
125 Higgins Avenue
Winnipeg, Manitoba R3B 0B6

Executive offices
945 Wilson Avenue
Toronto, Ontario M3K 1E8
Telephone (416) 631-5200

Five Year Financial Summary

	Jan. 31 1989 (1)	*Nov. 30 1987*	*Nov. 30 1986*	*Nov. 30 1985*	*Nov. 30 1984*
Sales, continuing operations **(2)**	$ 480,032,000	$ 395,893,000	$ 362,526,000	$ 356,503,000	$ 328,474,000
Depreciation	5,886,000	4,220,000	3,964,000	3,480,000	3,004,000
Interest on long-term debt	4,189,000	3,213,000	3,297,000	3,446,000	4,061,000
Net Income (Loss)					
Including extraordinary items	(15,478,000)	3,768,000	3,218,000	8,387,000	4,356,000
Before extraordinary items	(15,478,000)	3,158,000	2,573,000	5,809,000	3,801,000
Dividends					
Preference shareholders	-	-	-	-	18,000
Common shareholders	2,969,000	2,969,000	2,612,000	2,322,000	2,319,000
Working Capital	42,001,000	81,126,000	79,354,000	64,423,000	60,939,000
Fixed assets, net	43,862,000	41,213,000	39,041,000	37,390,000	32,964,000
Long term Debt	9,039,000	26,958,000	25,902,000	28,014,000	26,787,000
Shareholders' equity	80,240,000	98,687,000	95,955,000	76,760,000	70,695,000
Total assets	207,971,000	230,354,000	218,549,000	210,350,000	185,838,000
Earnings (Loss) per common share					
Including extraordinary items	(3.13)	.76	.74	2.17	1.12
Before extraordinary items	(3.13)	.64	.59	1.50	.98
Equity per common share	16.21	19.94	19.84	19.83	18.27
Common shares outstanding	4,948,731	4,948,731	4,835,511	3,870,511	3,870,511
Number of branches	216	249	243	239	229

(1) *Fourteen month period*
(2) *Prior years' sales only include sales of operations continuing as at January 31, 1989*

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