1982
ANNUAL REPORT

sid société d'investissement desjardins

desjardins

Contents

Recent economic trends

The low point in a particularly difficult economic recession was reached in 1982. Indeed, the economic crisis has been more acute in the past three years than in any period since the 1930's. The 5% drop in the Canadian GNP from 1981 to 1982 represents the most dramatic decline we have experienced in half a century. Under the circumstances, it seems appropriate to refer to the theory of the 19th century economist Kondratieff, who observed that economic phenomena approximately follow fifty-year cycles. In fact, one can note that a few decades of vigourous growth generate a commonly-held belief in unending and ever-increasing prosperity, while creating a propitious climate for diminishing commitment and a slackening of effort in the workplace. At the same time, governments have a tendency to expand their range of services, which they finance all too easily in a context of growing inflation.

Fortunately, it is unlikely that the present crisis will attain the proportions of the Depression of the 1930's. Declining inflation and falling interest rates in the United States have begun to exert a favourable influence on the Canadian situation. There are a few other signs of recovery as well, including the increase in housing starts and the rise in stock market prices.

Post-crisis management

We can certainly take some comfort from the fact that our economic system has shown better resistance to the buffeting effects of dislocation than it did fifty years ago; nevertheless, there are some hard lessons to be learned from the present crisis. Economic agents will have to take a realistic approach and accept the sacrifices necessary for sound economic recovery; in particular, they will have to develop a spirit of solidarity directed to achievement rather than to confrontation.

The effects of the crisis have been felt very strongly in Quebec, which accounted for more than 40% of Canadian business bankcruptcies in 1982, though it is true that the vast majority of Quebec companies are active in mature, low-growth, highly competitive sectors of the economy. It is urgent that these companies submit to the self-discipline of serious planning, if they have not done so already, with the purpose of reviewing their development strategies and organizational structures. The events of recent months have shown the dangers of deferring implementation of strategies that might rock the boat, or of timid action on watered-down versions of these measures. In their post-crisis management, Quebec companies will have to concentrate their resources to maintain or move into a leading position in their fields of expertise; they will have to continue working without respite to improve their productivity and adopt versatile, flexible structures.

Paul Gauthier and Guy Bernier going over the 1982 Annual Report.

Competitive edge

In recent months, several public statements by influential individuals and organizations in the business community have drawn attention to the necessity of re-establishing general conditions that provide better stimulation for Quebec companies. We consider it important to support this point of view in our report.

The purpose of SID is to stimulate economic development by making growth capital available to companies that have their main place of business in Quebec. By encouraging the expansion of strong companies, SID ensures a higher level of economic activity with positive repercussions for all individual members of the community. In the pursuit of our objectives, we too often find it necessary to deplore the fact that our partners experience difficulties in confronting competition from outside Quebec, not because of their relative efficiency but because of additional costs attributable to the particular constraints to which Quebec companies are subject.

Secondary factors, rather than the intrinsic nature of its operations, often determine whether a company is competitive or not. To illustrate this point, let us take the example of Canadian downhill skiers who achieved remarkable successes in 1982 in a highly competitive sport. The performances of these athletes were undoubtedly due to their outstanding physical and psychological qualities and the seriousness of their training. However, if they, as Canadians, had been required to use heavier and less aerodynamic equipment than their competitors, would these athletes have experienced the same successes? If their technical support team had gone on strike on the eve of competition, would they have had a credible chance of winning?

It is important to establish an environment conducive to the development of business activity, whether in high-growth or in traditional sectors. We are on the verge of a new industrial revolution: the markets for office systems, video systems and robotics can be measured in the tens of billions of dollars. Companies in these sectors decide where to locate on the basis of the availability of specialized human resources and favourable conditions offered by the local community, rather than in terms of the proximity of raw materials or markets. High-tech companies generate considerable economic spinoff in the regions where they establish facilities. Unfortunately, few of them have chosen Quebec.

In the post-crisis period we are entering, it is fundamental for all economic agents to have a clear understanding of the importance of creating a more favourable climate for business development in Quebec, and to take the necessary action in their respective spheres of influence.

Results of operations

The continued recession in 1982 was a severe test for most of the companies with which SID is associated. In some sectors of their activity, these companies had to cope with an even more difficult period than in 1981, a year that itself had been far from easy. Among the sectors most affected, we should mention all forms of transportation, transportation equipment, steel components for construction, industrial coatings, and even television and radio.

In terms of earnings, only two of our partners, Culinar Inc. and Sico Inc., succeeded in bettering their results compared to 1981. In both cases, this noticeable improvement was attributable to the companies' traditional sectors. On the whole, diversification sectors reported very disappointing results, even cancelling out earnings from basic sectors in some cases. It may be recalled that we noted the same phenomenon in last year's report.

All of our partners continued their efforts to rationalize operations. Some of them again had to cut back on personnel. Tighter reins were applied to asset management, and interest charges were reduced to the lowest possible level under the circumstances.

At the present time, early indicators of economic activity show signs of recovery, though of an uncertain amplitude; there is a likelihood that the upturn in Quebec will be sluggish and very moderate in scope. In this context, our partners will have to pursue their strategies of controlling costs and concentrating resources in those areas where their competence is already established.

Highlights of SID's consolidated financial statements (in thousands of $)

	1982	1981
Assets	371 265	326 179
Gross operating revenue	284 074	206 368
Earnings before extraordinary items	3 102	3 137
Extraordinary items	(762)	647
Net earnings	2 340	3 784

SID's assets as at December 31, 1982 show a $45 million increase compared to the previous year-end. This increase is mainly explained by the variation in two balance sheet accounts of Crédit Industriel Desjardins Inc.: "net investment in direct financing lease contracts" increased by $24 million, in part due to a major year-end acquisition; meanwhile, a new account, "subscriptions receivable", represented a total of $16 million.

Gross operating revenue amounted to $284 million in 1982, compared to $206 million the previous year. It should be noted that this $78 million increase does not represent a real growth in revenue: $65 million of the variation between the two years can be explained by Sico's gross revenue that was included in SID's consolidated gross operating revenue for the first time in 1982. SID had acquired a block of Sico shares in late December 1981, thus increasing our participation to sightly over 50%; Sico's assets had been consolidated in our balance sheet as at December 31, 1981, while this company's results were consolidated for the first time in our 1982 results.

The account entitled "share in net earnings of companies subject to significant influence" shows a loss of nearly $3 million in 1982; this negative result represents a deterioration from 1981 and illustrates the difficulties experienced by some of our partners operating in cyclical sectors. Indeed, we were aware of the cyclical nature of these companies' activities at the time of acquisition. The abnormal continuation of the recession has impeded the anticipated improvement in our consolidated results, but we expect that even a modest upturn in economic activity will have a positive impact on our share of earnings, and hence on our overall net earnings.

Despite the weaker performance of associate companies, our earnings before extraordinary items remained above

Gilles P. Grenier, Paul Gauthier, Serge Riopel and Raymond Gagné at a meeting.

the $3 million mark due to the increase in earnings of Culinar and Sico and in the non-consolidated earnings of SID. Earnings before extraordinary items is the most significant item to be considered when evaluating a company's performance. Since few portfolio investment companies were able in 1982 to maintain this result at its 1981 level, we feel that SID's year was relatively good, despite the prevailing economic climate.

Unfortunately it is not possible to ignore the "extraordinary items" that had a major impact on SID's net earnings in 1982; the negative effect of $0.8 million was the result of two "clean-up" operations carried out in 1982: the establishment of an allowance on an SID investment and the loss resulting from the sale of a Culinar subsidiary. In both cases, the companies in question were operating at a loss and the prospects for recovery seemed unlikely. The effects of these operations are a cleaned up consolidated balance sheet and an improvement in our profit outlook.

Acquisitions

During the past year, we made our first investment in the environmental protection sector by acquiring more than $0.5 million worth of shares in Société de Gestion Sidly Inc. This is a new company that we established as a joint venture with Société Lyonnaise des Eaux et de l'Éclairage, an international leader in water distribution and treatment systems.

SID's other investments were directed to associate companies. Hence, five years after our initial investment in Canam Manac Inc., we reinvested $5 million by acquiring $2 million in common shares and $3 million in preferred shares from the treasury. We also acquired some common shares in La Vérendrye Management Corporation, Culinar Inc. and Sico Inc. Furthermore, we converted 50% of a Sico debenture into preferred shares, after this company had redeemed the other half.

Finally, pursuant to a commitment made in November 1982, SID subscribed to $2 million of a new January 1983 issue of $6 million in CID common shares, the balance having been subscribed by Fiducie du Québec.

Board of directors

The Board of directors regretfully accepted the resignations of two of its members in 1982: Raymond Audet, who had served on the Board since 1975, and Camille Dagenais, a member since 1977; we wish to thank them for their valuable contribution over the years.

We also had the pleasure of welcoming a new director in 1982, Denis Frenière. At the February 1983 Board meeting, Henri-Paul Trudel was appointed to the other vacant seat. The same meeting decided to recommend that the number of directors be expanded from 15 to 17, so that all federations of the Desjardins Group could be represented on the Board.

Outlook

SID completed the review of its strategic planning in early 1982. This resulted in a re-evaluation of the sectors in which we are active, and the identification of certain sectors in which we might take an interest in the coming years. This strategy could lead to some reorganization of our portfolio. For example, the air transportation sector has certainly become less attractive for SID, since our sustained efforts to merge Quebecair and Nordair have proved fruitless. During 1983, we will have the opportunity to reconsider our investments in this sector.

As we indicated earlier, we have already made our first investment in the environmental protection sector; we feel that this sector has strong medium and long-term growth potential. We will also continue in-depth investigation of some sectors in which we are already active, particularly food products. Finally, we will focus our attention on high-growth sectors, especially those related to telecommunications and new energy sources.

Chairman of the Board and
Chief Executive Officer

President and
Chief Operating Officer

1982 consolidated financial statements

société
d'investissement
desjardins

Auditors' Report

To the shareholders of
Société d'investissement Desjardins

We have examined the consolidated balance sheet of Société d'investissement Desjardins as at December 31, 1982 and the consolidated statements of retained earnings, earnings and changes in financial position for the year ended at that date, and we have obtained all the information and explanations we have required. 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, according to the best of our information and the explanations given to us and as shown by the books of the Société, these consolidated financial statements present fairly the financial position of the Société as at December 31, 1982 and the results of its operations and the changes in its financial position for the year ended at that date in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Maheu Noiseux

Chartered Accountants

Montreal, February 25, 1983

Consolidated balance sheet
December 31, 1982

Assets

		1982	1981
	Cash and term deposits	**$ 7 730 695**	$ 666 000
	Accounts receivable (note 4)	**23 185 059**	26 698 962
	Subscriptions receivable (note 5)	**16 000 000**	—
	Inventories (note 1b)	**21 473 041**	22 946 936
	Prepaid expenses	**1 063 351**	1 176 032
	Current portion of long-term loans	**43 493 000**	24 924 456
	Portion of bonds maturing within one year	**—**	986 250
Current		**112 945 146**	77 398 636
Long-term loans and other receivables (note 6)		**163 341 541**	159 581 858
Bonds (note 7)		**3 720 675**	5 170 675
Long-term investments (note 8)		**27 548 128**	25 185 712
Fixed assets (note 9)		**50 885 129**	48 976 778
Other assets (note 10)		**12 824 274**	9 865 161
		$371 264 893	$326 178 820

Liabilities and shareholders' equity

		1982	1981
	Bank loans (note 11)	**$ 9 626 284**	$ 8 095 790
	Short-term notes payable	**17 100 000**	30 200 000
	Accounts payable and accrued liabilities	**26 504 358**	22 443 255
	Due on acquisition of direct financing lease contracts (note 12)	**14 699 599**	—
	Portion of long-term debt due within one year	**14 681 878**	7 250 576
Current		**82 612 119**	67 989 621
Long-term debt (note 13)		**171 483 091**	150 902 859
Deferred grants		**1 054 500**	853 100
Deferred income taxes		**7 181 581**	6 813 481
Liabilities		**262 331 291**	226 559 061
Minority interests		**28 484 469**	20 821 089
	Capital stock (note 14)	**57 909 956**	57 579 838
	Retained earnings	**22 539 177**	21 218 832
Shareholders' equity		**80 449 133**	78 798 670
		$371 264 893	$326 178 820

On behalf of the Board of directors

Director

Director

Consolidated retained earnings

Year ended December 31, 1982

		1982	1981
Retained earnings before contributed surplus, at beginning		**$19 140 456**	$15 734 688
	Net earnings	**2 339 892**	3 784 476
		21 480 348	19 519 164
	Dividends	**1 078 898**	504 944
		20 401 450	19 014 220
	Payment of refundable dividend tax	**24 344**	152 666
		20 377 106	18 861 554
	Dividend tax refund	**83 695**	278 902
Retained earnings before contributed surplus, at end		**20 460 801**	19 140 456
Contributed surplus		**2 078 376**	2 078 376
Retained earnings, at end		**$22 539 177**	$21 218 832

Consolidated earnings

Year ended December 31, 1982

		1982	1981
Gross operating revenue (note 15)		**$284 073 655**	$206 368 144
Cost of sales and other expenses		**200 075 269**	153 601 430
Gross earnings from operations		**83 998 386**	52 766 714
	Interest on long-term debt	**24 248 671**	19 055 101
	Interest on short-term loans	**3 003 420**	3 204 965
	General and administrative expenses	**34 455 199**	13 175 299
	Research and development expenses (including amortization of $340 000 in 1982, $222 000 in 1981)	**2 818 407**	1 250 949
	Depreciation of fixed assets	**5 459 307**	4 249 841
	Amortization of consolidated goodwill	**503 822**	319 632
Financial and operating expenses		**70 488 826**	41 255 787
Earnings before share in net earnings of companies subject to significant influence, income taxes, minority interests and extraordinary items		**13 509 560**	11 510 927
Share in net earnings of companies subject to significant influence		**(2 976 717)**	(1 718 531)
Earnings before income taxes, minority interests and extraordinary items		**10 532 483**	9 792 396
Income taxes (note 16)		**2 796 948**	3 643 436
Earnings before minority interests and extraordinary items		**7 735 895**	6 148 960
Minority interests		**4 634 032**	3 011 892
Earnings before extraordinary items		**3 101 863**	3 137 068
Extraordinary items (note 17)		**(761 971)**	647 408
Net earnings		**$ 2 339 892**	$ 3 784 476

Earnings per share before extraordinary items	**$5.75**	$6.03
Net earnings per share	**$4.34**	$7.27

Changes in consolidated financial position
Year ended December 31, 1982

		1982	1981
Source of funds			
	Earnings before extraordinary items	**$ 3 101 863**	$ 3 137 068
	Dividends from companies subject to significant influence	**9 680**	349 520
	Non-fund items	**10 055 744**	10 669 862
	Funds provided from operations	**13 167 287**	14 156 450
	Increase in long-term debt	**50 505 326**	44 364 510
	Decrease in bonds	**1 450 000**	986 250
	Issuance of common shares	**330 118**	4 800 338
	Subscriptions receivable from minority interests	**5 000 000**	—
	Sales of fixed assets	**386 312**	391 945
	Sales of long-term investments less related income taxes	**—**	2 367 869
	Acquisition of working capital net of value acquired	**—**	4 396 314
	Increase in deferred grants	**247 000**	—
	Issuance of secured notes through conversion of previous secured note	**10 000 000**	—
		$81 086 043	$71 463 676

		1982	1981
Use of funds			
	Net disbursements of long-term loans and acquisition of other assets	**$ 3 759 683**	$45 548 702
	Purchase of long-term investments	**5 776 855**	3 169 269
	Purchase of fixed assets	**7 481 846**	8 877 256
	Decrease in long-term debt	**30 075 094**	9 852 384
	Cost of issue of long-term debt	**424 762**	399 199
	Dividends paid to minority interests	**1 135 576**	828 524
	Payment of refundable dividend tax	**24 344**	152 666
	Dividends, less dividend tax refund	**995 203**	209 079
	Increase in other assets	**488 668**	560 522
	Conversion of a secured note to other secured notes	**10 000 000**	—
		60 162 031	69 597 601
Increase in working capital		**20 924 012**	1 866 075
Working capital, at beginning		**9 409 015**	7 542 940
Working capital, at end		**$30 333 027**	$ 9 409 015

Notes to consolidated financial statements

December 31, 1982

1 — Accounting policies

a) Principles of consolidation

i) The consolidated financial statements contain the accounts of Société d'investissement Desjardins and its subsidiaries:
Crédit Industriel Desjardins Inc. and its subsidiary company
Sico Inc. and its subsidiary companies
Culinar Inc. and its subsidiary companies.

ii) Consolidated goodwill is amortized on the straight-line method over a period of 20 years.

b) Inventories

Inventories are recorded at the lower of cost and market value. Cost is determined on the first-in, first-out method or on the average cost method using full absorption costing. Market value of raw materials and packing supplies is defined as replacement cost; market value of finished goods is defined as probable net realizable value.

c) Gross operating revenue

Interest revenue on commercial loans is calculated at the appropriate rate of interest on the balance receivable at the beginning of each month.

Unearned revenue from direct financing lease contracts represents the excess of the gross amount receivable over the cost of leased assets less estimated residual value. It is recorded at the time of execution of the lease and is recognized monthly as revenue in amounts directly related to the decreasing balance of the unrecovered investment in the asset covered by the lease.

Revenue thus accrued is reversed when receivables are 90 days overdue or when collection is uncertain.

d) Long-term investments

Professional fees incurred specifically for the acquisition of long-term investments are included in the cost of these investments.

e) Fixed assets

Depreciation of fixed assets of the Société is calculated on the diminishing balance method, whereas the subsidiaries use the straight-line method. Depreciation of leasehold improvements is calculated on the straight-line method. The following rates of depreciation are applied:

Buildings and land improvements	2% to 6⅔%
Machinery and equipment	6⅔% to 20%
Furniture and equipment	20%
Vehicles	10% to 33⅓%
Leasehold improvements	10%, 50% and term of leases

f) Deferred development costs and franchises

Deferred development costs and franchises are amortized on the straight-line method:

Deferred development costs	3 years
Franchises	10 years and 20 years

g) Provision for losses

Management performs a monthly review of receivables resulting from loans granted and disbursed and from direct financing lease contracts for the purpose of establishing a provision for uncollectible accounts. The provision includes a specific amount to cover liquidation costs. A general provision for potential losses from loans and direct financing lease contracts is also established.

h) Issuance cost of long-term debt

Discount on bonds and issuance expenses of the long-term debt are amortized on a straight-line basis over the term of the debt.

i) Translation of foreign currencies

The accounts of a subsidiary company operating in the United States are translated into Canadian dollars on the following basis: current assets and liabilities, at the rate in effect at year-end; other balance sheet items, at the rate in effect at the date of acquisition or transaction; revenues and expenses, at the average rate for the year. Realized or unrealized gains and losses resulting from the translation of foreign currencies are recorded in the statement of earnings.

j) Liability under direct financing lease contracts

Some transactions related to direct financing lease contracts are recorded as instalment purchases. The liability under direct financing lease contracts reflects the present value of future minimum rental payments. The related fixed assets are recorded at cost and are amortized on the straight-line method at rates based on the estimated useful life of the leased asset.

k) Amortization of share issue expenses

Amortization of share issue expenses will be calculated on the straight-line method over a period of five years beginning in 1983, and will be charged to retained earnings.

2 — Incorporation

"Société d'investissement Desjardins" was incorporated under the "Loi concernant La Confédération des caisses populaires et d'économie Desjardins du Québec" and, subject to the provisions of this Act, is governed by Part II of the Quebec Companies Act.

3 — Grants

a) The Department of Regional Economic Expansion of Canada has awarded to a subsidiary company a grant in the amount of $814 250, based on the cost of the expansion project. This grant is subject to the conditions contained in the offer which was accepted by the company on August 23, 1978; the amount of the grant was recorded as a reduction in the cost of the project. The balance of $297 139 was received during 1982.

b) According to an agreement with the "Société de Développement Industriel du Québec", a subsidiary company is eligible to receive, up to 1984, a partial reimbursement of its interest expenses to a maximum amount of $974 000. In 1982, an amount of $427 920 ($334 455 in 1981) was received and recorded as a reduction in interest on the long-term debt.

c) During the year, a subsidiary company qualified for grants of $395 500 ($305 900 in 1981) with respect to purchases of fixed assets, interest expenses and research and development expenses. Grants of $247 000 received in 1982 ($134 700 in 1981) for purchase of fixed assets are recorded as deferred grants. Grants for interest expenses and research and development expenses have been recorded as a reduction in these expenses.

Deferred grants are charged to operations on the straight-line method of amortization at an annual average rate of 3.8% (4.0% in 1981). Amortization for the year amounted to $45 600 ($38 800 in 1981).

4 — Accounts receivable

	1982	1981
Trade	**$20 008 214**	$21 178 972
Accrued interest, interest receivable and other assets	**2 694 079**	3 214 872
Grants receivable (note 3)	**249 704**	789 091
Income taxes recoverable	**233 062**	1 516 027
	$23 185 059	$26 698 962

5 – Subscriptions receivable

According to an agreement dated December 20, 1982 between a subsidiary company and underwriters, the subsidiary has agreed to sell and the underwriters have agreed to purchase the following securities:

– $11 000 000 par value of debentures, series C, 13.25%, maturing January 18, 1988 for an amount of $11 000 000. Net proceeds to the subsidiary are estimated at $10 615 000 after deducting the commission to the underwriters and debenture issue expenses;

– 500 000 preferred shares, series 1, redeemable, 12.25%, cumulative dividend, for a consideration of $5 000 000. Net proceeds to the subsidiary are estimated at $4 807 500 after deducting the commission to the underwriters and share issue expenses.

6 – Long-term loans and other receivables

	1982	1981
Minimum payments receivable under direct financing lease contracts	**$ 46 110 506**	$ 16 535 624
Lease payments received in advance	**(805 776)**	(448 924)
	45 304 730	16 086 700
Unsecured residual value	**80 764**	94 763
	45 385 494	16 181 463
Unearned revenue	**(8 735 160)**	(3 609 368)
Net investment in direct financing lease contracts	**36 650 334**	12 572 095
Financing approved and disbursed	**168 269 255**	169 009 422
Loans and advances	**4 170 561**	4 331 529
	209 090 150	185 913 046
Provision for losses	**(2 255 609)**	(1 406 732)
	206 834 541	184 506 314
Current portion of amounts receivable	**43 493 000**	24 924 456
	$163 341 541	$159 581 858

Minimum amounts receivable during the coming year from direct financing lease contracts total $19 029 000.

7 – Bonds

	Quoted market value	Cost 1982	Cost 1981
Bonds	$3 873 950	**$3 720 675**	$6 156 925
Portion maturing within one year		**—**	986 250
		$3 720 675	$5 170 675

8 – Long-term investments

	1982	1981
Investments in companies subject to significant influence, valued on the equity basis	**$22 201 048**	$19 838 632
Consolidated goodwill is being amortized on the straight-line method over a period of 20 years. The residual value is $3 085 579.		
Portfolio investments, at cost	**5 347 080**	5 347 080
	$27 548 128	$25 185 712

9 – Fixed assets

	Cost	Accumulated depreciation	Amortized cost 1982	Amortized cost 1981
Lands	$ 3 362 220	$ —	**$ 3 362 220**	$ 3 362 220
Land improvements	93 100	21 600	**71 500**	75 100
Buildings	27 315 023	7 408 661	**19 906 362**	19 356 398
Machinery and equipment	39 526 851	19 364 507	**20 162 344**	19 756 187
Furniture and equipment	2 063 270	597 739	**1 465 531**	716 926
Vehicles	7 921 808	5 425 779	**2 496 029**	2 194 520
Leasehold improvements	4 356 480	935 337	**3 421 143**	3 515 427
	$84 638 752	$33 753 623	**$50 885 129**	$48 976 778

10 – Other assets

	1982	1981
Consolidated goodwill, at amortized cost	**$ 6 674 864**	$ 7 179 300
Issuance cost of the long-term debt, at amortized cost	**1 791 092**	1 529 421
Tax benefit applicable against future years' income taxes	**3 258 000**	231 000
Other assets	**1 100 318**	925 440
	$12 824 274	$ 9 865 161

11 – Bank loans

A subsidiary company has pledged its receivables and inventories as security for its bank loan.

12 – Due on acquisition of direct financing lease contracts

On January 10, 1983 a subsidiary acquired a portfolio of direct financing lease contracts (retroactive to December 1, 1982). This acquisition has been accounted for on the outright purchase method. Net book value of the contracts acquired amounts to $14 946 757 and the amount due on those contracts is $14 699 599. This amount was repaid in cash on January 10, 1983.

13 – Long-term debt

	1982	1981
a) Société d'investissement Desjardins		
Debentures		
Series A, 9%, callable, maturing March 31, 1989	**$ 5 082 300**	$ 5 082 300
Other loans		
Balance of purchase price of a long-term investment, 8%, payable in annual instalments of $58 800, maturing March 1, 1986	**235 200**	294 000
Balance of purchase price of a long-term investment, bearing no interest, payable in annual instalments of $30 000, maturing February 20, 1984	**60 000**	—
Balance of purchase price of a long-term investment, bearing no interest, payable on demand	**315 000**	—
	5 692 500	5 376 300
b) Crédit Industriel Desjardins Inc.		
Debentures		
Series A, 10.00%, maturing February 15, 1984	**9 748 000**	9 810 000
Series B, fluctuating rate, maturing December 22, 1986	**7 000 000**	7 000 000
Series C, 13.25%, maturing January 18, 1988 (subscribed and unpaid)	**11 000 000**	—
Secured notes		
Series B, $10\frac{1}{2}$%, maturing December 15, 1986	**5 715 000**	5 730 000
Series C, $9\frac{1}{2}$%, maturing July 15, 1982	**—**	4 961 000
Series D, 10 %, maturing July 15, 1987	**4 864 000**	4 930 000
Series E, $9\frac{1}{2}$%, maturing October 3, 1983	**6 712 000**	6 712 000
Series F, 10 %, maturing October 3, 1988	**2 755 000**	2 780 000
Series G, fluctuating rate, maturing December 31, 1986, converted into:	**—**	10 000 000
14.50%, maturing October 25, 1985	**5 000 000**	—
14.65%, maturing October 27, 1986	**$ 5 000 000**	$ —
Series H, fluctuating rate, maturing December 31, 1996	**$ 10 000 000**	$ 10 000 000
Series I, fluctuating rate, maturing March 31, 1986	**10 000 000**	9 920 857
Series K, fluctuating rate, maturing October 2, 1986	**6 300 000**	7 000 000
Series L, fluctuating rate, maturing December 22, 1986	**23 000 000**	200 000
Medium-term notes	**14 450 000**	—
Other loans		
Short-term notes	**37 500 000**	43 500 000
Unsecured notes	**31 525**	—
Debt secured by assignment of direct financing lease contracts	**1 167 469**	5 002 934
Balance of purchase price of a subsidiary company, 14%, payable in annual instalments of $100 000, maturing December 31, 1985	**300 000**	400 000
	160 542 994	127 946 791
c) Sico Inc.		
Bonds		
Series A, bearing interest at prime rate plus $\frac{3}{4}$%, secured by a floating charge on all assets, payable in 40 quarterly instalments of $181 250	**6 525 000**	7 250 000
Notes payable		
Liability on machinery and equipment to be financed in 1983 by a long-term loan at the bank's prime rate, maximum $775 000, payable in 60 equal monthly instalments	**631 300**	—
Loan, $1 250 000 U.S., at prime rate plus $\frac{3}{4}$%, secured by first mortgage, payable from December 1983 in 40 equal quarterly instalments of $31 250 U.S. to 1993	**1 528 700**	1 487 500
Notes payable by various instalments and maturing in 1983 and 1984	**116 300**	184 400
	8 801 300	8 921 900
d) Culinar Inc.		
Debentures		
Series A, $8\frac{1}{2}$%, $270 000 maturing in 1983, secured by a floating charge on the company's assets	**270 000**	530 000
Series B, $8\frac{3}{4}$%, maturing from 1984 to 1988 inclusive, secured by a floating charge on the company's assets	**$ 1 800 000**	$ 1 800 000

	1982	1981
Mortgage loans		
Bearing interest at rates varying from 8½% to 11½%, payable in one instalment of $179 530 in 1983 and in monthly instalments of $4 925 thereafter	**$ 398 573**	$ 460 227
Notes payable		
Non-interest bearing, payable in instalments of $48 000 in 1983 and $104 000 in 1984	**152 000**	457 585
Bearing interest at 12%, payable in monthly instalments of $3 954, principal and interest, and one payment of $86 102 in 1983	**153 787**	178 973
Bank loans		
Bearing interest at the lender's cost of funds plus ¾%, payable in annual instalments of $666 667 starting December 31, 1985	**2 000 000**	2 000 000
Bearing interest at the London interbank offered rate plus ⅝%, $2 410 000 U.S., payable in instalments of $1 081 872 in 1983 and $1 789 778 in 1984	**2 871 650**	3 274 796
Bearing interest at prime rate with respect to a revolving line of credit of $7 000 000 for a three year maximum term, convertible at any time into a five year term loan	**2 077 128**	5 720 744
Balance due on purchase of shares of a subsidiary company, subject to non-interest bearing adjustments, payable in annual instalments of $110 000	**446 296**	550 000
Balance due on purchase of shares of a subsidiary company, bearing interest at 12%, payable in monthly instalments of $10 429, principal and interest, maturing November 1988; this loan is secured by the assignment of certain shares of a subsidiary company	**532 397**	591 391
Other loans		
Balance of purchase price of fixed assets, 11½%, payable in monthly instalments of $1 426, principal and interest, maturing December 1986	**49 859**	—
Liability under capital leases	**376 485**	344 728
	11 128 175	15 908 444
Consolidated total	**186 164 969**	158 153 435
Portion due within one year	**14 681 878**	7 250 576
Long-term debt	**$171 483 091**	$150 902 859

The following maximum payments are required for sinking funds and for retirement of debentures, bonds, mortgage loans and bank loans payable:

	1983	1984	1985
Société d'investissement Desjardins	$ 403 800	$ 88 800	$ 58 800
Crédit Industriel Desjardins Inc.	11 512 000	21 248 000	40 350 000
Sico Inc.	926 200	1 084 200	1 032 900
Culinar Inc.	1 839 878	2 559 000	1 378 000
Total payments	$14 681 878	$24 980 000	$42 819 700
Maximum payments for sinking funds	$3 482 949	$2 696 222	$2 619 045

	1986	1987
Société d'investissement Desjardins	$ 58 800	$ —
Crédit Industriel Desjardins Inc.	44 455 000	10 364 000
Sico Inc.	1 032 900	1 032 900
Culinar Inc.	1 391 000	1 210 000
Total payments	$46 937 700	$12 606 900
Maximum payments for sinking funds	$1 538 160	$1 418 093

Short-term notes payable by the subsidiary company, Crédit Industriel Desjardins Inc., due within one year, are classified as long-term debt to the extent of the unsecured contractual long-term credit as arranged with its bankers. As at December 31, 1982 such credits amounted to $37 500 000 maturing as follows: April 1, 1984, $7 500 000 and April 1, 1985, $30 000 000.

14 – Capital stock

	1982	1981
Authorized		
Unlimited number of common shares without par value		
Issued and paid		
541 709 common shares (539 449 shares in 1981)	**$57 909 956**	$57 579 838

During the year, the Société issued 2 260 common shares for $330 118 cash.

15 – Gross operating revenue

	1982	1981
Sales	**$254 663 214**	$180 287 567
Interest on loans	**19 195 305**	20 468 230
Dividends and non-taxable revenue	**4 312 407**	2 132 964
Direct financing lease contracts revenue	**4 538 764**	1 396 496
Other operating revenue	**1 363 965**	2 082 887
	$284 073 655	$206 368 144

16 – Income taxes

	1982	1981
Tax benefit resulting from application of losses carried forward	**$(3 027 000)**	$ —
Current	**5 422 548**	2 538 888
Deferred	**401 400**	1 104 548
	$ 2 796 948	$ 3 643 436

17 – Extraordinary items

	1982	1981
Gain on sale of long-term investments (less related income taxes of $73 380 in 1981)	**$ 117 382**	$ 215 518
Gain resulting from the conversion of common shares in long-term investments	**—**	355 649
Provision for losses on long-term investments	**(649 795)**	(499 410)
Share in extraordinary items of companies subject to significant influence	**245 815**	575 651
Loss on the sale of fixed assets of a subsidiary company less related income taxes of $321 453 and minority interests of $432 627	**(475 373)**	—
	$(761 971)	$ 647 408

18 – Commitments

a) The Société and its subsidiary companies are committed under long-term leases for rental payments totalling $15 942 661. Minimum annual payments required during the next five years are as follows: 1983, $1 575 939; 1984, $1 457 490; 1985, $1 280 945; 1986, $1 254 078 and 1987, $1 165 520.

b) At year-end a subsidiary company is committed to disburse loans totalling $7 384 977 of which $2 494 543 is subject to acceptance by the borrowers.

c) A subsidiary company is committed to maintain at all times unused bank credit lines sufficient to cover its outstanding short-term notes. At December 31, 1982 these lines of credit total $89 000 000 and the total amount of short-term notes is $60 600 000 of which $37 500 000 is classified as long-term debt.

19 – Contingencies

a) The Société guarantees the reimbursement of a loan contracted by a subsidiary of a company shown as a portfolio investment for an amount of $1 333 440 ($1 152 000 U.S.) payable in U.S. dollars. At December 31, 1982 the amount of this loan is translated into $1 432 512 Canadian dollars. Any loss which may result from this guarantee will be charged to expense in the year in which it occurs.

b) Claims are pending against a subsidiary company for damages for alleged product defects for which the subsidiary denies responsibility. Any amounts that may eventually be payable as a result of these claims will be charged to operations in the year in which they will ultimately be determined.

20 – Subsequent event

On January 14, 1983 a subsidiary issued treasury common shares for $6 000 000 cash. The Société exercised its subscription rights for $2 002 145 and transferred its other rights to minority interests.

21 – Comparative figures

The presentation of certain accounts of the previous year has been amended to conform with the presentation adopted for the current year.

sid

a prominent partner in Quebec's industrial and commercial development

sid

Société d'investissement Desjardins and its partners

Subsidiaries

Crédit Industriel Desjardins Inc.
Sico Inc.
Culinar Inc.

Affiliate companies

Société de Gestion Sidly Inc.
Canam Manac Inc.
Provost Corporation Ltd
La Vérendrye Management Corporation

Portfolio investments

Nordair Ltd
1848-7199 Québec Inc.

Corporate purpose

The purpose of SID is to stimulate, through the infusion of new capital, the growth and development of industrial and commercial enterprises in Quebec, and to contribute, thereby, to the province's economic progress.

Investment philosophy

As a long-term investor, SID offers companies a working partnership, in which it not only provides growth capital, but is also prepared to work closely with management in areas such as expansion, acquisitions, government assistance and strategic planning.

To fulfill the requirements of its role as active partner, SID concentrates its investment resources in a limited number of companies. SID's activities are primarily oriented towards markets which indicate potential for growth and profitability, so that SID can provide an adequate return to its own shareholders: those of the Desjardins Group (86%) and the Caisse de dépôt et placement du Québec (14%).

Sectorial approach

SID's sectorial approach has a profound influence on the composition of its investment portfolio.

In the coming years, SID will actively explore investment opportunities in food products, telecommunications and environmental protection. SID will also continue to focus on the transportation, construction, recreation and health sectors, and will respond to opportunities in high-growth sectors such as energy, biotechnology and robotics.

Investment criteria

SID's main criteria in choosing its investments are as follows:

- we place priority on providing growth capital to companies by purchasing shares from the corporate treasury;
- ideally, our investments range between $1 000 000 and $10 000 000; however, investments in the order of $500 000 may be considered for high-growth sectors with particularly attractive profit potential;
- we seek to associate with companies having their main place of business in the province of Quebec, or with companies from outside Quebec wanting to transfer their technologies and to cooperate with us in creating new entities that will develop as independant companies;
- the investments we look for represent between 20% and 49% of a company's voting shares, though occasionally we may acquire a majority interest. We insist on representation on the company's board of directors in proportion to our participation;
- we look for a high profitability level, measured in terms of the increase in the value of shares and the flow of dividends.

Investment strategy

SID seeks to associate with the most dynamic and best managed companies both in sectors that have reached maturity and in high-growth fields. In high-tech sectors, SID will consider joint ventures with companies capable of implementing an effective transfer of technology to the province of Quebec.

SID will study any investment proposal likely to provide an attractive return and stimulate the Quebec economy. A project will be all the more well received if it adequately corresponds to SID's philosophy, sectorial approach and investment criteria.

In 1982 the economy flirted with disaster; volatile interest rates reaching record levels and the large number of business failures remind us that only the best-managed enterprises can survive in such conditions.

In the past year, the management team and the entire CID organization had to face the challenges dictated by the current state of the economy. Accordingly, we adopted appropriate operating policies and geared our approach to the prevailing financial environment. This pragmatism enabled the organization to weather this troubled period without excessive hardship.

Financing granted and disbursed plus net investment in direct financing lease contracts increased by 12.8% or $23 338 000. This increase reflects the fact that our subsidiary, Pierre Lafleur Leasing Ltd, at year-end acquired virtually the entire portfolio of a competitor, Ademco Leasing Ltd, thereby doubling its leased motor vehicle fleet and making it one of Canada's leaders in the long-term motor vehicle leasing industry.

Net interest income dropped from $3 371 000 to $2 854 000 due to a reduction in profit margin and a significant increase in our small business development bonds portfolio; however, the opportunity cost inherent to this portfolio was offset by a tax benefit. In fact, were it not for the upward spiral in the provision for losses, CID's 1982 net earnings would have been comparable to those of the preceding year.

In November 1982, our majority shareholder, Société d'investissement Desjardins, committed itself to insuring that our capital would increase by $5 000 000. This commitment was fulfilled in January 1983 when SID injected additional capital while another institution of the Desjardins Group, Fiducie du Québec, acquired the remainder of the issue, thereby securing a 20% interest in CID. In addition, by year-end, CID had publicly issued $11 000 000 in unsecured debentures and $5 000 000 in preferred stock for listing on the Montreal Stock Exchange. The proceeds of these issues have strengthened our capital structure and placed us in an excellent position to respond effectively to an increased demand for our products that will likely materialize in a period of economic recovery. We are proud that our issues have been received so well on the public markets and, with such support, we look forward to 1983 with optimism.

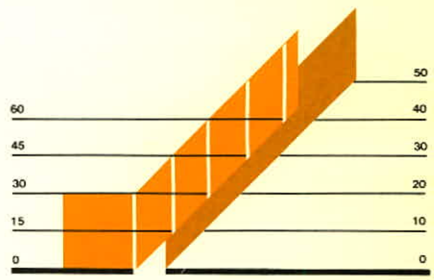
CRÉDIT INDUSTRIEL DESJARDINS INC.

Crédit Industriel Desjardins Inc. and its subsidiary

Pierre Lafleur Leasing Ltd

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)



It is with pride and optimism that we comment on our results for 1982. Constant effort and creative input by our personnel has enabled the Sico Group to further its progress in the paint industry with total sales of $65 477 300, up from $64 930 900 in 1981. It is even more satisfying to note that our net income, which fell from $1 859 100 in 1980 to $337 400 in 1981, returned to the healthier level of $1 725 300 in 1982. This variation in net income has had a corresponding effect on the earnings per share, which fell from $1.86 in 1980 to $0.34 in 1981, but which rose to $1.73 in 1982 based on the company's new capitalization. In light of current economic factors, this profit level can be considered highly respectable.

A major highlight during 1982 was the perfecting and introduction, in most part, of a strategic planning process. A report submitted by management consultants stated: "... the strategy which Sico must adopt would base itself on the consolidation of the company's position within its existing markets, including certain steps by which to profit from immediate opportunities available to it; meanwhile, because the sales outlook appears limited in terms of growth, the major challenge would be the undertaking of a program centered on the rationalization of costs, by re-analyzing the operational profile at all levels...".

The new culture brought forth by this planning process has allowed us to re-examine the orientation of our company, its strategies, its structure; the changes required are well on their way to full implementation.

This new approach in management strategy will also involve the centralization of corporative administrative services at our Longueuil offices, and of sales and distribution services for Eastern Quebec at our Beauport facilities. Furthermore, an in-depth study of our systems and procedures has justified the acquisition of a sophisticated computer. As a result, a considerable number of our employees will be taking basic and advanced computer courses.

In view of the marked success enjoyed by Sico in the Trade Sales Division during 1982, we forecast a major increase in Sico's market share in its current Quebec operating sectors, as well as strong penetration in the Ontario and Maritime markets. The implementation of new technology and the development of a new professional marketing approach in Sico's Industrial Coatings Division further support our optimism about the current year.

Considering that the economy appears to be on the upswing and that the Sico Group has consolidated and rationalized its operations over the last two financial years, 1983 should be a fruitful year for the company, thus confirming Sico's position as the leader among high-quality paint manufacturers in Canada.

SICO INC.

Sico Inc. and its main divisions and subsidiaries

Industrial Coatings Division
Trade Sales Division
Novax Wallcoverings Division
Crown Diamond Paints Limited
Nu-Brite Chemical Company (U.S.A.)

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)

Culinar Inc.
and its main divisions and subsidiary

Vachon
Stuart
Les Aliments Vachon
Le Groupe Resto Inc.

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)

Culinar maintained a strong performance level in 1982. Consolidated sales rose \$9 000 000 over 1981 to \$189 000 000, while earnings before an extraordinary item increased by 31% to \$7 802 000. With its 4.1% profitability index, Culinar leads all other companies in the Canadian food industry, which has an average index of only 1.9%.

The new Bakery and Confectionery Division, resulting from the merger of Vachon, Stuart and Les Aliments Vachon, had an excellent year even though the economic recession caused short-term fall-offs in demand in some markets. The division's unit sales volume increased slightly in 1982.

The Restaurant Division, represented by Le Groupe Resto Inc., had a good year in a market that was particularly sensitive to the recession, and annual sales rose by nearly 20% over the preceding year. Start-up problems encountered in opening the Complexe Desjardins restaurants were overcome, and profitability of all other operations showed such an improvement that Resto was able to report a profit in 1982.

The unsatisfactory situation in the Frozen Products Division in the U.S.A., Orchard Hill Farms, remained unchanged despite numerous management initiatives and significant improvements in plant production. Considering the poor prospects for a substantive increase in demand for its products in future years, Culinar decided to let the frozen food division go; thus, it was sold in February 1983.

Culinar management looks forward to 1983 with tempered optimism; even though the recession seems to be drawing to a close, pressures on demand will continue for at least part of the year. Nevertheless, some stability in the cost of raw materials, combined with systematic efforts to raise productivity and improve cost control, should generate an increase in Culinar's consolidated earnings in 1983.

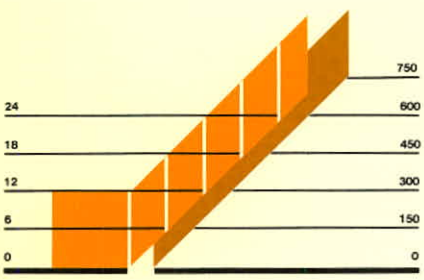
Société de Gestion SIDLY

Société de Gestion Sidly Inc.
and its main subsidiaries

Inspectronic Ltd
Sonexeau Inc.

Number of employees at December 31, 1982

Business volume in 1982 (in thousands of $)



Société de Gestion Sidly Inc. is a joint venture of Société d'investissement Desjardins and S.L.E.E. Canada Inc., a wholly-owned subsidiary of the French firm, Société Lyonnaise des Eaux et de l'Éclairage. Sidly's purpose is to encourage the creation and development of companies in the environmental sector.

Sidly, through its two subsidiaries, Inspectronic Ltd and Sonexeau Inc., provide the Quebec community with the technical and management expertise acquired by the Lyonnaise des Eaux Group over the past century.

Inspectronic is active in the fields of televised inspection and repair of water supply and sewage systems in the province of Quebec. Its activities were hampered in 1982 due to the procedural bottleneck arising from start-up problems in the province's water purification program. Furthermore, the general decline in industrial activity restricted spending on the type of maintenance that the company specializes in.

Sonexeau, incorporated in December 1982, offers services related to the management and operation of equipment used in municipal and industrial water purification and sewage-water treatment. Since such operations require expertise in several fields – mechanical and electrical engineering, electrical systems, data-processing, chemistry and biology – Sonexeau will gather multidisciplinary teams specially trained to handle the various needs of municipalities in operating or managing their water supply or purification services.

Sonexeau offers its services to small municipalities that are unable to muster all the necessary resources; it also provides assistance to larger cities in dealing with particularly complex problems.

Initially, Sidly's subsidiaries will focus on the province of Quebec, with eventual expansion planned throughout Canada. A long-term strategy of promoting technological exchange calls for these subsidiaries to export their know-how.

Société de Gestion Sidly Inc. spares no effort to increase its involvement in projects designed to upgrade the environment and combat pollution.

1982 marked the tenth anniversary of Canam Manac Inc., a holding company which controls and operates a group of companies that are among the leaders in three major sectors of Canadian activities – the manufacture of steel components for the construction industry, of transport equipment and office furniture. These companies also undertake major international construction projects.

Canam Manac Inc. has actually been involved in the construction sector since 1960. Its subsidiaries in the construction field are Murox, Hambro and Canam Steel, which also has a significant share of the U.S. market. In the export sector, Treco International handles "turn-key" industrial, commercial and residential construction projects. These subsidiaries manufacture steel girders, steel decks and sidings; they also design and produce construction products and systems geared to satisfy modern technological needs.

Manac, founded in 1966, has garnered a significant share of the market in manufacturing trailers and semitrailers to meet the specific needs of the transport industry; its main products are metal vans, fiberglass-reinforced plywood vans, semi-trailers for chips and logs, and platforms for intermodal transport.

One subsidiary founded in 1946, Biltrite, manufactures a complete line of wooden office furniture and metal chairs.

The strong downturn in the economy in 1982 caused a severe slowdown in activities for all companies in the Canam Manac Group. Consolidated sales decreased from $207 000 000 in 1981 to $157 000 000 in 1982, largely due to the fact that a $54 000 000 contract previously agreed upon was not ratified by the project's owner.

During the past year, research and development activities resulted in the launching of several new products, mainly by Manac, Murox and Biltrite. Based on the initial response to these new products, we are confident that they will capture a major share of their respective markets. International projects in 1982, specifically three contracts carried out by Treco International in Algeria, partially offset the slowdown in North American activities and produced a positive impact on the Canam Manac Group as a whole.

Although we approach the coming year with a certain degree of caution, the quality of our products and the high performance level demonstrated by all of our personnel give us reason to be optimistic. There is no doubt that as soon as the economy begins to recover, Canam Manac will be ready to take up the challenge.

canam manac

Canam Manac Inc.
and its main subsidiaries

Canam Steel Works Inc.
Canam Steel Corporation (U.S.A.)
Manac Inc.
Treco International Inc.
Biltrite Furniture Ltd
Murox Constructions Inc.
Canam Hambro Structures Inc.

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)

In 1982, the continuing recession assumed proportions that even the most pessimistic observers had not dared to predict.

Interest rates remained at a high level throughout most of the year before declining slightly in the last quarter. The North American economy continued its downward trend, especially in Canada.

The depressed market resulted in weak demand for transportation services from the beginning of the period, and this slump deepened at year-end. The areas of activity most affected at the Provost Group were transportation equipment distribution and helicopter services; profitability of the road transportation sector fortunately increased, thereby confirming that the measures implemented since 1981 were well-founded.

The immediate economic outlook remains uncertain, as we still await the signs of even a moderate recovery. To alleviate the impact of current economic conditions and a weak market, we have implemented major cost reduction programs, and thanks to the unstinting efforts of all of our employees, we have appreciably increased our productivity and efficiency.

We are continuing to exercise strict control over our expenses and are alienating part of our vehicle and equipment fleet in regions where there is no sign of a market upturn in the near future. Meanwhile, we are establishing new bases of operation in more promising locations to take maximum advantage of an eventual economic recovery.

Our outstanding team of employees will face a major challenge in the coming year. Management foresees 1983 as a year of transition between recession and recovery, rather than a first phase in the economic upturn.

While emphasizing profitability, our Group is also committed to a growth strategy and to diversification on a planned geographic basis. All of our efforts are oriented towards meeting these objectives and to enabling the Group to participate fully in the impending economic upswing.

Even though we have reactived a program of geographic expansion and increased the range of our services, we will remain alert for opportunities to acquire other profitable or promising companies. The purpose of these actions is to reinforce the already substantial capabilities of the Provost Group in the transportation and distribution sectors.

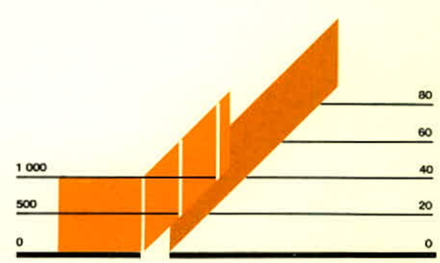
PROVOST

Provost Corporation Ltd
and its main subsidiaries

Provost Cartage Inc.
François Nolin Ltée
Brunswick Petroleum Transport Limited
Coastal Bulk Transport Limited

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)



LA VÉRENDRYE MANAGEMENT CORPORATION

La Vérendrye Management Corporation and its main subsidiaries

Transport Brazeau Inc.
Lane's Transport (Toronto) Ltd
P. Dickson Tracking Ltd
Quebec Aviation Ltd
Tele-Capital Ltd
Témisko Inc.

Number of employees at December 31, 1982

Business volume in 1982 (in millions of $)

La Vérendrye Management Corporation controls several subsidiaries concentrated in three sectors of activity: transportation, broadcasting and manufacturing.

The Corporation's road transportation network, extending from Quebec City to Vancouver as well as to certain American states, represents 71% of its business volume. The company's air transport activities are geared to developing its regular passenger routes from Quebec City to Boston, St-Leonard-Fredericton, Gatineau, Bagotville and Chibougamau.

The broadcasting division operates three television stations – two in Quebec City and one in Rimouski – and two Quebec City radio stations. All of these stations have established clear dominance in their markets with audiences throughout virtually all of Eastern Quebec. The manufacturing division specializes in the production of semitrailers for road transportation, particularly for the trucking and forest industries.

There is no doubt that in terms of profitability, 1982 was the most disappointing year in the Corporation's history. All divisions, especially broadcasting, were affected by the recession and consolidated business volume grew by only 1% to $131 883 000.

Tele-Capital Ltd became a wholly-owned subsidiary during the year, after purchase of the minority interest at a total cost of $19 277 000. The positive impact of this transaction will mainly be felt in 1983, as a result of the appreciable savings that can now be generated through the financial reorganization of the Corporation's subsidiaries.

Economic forecasts indicate a slight recovery for 1983, with interest rates at a three-year low. In view of these forecasts, coupled with major reductions in spending, we are confident that La Vérendrye Management Corporation will succeed in increasing its revenues as well as its level of profitability.

Portfolio investments

Any SID holding that represents less than 20% of the capital stock of an associate company is classified as a portfolio investment. Included in this category are our investments in Nordair Ltd and in 1848-7199 Québec Inc., the company that controls Quebecair. Since SID's portfolio investments are accounted for at cost, the results obtained by these companies do not affect SID's consolidated results.

One objective of SID's involvement in the regional air transport sector was to help put this industry on a sound footing in Eastern Canada and to lend a hand in improving regional services in the province of Quebec. At the time, the profit potential of these investments appeared promising in light of the prospect of a merger between Quebecair and Nordair. Over the past four years SID has devoted considerable energy to bring about this merger, but since it now seems that this objective is highly improbable, we will have to reconsider our involvement in this sector in the coming months; in this context, it should be noted that in a 1981 transaction the Quebec government gave us a firm option, effective August 1, 1983, to sell our shares in 1848-7199 Québec Inc. at an agreed price.

The air transportation sector was hit hard by the recession in 1982. While operating costs remained very high, the majority of airlines suffered from a significant drop in business volume. The I.A.T.A., an international association representing most airline companies, reports that its members' total losses exceeded $3 billion in 1982.

Nordair recorded a loss of about $2.4 million, its first major setback in thirty-five years. However, this was mostly due to a strike that restricted the company's operations over the last five months of 1982. During the year, Nordair completed a reorganization program designed to optimize utilization of the company's assets, and management is confident that these measures will contribute to restoring profitability starting in 1983.

The recession hit certain regions of Quebec particularly hard, resulting in a substantial drop in the number of passengers carried by Quebecair's scheduled and charter flights. Near the end of 1982, the federal Minister of Transport and his Quebec counterpart reached an agreement in principle on a new financial structure designed to give new life to Quebecair. In view of the active negotiations between Quebec government representatives and Air Canada, which is representing the federal Department of Transport, we are confident that a definitive agreement will be concluded in the very near future.

Board of directors

Guy Bernier
Chairman of the Board and
Chief Executive Officer
President and Chief Executive Officer
Fédération des caisses populaires
Desjardins de Montréal et de
l'Ouest-du-Québec

Jean-Marie Ouellet
Vice-Chairman of the Board
Executive President
Fédération des caisses populaires
Desjardins de Québec

A. Hervé Hébert
Secretary
President
Fiducie du Québec

Denis Frenière
President and General Manager
Fédération des caisses populaires
Desjardins de Richelieu-Yamaska

Paul Gauthier
President and Chief Operating Officer
Société d'investissement Desjardins

Denis Giroux*
Directeur – département des
placements-participations
Caisse de dépôt et placement du Québec

Wesley Hogg*
Senior Vice-President and
General Manager
Fédération des caisses populaires
Desjardins du Bas St-Laurent

Serge Limoges
General Manager
Fédération des caisses populaires
Desjardins de l'Abitibi

Marcel Marcotte
Manager
Caisse populaire de Portneuf

Oscar Mercure
President
Assurance-vie Desjardins

Bertin F. Nadeau
President and General Manager
Unigesco Inc.

Jean-Marie Raymond, C.A.
Consultant in Business Management

G. Roger Roy*
Chairman of the Board
Fédération des caisses populaires
Desjardins de l'Estrie

Robert Soupras
Executive President
Fédération des caisses d'économie
Desjardins du Québec

Henri-Paul Trudel
President
Fédération des caisses populaires
Desjardins du centre du Québec

* member of the Audit Committee

Management

General Management

Guy Bernier
Chairman of the Board and
Chief Executive Officer

Paul Gauthier
President and
Chief Operating Officer

Francine Durocher Monin
Assistant Secretary

Administration and Finance

Gilles P. Grenier
Treasurer and
Vice-President

Réjean Brunelle
Assistant Treasurer

Analysis and Investment

Serge Riopel
Vice-President

René Beaulieu
Pierre Brunet
Serge Desjardins
Jocelyn Devost

Corporate Services

Raymond Gagné
Vice-President

Maurice Gareau
Savoie Sharpe

Head office

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an institution of the

mouvement des caisses
populaires et d'économie
desjardins