Hudson's Bay Company

Annual Report 1981

CITIES OF HUDSON'S BAY COMPANY

This report features photographs of seven famous cities where important Company operations were expanded in 1981.

The 313th Annual Meeting of Shareholders

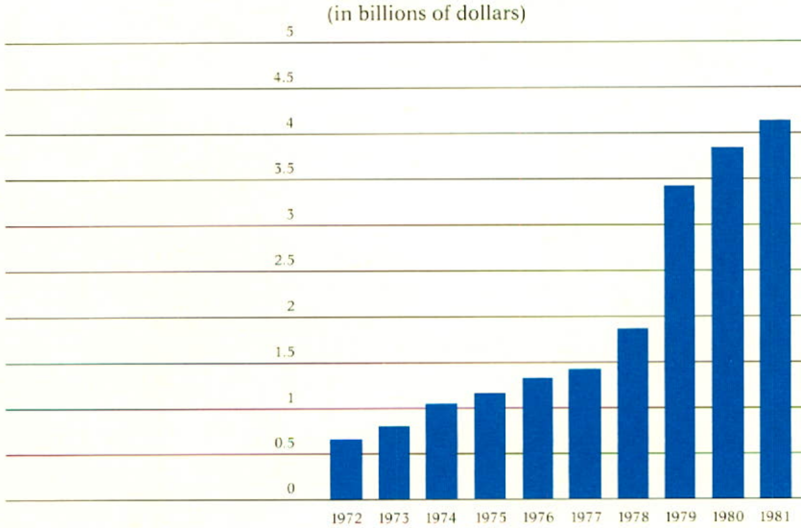
will be held at the Westin Hotel, Winnipeg, Manitoba, on May 18, 1982 at 12 noon.

On peut obtenir ce rapport annuel en français sur demande.

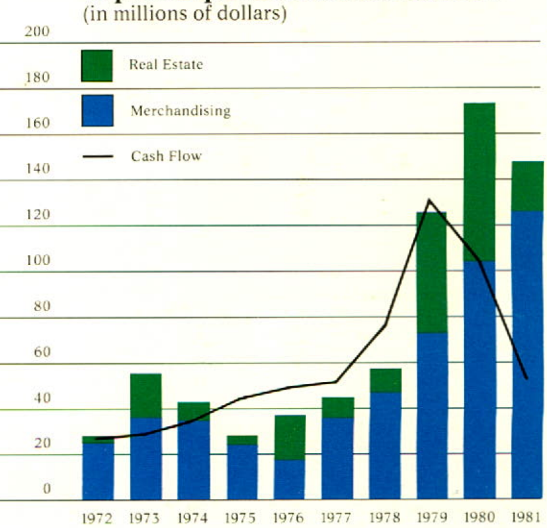
Financial Highlights

	This Year 1981	Last Year 1980
	in millions of dollars	
Sales and revenue	**4,172.4**	3,813.9
Earnings before extraordinary items	**3.7**	54.6
Extraordinary items	**382.5**	18.8
Net earnings	**386.2**	73.4
Cash flow	**51.0**	102.0
Capital expenditures	**147.6**	172.3
Shareholders' equity	**1,207.3**	861.2
		in dollars
Per Ordinary Share:		
Earnings (loss) before extraordinary items	**(.34)**	1.80
Net earnings	**15.78**	2.59
Dividends	**1.20**	1.20
Equity	**44.58**	30.01

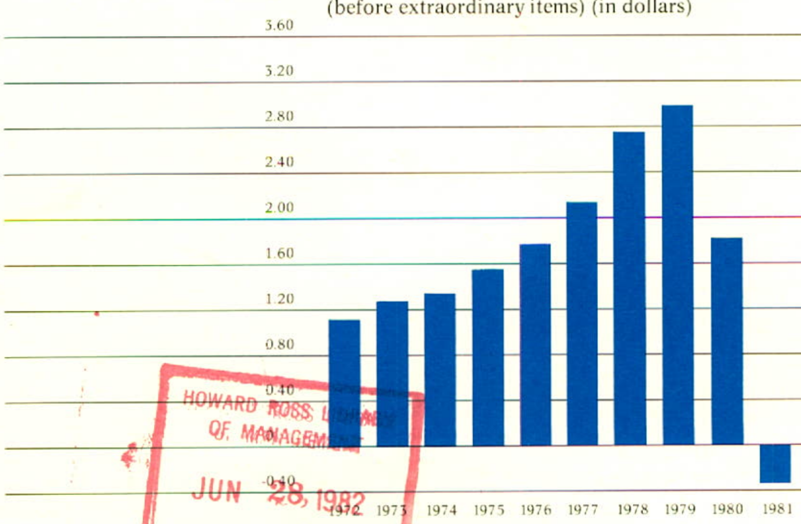
Revenue
(in billions of dollars)



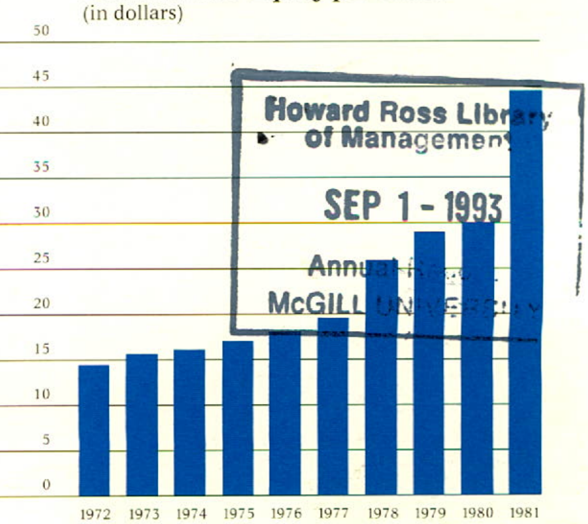
Capital Expenditures and Cash Flow
(in millions of dollars)



Earnings (Loss) per Ordinary Share
(before extraordinary items) (in dollars)



Shareholders' Equity per Share
(in dollars)



Directors' Report to Shareholders

SUMMARY

A combination of increased costs, principally sharply higher interest charges, and a marked slowdown in consumer spending in the second half, resulted in a loss for the Company of 34¢ per ordinary share, compared with earnings of $1.80 per share in 1980.

A number of decisions were made during the year which will have a favourable impact on future results. The most important was the decision to sell our investment in Hudson's Bay Oil and Gas Company Limited (HBOG) for $406 million in preferred shares of Dome Resources Limited. This transaction alone will contribute $2.28 per share to earnings in 1982.

In addition, the Company closed two unprofitable operations, the Shop-Rite Catalogue Stores division and Simpsons' Regina department store.

Consumer spending in Canada was strong during the first six months of 1981. This changed noticeably at mid year as consumers curtailed spending under the combined impact of record interest rates, continuing inflation, increasing energy and tax costs and rising unemployment. Accordingly, margins in the retail industry came under severe pressure in the critical second half of the year and our merchandising profits were significantly reduced.

Operating profits from real estate increased substantially and profits from natural resources were ahead marginally.

CORPORATE DEVELOPMENTS

HBOG/Dome Transaction

The Company disposed of its 7.7 million shares, 10.1%, of HBOG pursuant to a Plan of Arrangement proposed by Dome Petroleum Limited. This followed acceptance of the Plan by the Company in November 1981 and approval of the Plan by HBOG shareholders and by the Court in Alberta in January 1982. Although the transaction did not close until after the year end, the dividends on the Dome Resources preferred shares began to accrue from January 1, 1982.

Under the Plan of Arrangement the Company received 7.7 million preferred shares of Dome Resources Limited and 10.3 million warrants to purchase Dome Petroleum common shares before December 31, 1984 at $23.11 each. The preferred shares will pay an annual dividend of $5.75 each and are retractable in three years. The dividend income to Hudson's Bay Company in 1982 from the Dome Resources preferreds will amount to $44.5 million, compared with 1981 income of $3.4 million from the former investment in HBOG. The retraction of Dome Resources preferred shares is supported by funds held in trust for that purpose.

The HBOG shares were carried on our books at their original subscription value of 63¢ per share; therefore, the extraordinary gain after tax on their sale amounts to approximately $343 million. This, in turn, results in a significant increase in the equity per Hudson's Bay Company ordinary share – to $44.58 from $30.01 – and an improvement in the debt/asset ratio of the Company. Furthermore, the warrants have interesting potential, depending upon the success of Dome's operations in the Beaufort Sea and elsewhere. The Company currently intends to retain the Dome Resources preferred shares until their retraction date, December 31, 1984.

This transaction, which followed the acquisition in June 1981 by Dome of a 53% interest in HBOG, marked the end of a rewarding participation in the latter company. HBOG was created in 1926 as a joint venture between your Company and a predecessor of Conoco Companies Inc. Following a dormant period of about two decades, both companies, in the 1950's, invested in HBOG equity to enable that company to become one of Canada's leading explorers and producers of oil and natural gas.

We are grateful for the achievements of the management and staff of HBOG over the years and wish them continuing success under their new ownership.

Roxy Petroleum Ltd.

Following the merger of Roxy Petroleum (51% owned) with Clarion Petroleums Ltd. in October 1981, the Company subscribed $51 million for common shares and warrants of Roxy to maintain its 51% ownership interest in the enlarged company.

Shareholders will recall that in May 1980 we agreed to invest $33 million for a 51% interest in Roxy, a then newly-formed petroleum company with a promising land spread, mainly in Alberta, a skilled geological staff, and a high degree of Canadian ownership. Because Roxy had little production income with which to finance exploration, a merger was arranged with Clarion, a company with land holdings in western Canada and the United States, a production management team, and annual production revenue exceeding $14 million.

We believe the two companies are a good fit, and that Roxy can now take maximum advantage of its high Canadian ownership status under the National Energy Program.

Shop-Rite Catalogue Stores

The Shop-Rite Catalogue Stores division was closed on January 30, 1982. Shop-Rite had been losing, on a pre-finance and pre-tax basis, approximately $3 million to $4 million per year for the last few years, principally because it failed to generate the sales volume required to operate profitably within the narrow margins prevailing in the catalogue store business. It was concluded that Shop-Rite could not earn a reasonable return without substantial additional investment, which could not be recommended. The cost of closing Shop-Rite, approximately $10 million after tax, has been written off as an extraordinary item.

1981 RESULTS

Earnings were $3.7 million before extraordinary items for 1981 compared with $54.6 million in 1980. After deducting dividends paid to preferred shareholders, there was a loss in 1981 of 34¢ per ordinary share compared with earnings per ordinary share of $1.80 the year before.

The Company recorded extraordinary gains, net of extraordinary losses, of $382 million ($16.12 per share). The exchange of HBOG shares for Dome preferred shares accounted for $343 million of these gains and the final exchange of our 1973 6% exchangeable debentures for shares of HBOG accounted for a further $50 million. An extraordinary loss of $10 million was incurred that related to the closing of Shop-Rite.

Accordingly, earnings per ordinary share, including extraordinary items, were $15.78.

Sales and revenue were $4.2 billion in 1981, up from $3.8 billion in 1980, an increase of 9.4%. The 1981 fiscal year included retail sales for 52 weeks, one week less than in the 1980 fiscal year.

Sharply higher finance costs were an important cause of reduced earnings as long and short term rates reached record levels, with the prime rate peaking at 22¾% in September. Finance costs were $244 million in 1981, an increase of $108 million over 1980. Approximately one-third of the increase was attributable to higher interest rates, and the balance to the cost of financing the additional assets used in the business. The average cost of borrowing was up from 11.7% in 1980 to 15.0% in 1981.

(continued on page 4)

From left to right: Alexander J. MacIntosh, George T. Richardson, Donald S. McGiverin.

TRIBUTE TO THE GOVERNOR

In his address to shareholders last May, George Richardson announced that he wished to relinquish his duties as 33rd Governor of Hudson's Bay Company at the Company's next annual meeting in May 1982.

Your directors learned of Mr. Richardson's decision with feelings of both regret and profound appreciation. Mr. Richardson has served as Governor during some of the most significant events in the Company's recent history. It has been under his stewardship, in fact, that your Company has successfully pursued the massive expansion and redevelopment into modern department store retailing begun in western Canada early this century under Lord Strathcona, the Company's 26th Governor.

When Mr. Richardson was elected the first Canadian Governor of Hudson's Bay Company in 1970, the Company had just negotiated its transfer from United Kingdom to Canadian sovereignty. To most Canadians at that time the Company was essentially a western regional department store company with a long history in the fur trade and an interest in natural resources through Hudson's Bay Oil and Gas Company Limited.

Today, Hudson's Bay Company is recognized as the largest department store network in Canada, with outlets from coast to coast and from the United States border to the high Arctic. It has expanded into the land development business, in both Canada and the United States, through Markborough Properties Limited, and maintained its natural resource presence through investments in Dome Petroleum and Roxy Petroleum. It remains the largest fur trading company in the western world and operates a thriving and expanding wholesale business.

Undoubtedly, however, the most significant accomplishments of the Company under Mr. Richardson were the acquisitions in 1978 of Simpsons Limited and Zeller's Limited, which established Hudson's Bay Company as a truly national Canadian retailing company, firmly positioned in all major retail markets with a strong and diversified base for future expansion and development.

The Company extends to Mr. Richardson its profound appreciation for his leadership contribution over a dozen eventful years, and deeply regrets that his services as Governor will no longer be available. We are pleased that Mr. Richardson has consented to remain as a member of the Board for one further term.

On behalf of the Board

D. S. McGIVERIN
President

March 19, 1982.

Merchandising operating profit declined to $107 million from $183 million in 1980. All retail operations were beset by continuing price competition in the industry as consumer demand softened in the second half of 1981. Consequently, they were unable to increase sales and gross profits sufficiently to keep pace with rising expenses. Fur profits also declined because of lower prices and increased costs. Hudson's Bay Wholesale, however, resisted the downward trend and recorded slightly higher profits.

Real estate operating profits rose because of the sale of several commercial properties. Profits from natural resources were up marginally as reduced dividends from HBOG were offset by the first month's accrued dividends from the new Dome Resources investment.

Further information on Company operations appears on pages 5 to 19.

FINANCIAL

The HBOG/Dome transaction had a major impact on your Company's balance sheet; it was the principal factor in an increase in investments from $504 million last year to $973 million, and a major factor in an increase in assets employed from $2.6 billion to $3.4 billion.

Cash flow from operations amounted to $51 million. Additional funds were provided from one long term and a number of medium term financings aggregating $90 million net of redemptions and from the redemption of Dome Petroleum preferred shares amounting to $62 million.

Capital expenditures totalled $148 million, of which $130 million were for merchandising projects and $16.4 million for real estate. The acquisition of the 40% minority interest in Zeller's Limited was completed in 1981 at a cost of $102 million. A further $42.5 million was expended on the acquisition of Clarion Petroleums Ltd.

ECONOMIC CONDITIONS

Canada has recorded a dismal economic performance in the 1980's and is currently experiencing its second recession in as many years, the current weakness having developed in the summer of 1981. The immediate questions are how long will current economic and financial conditions continue and when will recovery occur?

At the time of writing there is no single sector of activity which can generate momentum and specifically, there are two important expenditure streams for which the prospects are poor.

First, business investment is being curtailed by declining profitability, high financing costs, reduced corporate cash flows and sluggish demand from export markets.

Secondly, the consumer continues to face a long term price-income squeeze exacerbated by poor employment conditions and the burden of refinancing huge volumes of mortgages at 18% interest rates. As a result, the prospects for consumer expenditures are the worst in thirty years. Nor will consumers' confidence materially change until employment prospects improve and interest rates decline. It is hoped that this combination of events will occur in time for the crucial end-of-year season.

All indicators point to, at best, a flat overall performance for the economy in 1982, with a serious threat of the first decline in real levels of economic activity since 1954. By the second half of 1982, however, the Canadian economy should have troughed and may be showing positive signs of recovery as Canadian exports respond to a recovery in the United States and as interest rates moderate, reflecting lower inflation rates. The domestic economy should then start to recover and improving employment prospects should encourage consumer confidence. The Company will monitor economic conditions closely to aid its planning and responses to changing conditions.

OUTLOOK FOR THE COMPANY

As mentioned earlier, the HBOG/Dome merger will contribute $2.28 per share to 1982 earnings. Unfortunately, the two factors which are the key to our 1982 results, interest rates and consumer spending, are not as easy to forecast.

At year end we had approximately $900 million in short term debt; consequently, interest rates will have a major impact on our earnings. A 1% change in short term rates on an annual basis will change our results by about 23¢ per share.

Because we expect that consumer spending will continue to be curtailed, at least through the first three-quarters of 1982, our retail companies will reduce expenses and inventories to the lowest levels compatible with good customer service. They will, however, be well positioned to benefit from a recovery in consumer spending whenever it comes. Our retail companies plan aggressive but selective promotions to maintain their share of the available market.

In the meantime, we believe that the degree of leverage on which the Company operated through the late 1970's is no longer appropriate and must be reduced. This will involve further disposals of under-productive assets and a slowdown in the rate of expansion. In this regard we have revised our financial standards for appraising new capital investment to take into account the current interest rate environment.

Capital spending has been pared to the minimum and is expected to total $160 million in 1982, of which $117 million will be in merchandising. Much of this represents commitments made in prior years. We believe that changing population patterns, the high cost of money, the relative scarcity of prime sites and the long lead times necessary for successful retail development dictate a cautious approach to commitments to new outlets. Over the next few years, therefore, the proportion of our retail capital spending devoted to modernization and expansion of existing stores will increase while that devoted to building new stores will decrease.

Over the long term we expect the Canadian economy to recover most of, if not all, its former vitality. We believe that our retail companies will adapt successfully to demographic change and that technological developments will improve efficiency. Overall, we are convinced that the Company can in due course produce an attractive return on its assets.

BOARD

The intention of George T. Richardson to retire as Governor at the Annual Meeting in May is mentioned on page 3 of this report. The Board proposes to appoint Donald S. McGiverin to succeed Mr. Richardson as Governor, and that Mr. McGiverin continue as President and Chief Executive Officer of the Company.

APPRECIATION

We are most grateful to our employees for their dedication and loyalty during a year of adversity. We count their skills and energies as one of the keys to our future progress. We also extend appreciation to our customers, our suppliers and our shareholders for their continuing support.

On behalf of the Board

G. T. RICHARDSON, Governor

D. S. McGIVERIN, President

March 19, 1982.

Merchandising

Operating profits from merchandising (before interest and taxes) were $107 million compared with $183 million in 1980.

Four of the Company's five merchandising operating groups – Wholesale being the exception – had reduced profits during the year. Comments on all these groups are on the following pages.

Also included in merchandising results are equity earnings from Simpsons-Sears Limited, Eaton Bay Financial Services Limited and Hudson's Bay Distillers Limited. The earnings of all these companies were lower in 1981 than in the year before.

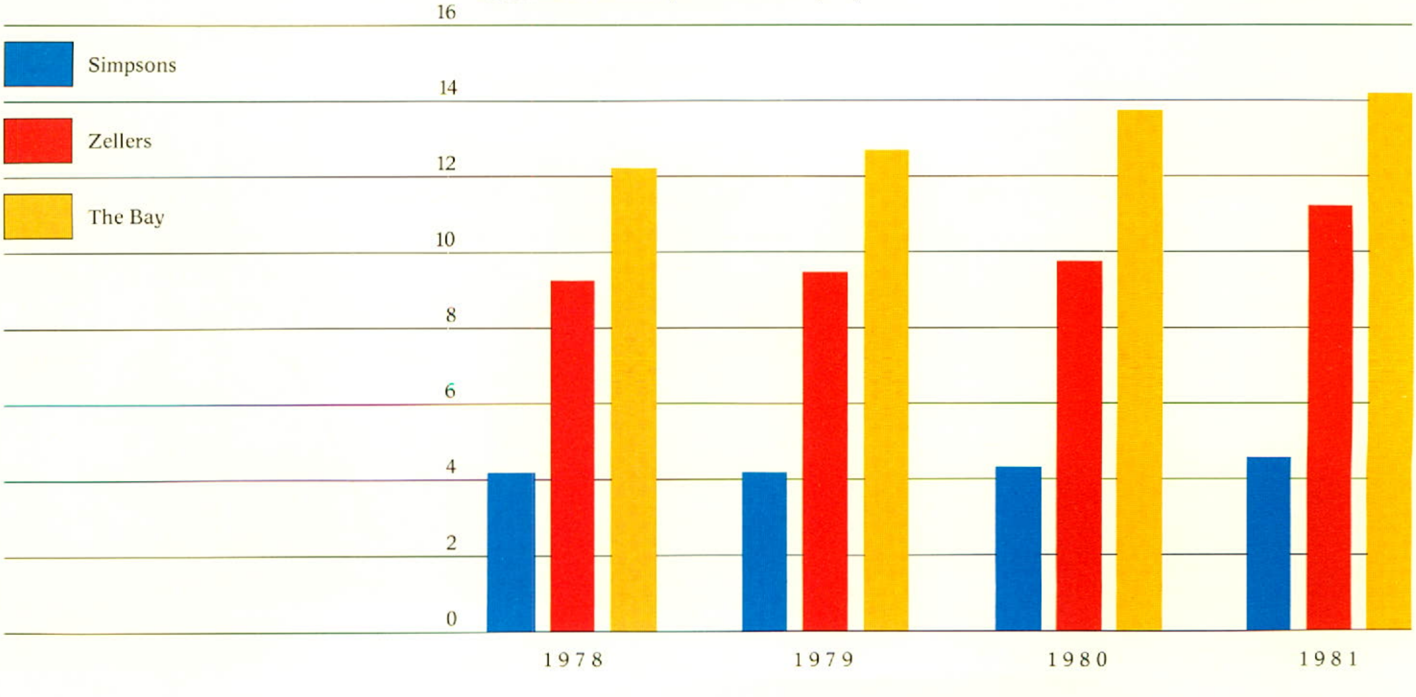
Net earnings of Simpsons-Sears for 1981 were $31.9 million, or 37¢ per share compared with $50.3 million or 58¢ per share in 1980. Hudson's Bay Company's 35.6% equity share of the net earnings of Simpsons-Sears was $11.0 million, and dividends received from that company amounted to $11.2 million. Sales of Simpsons-Sears for the 52 weeks ended February 3, 1982 were $3.1 billion, an increase of 5.9% over the previous year, which comprised 53 weeks. In 1981 Simpsons-Sears opened new stores in Edmonton, Alberta and Hamilton, Ontario, and at the year end operated seventy full-line department stores and 1,191 catalogue sales units across Canada.

Results of Eaton Bay Financial Services Limited continued to be adversely affected by the narrow spread in interest rates prevailing during most of the year, and by unsatisfactory underwriting experience in general insurance. Sales gains were recorded in each major product line.

Profits of Hudson's Bay Distillers Limited, which distributes Hudson's Bay liquor products in Ontario and the western provinces, declined slightly in 1981 despite a marginal increase in volume and two industry-wide product price increases during the year.

Total retail space occupied by The Bay, Simpsons and Zellers increased during the year by 3.3%. The accompanying chart shows comparable retail space by merchandising division since the acquisition of Simpsons and Zellers in 1978. The increase shown for The Bay in 1981 is after the closing of approximately 700,000 sq. ft. formerly used by the Shop-Rite catalogue division.

Retail Facilities (in millions of sq. ft.)



the Bay

A pronounced nation-wide slowdown in consumer spending in the second half was the principal cause of disappointing 1981 operating results of The Bay. Retail sales were up by 10.1% to $1.7 billion but operating profits declined.

The strong surge in consumer spending, which was a feature of Christmas 1980, continued through the first half of 1981 with the consumer apparently attempting to anticipate inflationary price increases. Retail sales of The Bay were ahead by 17.2% to July 31.

About mid year the impact on consumer psychology of high interest rates, increasing energy and tax costs and rising unemployment became apparent. The retail sales increase of The Bay in the second half was only 5.7%, most of this the result of new store openings. Nevertheless, The Bay was successful in increasing its market share during the year.

As might be expected, sales of big ticket items, furniture and major appliances, were particularly soft after mid year. An unseasonably warm and late fall caused a decline in sales of winter clothing. On the positive side, women's accessories and home entertainment products sold well throughout the year. Pronounced sales difficulties were experienced in some small one-industry communities, where strikes or layoffs occurred.

The rate of gross profit deteriorated somewhat from the previous year because of higher markdowns taken in response to widespread price cutting throughout the industry. Expenses were well controlled, but bad debt losses were higher than anticipated because of the unfavourable economic climate.

The decision to close the Shop-Rite Catalogue Stores division is mentioned on page 2 of this report. The Bay had purchased Shop-Rite in 1972, when it consisted of four stores in the London, Ontario area. Within three years the chain had been expanded to sixty stores and a large distribution centre had been built at Brampton. Expansion then slowed as the division struggled – unsuccessfully – to achieve

QUEBEC
Historic fortress guarding the St. Lawrence. The only walled American city north of Mexico. Political and educational centre of French Canada. The Bay opened its first Quebec store in Les Galeries de la Capitale last August, to be followed in 1982 by a second at Place Laurier.

profitability. The closing of Shop-Rite will allow management of The Bay to concentrate on the operation and expansion of its mainstream activity, the department stores.

During 1981 ten new Bay stores were opened, as follows:

Location	Sq. Ft.
Quebec, Quebec	173,000
Edmonton, Alberta	163,000
Calgary, Alberta	160,000
Oakville, Ontario	124,000
Kamloops, British Columbia	123,000
Brandon, Manitoba	67,000
Cornerbrook, Newfoundland	64,000
Rivière du Loup, Quebec	44,000
Port Hardy, British Columbia	25,000
Stettler, Alberta	25,000

The new store at Kamloops replaced an older store of 55,000 sq. ft. The new Quebec store is the first for The Bay in that historic city and major metropolitan market. The customer response has been extremely positive, with sales running well ahead of budget.

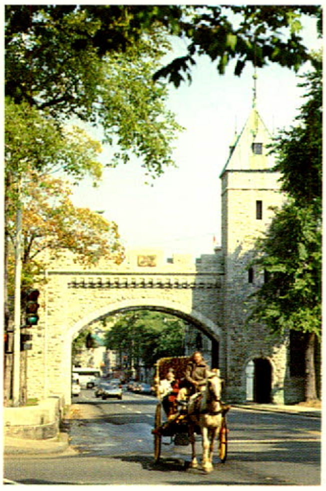
The Southgate store in Edmonton was expanded in size during the year from 163,000 to 234,000 sq. ft. by the addition of a third floor. The modernization of the two original floors will be completed in 1982. A multi-million dollar modernization program for the downtown Vancouver store was started in 1981.

Stores at Frobisher Bay and Resolute Bay in the Northwest Territories, and at Chisasibi and Forestville in Quebec were replaced, and three small stores were closed.

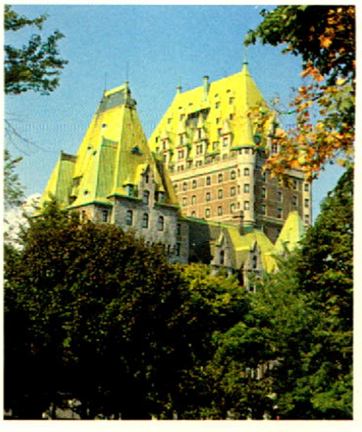
The Bay intends to concentrate more of its future expansion efforts on the enlargement and modernization of existing stores and less on opening new stores. Only five new full-size suburban stores are currently planned over the next five years, about one-third the number opened during the last five years. Similar reductions are planned for the number of stores to be opened in smaller communities. Major expansions and renovations will, however, be undertaken at a number of existing stores and large investments are planned for modernization of several downtown flagship stores.

In 1982 only one new store will be opened. Located in the well-established Place Laurier shopping centre, this will be The Bay's second store in Quebec City. Construction has commenced on a $19.9 million expansion and modernization of the Ottawa downtown store, which will be connected to and integrated with a large new retail and hotel complex. The total development will provide for the first time a dominant retail anchor for downtown Ottawa.

Management expects business conditions to be very difficult during 1982, but believes The Bay is positioned to take advantage of any upturn in the economy.





Simpsons

Sales for the 52 weeks of fiscal 1981 decreased 1.3% to $758 million from $768 million for the 53 weeks of fiscal 1980. This result was not adequate to offset higher expenses and, as a result, operating profits were unsatisfactory.

Demand for consumer goods, relatively strong during the first half of the year, slackened in the third quarter. Sales strengthened again prior to Christmas and record December volume was achieved. This sales improvement required aggressive pricing and promotional action on several commodities. The result was higher-than-planned markdowns and advertising expense which, in turn, had the desired effect of sharply reducing inventory. Consequently, Simpsons began 1982 with much better inventory levels and merchandise blends.

Sales were particularly disappointing in major appliances and furniture, commodities in which Simpsons has enjoyed a high market share in the past. Poor sales were a reflection of reduced starts and turnover activity in the housing market, high interest rates, and low levels of disposable income.

Simpsons' commitment to emphasize fashions and accessories produced a satisfactory improvement in the sales blend of these commodities, as well as marginal improvement in gross profit over the previous year.

Simpsons has been serving Canadian shoppers for 109 years, and is positioned to meet the challenge of the market-place and to benefit from the organizational structure introduced in 1980. Under the banner, "Simpsons Year 110. Your best year ever to shop at Simpsons", the thrust of the new organization is to develop dynamic merchandising strategies

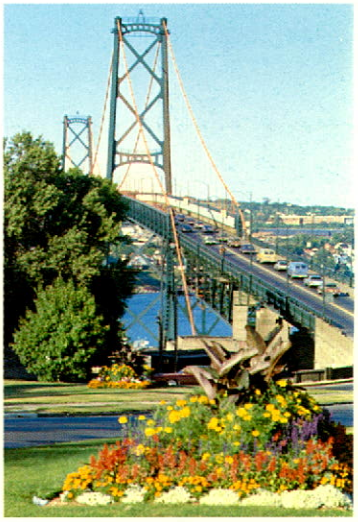
HALIFAX
North American mainland sea port closest to Europe. Site of one of the world's best natural harbours, where petroleum rigs now vie for attention with fishing boats and cargo ships. Simpsons enlarged and modernized its store in neighbouring Dartmouth in 1981, and next year will replace its Halifax store.

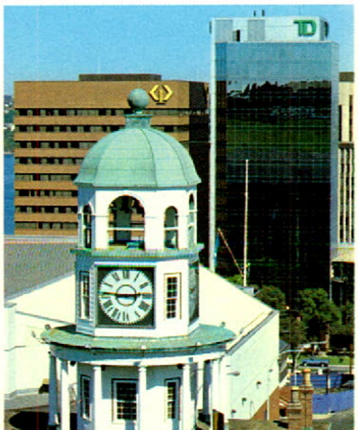
to respond directly to new consumer attitudes related to value. Ways are being sought to hold prices on major offerings to 1981 levels and to offer new and unique value assortments through intensified coverage of world markets. Simpsons' continuing overall strategy is to shift the merchandising emphasis further towards fashions and accessories and high-demand home commodities.

One of this year's major projects, and one which will greatly assist in increasing market share in women's fashion and accessories, will be the renovation and refixturing of the main and third floors of the downtown Montreal flagship store. The planned design is an exciting departure from traditional department store layouts, and further renovations in subsequent years will transform this store into an outstanding Simpsons presence.

Last year Simpsons closed its seventy-year-old downtown Regina store, opened a new 120,000 sq. ft. store in Oakville, Ontario and a 135,000 sq. ft. store in Brampton, Ontario, replacing the previous 90,000 sq. ft. building. The Micmac Mall store in Dartmouth, Nova Scotia was renovated and enlarged from 90,000 sq. ft. to 156,000 sq. ft. Total volume in these new and expanded stores has exceeded budgets. In March of this year the new 124,000 sq. ft. Warden Woods store in Scarborough, Ontario was opened, to be followed in August by the opening of a new 124,000 sq. ft. Cataraqui Mall store in Kingston, Ontario.

Last fall, Charles A. M. MacRae was appointed President and elected a director of Simpsons Limited, and J. Richard Davidson, Executive Vice-President, Personnel and Administration, was elected a director. In January 1982 Dr. Pierre Laurin, Dean and Director of L'École des Hautes Études Commerciales in Montreal joined the Board, and A. Ernest Wilkes, after 44 years of outstanding service with Simpsons as an officer and, more recently, as a director, retired from the Board.





Zellers

Consolidated sales of Zellers rose 11.7% to $988 million in the 52-week period of 1981 from $884 million for the 53-week period of 1980. Operating profits, however, declined as all Zellers' operations suffered from the sharp nation-wide slowdown in economic activity. Consumer spending decreased substantially during the third and fourth quarters as widespread lay-offs, rising energy costs and high interest rates on mortgage renewals combined to reduce personal disposable income.

Western Canada, the location of the majority of the operations of Fields Stores Limited, was particularly hard hit. High interest rates slowed housing construction, with consequent effect on lumber and related industries, and the energy dispute between the provinces and the federal government discouraged oil exploration activities in Alberta. Despite these conditions, Fields and its subsidiaries contributed $110 million to consolidated sales, although operating profits fell sharply.

Zellers stores continued to grow, with sales rising 14% to $878 million in 1981, compared with $770 million the year before. Sales rose 21.6% in the first half of the year, but only 9.1% in the second half, a dramatic demonstration of the effects of the overall economic slowdown. While sales on a comparable-store basis showed a nominal increase, most of the growth was provided by the opening of twelve new stores during the year. Despite disappointing sales, Zellers continued to improve its share of market.

VANCOUVER
Canada's spectacular gateway to the Orient. Financial, industrial, shipping and cultural centre of the Pacific North West. Zellers opened its 10th store in the Vancouver area in 1981.

Operating profits of Zellers stores in 1981 declined from the prior year. Gross margins fell because of deteriorating sales and high markdowns to reduce inventories to levels more consistent with consumer spending. Competition was intense during the second half as the industry attempted to liquidate inventories.

Zellers' aggressive store expansion and modernization program continued with the opening of twelve new stores as follows:

Location	Sq. Ft.
Chicoutimi, Quebec	69,000
Calgary, Alberta	68,000
Quebec, Quebec	68,000
Maple Ridge, British Columbia	67,000
Kamloops, British Columbia	54,000
Ottawa, Ontario	54,000
Rivière du Loup, Quebec	54,000
St. Albert, Alberta	54,000
St-Basile, New Brunswick	54,000
Sault Ste-Marie, Ontario	54,000
Scarborough, Ontario	54,000
Magog, Quebec	43,000

Nine stores were refurbished and four small variety stores were closed during 1981.

Although depressed consumer demand is anticipated throughout 1982, Zellers has identified opportunities for profit improvement through lower operating costs next year. These are:

- Better control and management of inventories to reduce markdowns and carrying costs through a computer-assisted program to centralize merchandise buying.
- Mechanization of the Montreal Distribution Centre facilities to improve productivity and provide capacity to double the current throughput.
- Rescheduling of store staffs to obtain maximum productivity.

We expect Zellers' sales to continue to grow as a result of our modernization and expansion programs.

Hudson's Bay Wholesale

Fiscal 1981 saw continued growth for Hudson's Bay Wholesale as both sales and profits improved. Sales of $497 million reflected an increase of 8.0% over the previous year. Profits (before interest and taxes) increased 10.2% to $13.1 million.

The overall rate of gross profit was relatively unchanged from 1980, while the expense rate increased marginally as a result of higher wage and energy costs. Increased sales by both the Wholesale Branch and Vending operations were the principal reason for higher profits.

A network of 41 Wholesale branches throughout Canada distributes confectionery, specialty foods, sporting goods, giftware, sundries and tobacco products to the retail and institutional trade. Aggressive merchandising resulted in significant growth in non-perishable specialty food and confectionery sales, while tobacco volume showed moderate gains. Sundries business, however, was sluggish, particularly during the critical fourth quarter.

The strongest sales were recorded in the Ontario and Manitoba/Saskatchewan regions.

The Vending operation provides food, beverage, cigarette and entertainment service through 29 branch offices

OTTAWA
Selected by Queen Victoria in 1857 as Canada's capital. Site of many public parks, buildings and museums, including the famous Gothic Parliament Buildings. Noted for its tulip festival in Spring and canal skating in winter. Hudson's Bay Wholesale expanded its nation-wide vending business by purchase in 1981 of an Ottawa enterprise.

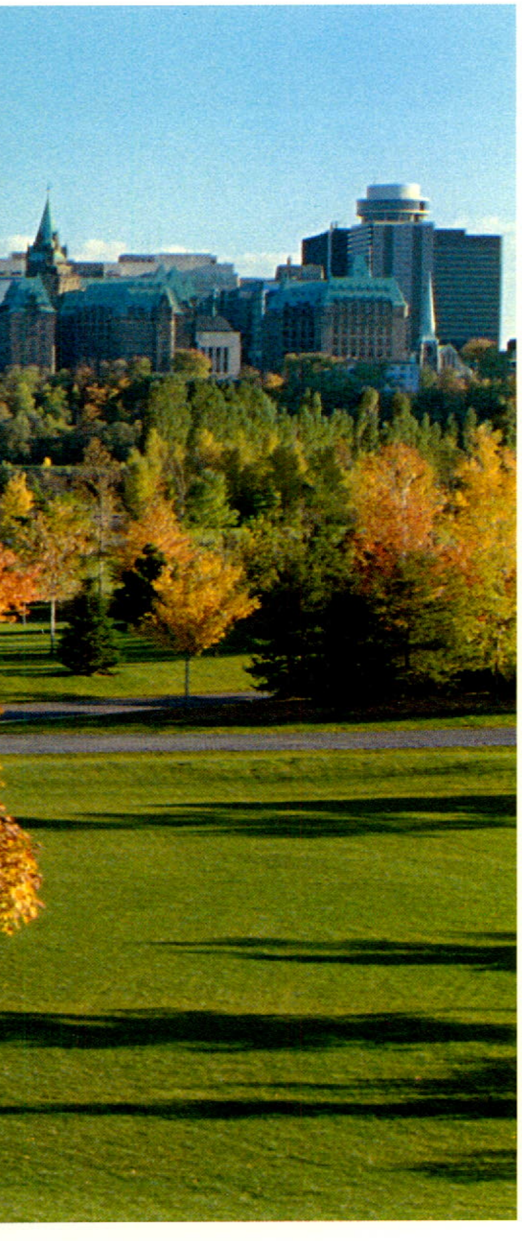
and 22,000 machines across the country. Strong sales performance during the year in full-line and games vending and in Red Carpet office coffee service were most encouraging. This direction is consistent with the division's intention to broaden its revenue base, reducing dependence on cigarette vending.

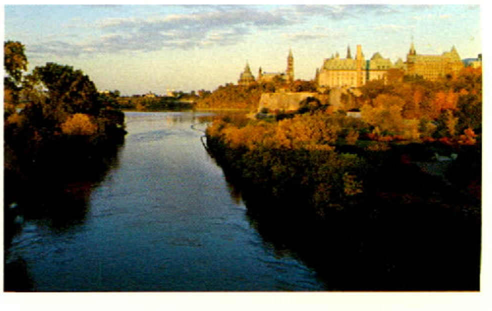
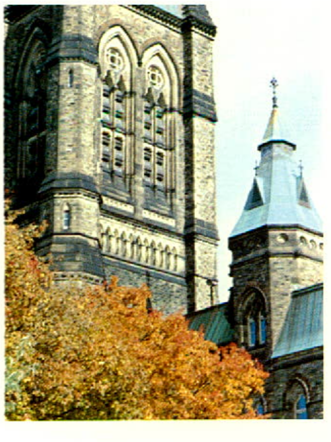
During the year the Wholesale operation in Quebec City was relocated to larger premises. Similar upgrading plans for 1982 include relocation of the present Victoria, British Columbia; Scarborough, Ontario and Regina, Saskatchewan branches to larger buildings. The existing warehouses in Calgary, Alberta and Thorold, Ontario are also scheduled to be expanded.

Vending service was extended to Ottawa, Ontario and Calgary, Alberta through two business acquisitions.

Electronic data processing development in Wholesale branches during the year concentrated on improved customer billing and sales and inventory management information. Improved systems are expected to provide important tools for better use of our resources and improving customer service.

We expect Hudson's Bay Wholesale to continue to expand in 1982 as a specialized distributor and major vending operator.



Fur

Both fur sales and profits were lower in 1981 than in the preceding year as the result of reduced prices and increased inflation-generated costs of operation. Consignment sales were off by 17.4% to $406 million and profits (before interest and taxes) to $12.1 million from $17.6 million in 1980.

The furs sold by the Company originate in 28 countries: virtually all the world's significant fur producing areas. The Company's customers are also widely dispersed among all the principal consuming areas, with Japan becoming increasingly important after Europe and North America.

Although fur garments remain a popular fashion item, the world-wide economic slowdown has continued the downward trend of pelt prices which started in the 1979/80 season.

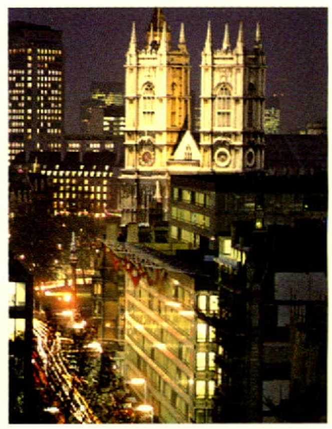
The price decline was aggravated by a further deterioration in the purchasing power of our main customers' currencies. By January 1982, Canadian and U.S. dollars had appreciated between 10% and 25% against the 1981 values of the Italian lira, German mark and Japanese yen. The net result of these exchange disadvantages, coupled with the economic recession, was a reduction of prices and consequently of commission income.

The Company's new auction house in Toronto became fully operational as an international fur sales centre with its first auction of the 1981/2 season in

LONDON
Famous world capital, redolent of history and tradition. Location of the Mother of Parliaments. Headquarters of the Company for three centuries, 1670-1970. Hudson's Bay & Annings consolidated its world-wide fur operations during 1981 in an expanded Riverbank House in the shadows of St. Paul's.

December 1981. This completely modern facility offers the greatest volume and variety of furs presented for sale in North America.

Hudson's Bay and Annings Limited, London (59% owned) occupied its new premises in 1981 as scheduled. Whereas the London fur operations formerly operated in two separate buildings, they are now consolidated under one roof in new, modern facilities. The building will be officially opened later this year, when the auction room will be ready for use.



Real Estate

Operating profits from real estate (before interest and taxes) were $67 million in 1981, up from $33.3 million the year before. These profits were produced by Markborough Properties Limited, a wholly-owned real estate subsidiary, and by a group of wholly and partially owned shopping centres and commercial buildings.

Markborough Properties Limited
Results of Markborough were encouraging in 1981, a year of considerable adversity for the development and housing industry throughout North America. Total revenue reached a record level and operating profit increased significantly over the previous year.

Land revenue more than doubled in 1981. This included for the first time land sales from the Texas operations and the Boca Pointe project in Florida. It also included the sale of a prime commercial site in Calgary, Alberta. Markborough, however, was not immune to the increased carrying costs common throughout the industry, particularly high interest charges. Consequently, the gross profit from land operations was only a little higher than in the previous year. Housing revenue was down slightly, as were gross profit margins in this sector of the business.

Income property results were adversely affected by normal start up costs associated with new buildings taken on stream during the year and by higher interest expenses.

During the year Markborough accepted an offer to sell its interest in the College Park project in Toronto.

HOUSTON
Thriving inland sea port. Petrochemical and research centre. Home of the Astrodome and the Lyndon B. Johnson Space Centre. 1981 was the first full year of activity by Markborough Properties in ten land development projects in the Houston area, including Sugarwood.

Markborough continued with its policy of expanding the income property base. In 1981 three projects were completed in Toronto and one in Calgary. Two office developments, in Denver, Colorado and Dallas, Texas, are under construction, with completion scheduled for early 1983.

Other prime income projects are in advanced stages of planning in locations where Markborough is satisfied that there is a good demand for accommodation and where there is funding available on acceptable terms.

Hudson's Bay Real Estate

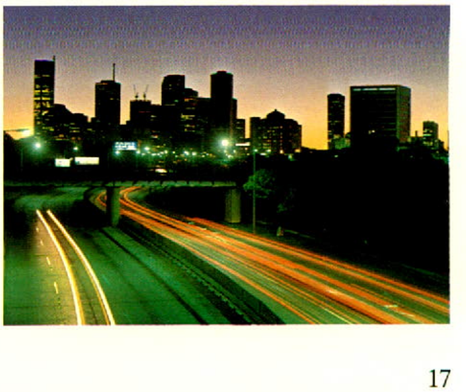
Operating profits from real estate holdings other than Markborough – principally interests in 33 shopping centres – increased substantially as a result of additional income from newly-opened centres and the inclusion in 1981 results of a profit on the sale of a minority interest in a regional shopping centre in Calgary.

Five new shopping centres in which the Company has ownership interest were opened during the year:

- Les Galeries de la Capitale in Quebec City, comprising 714,000 sq. ft., 25% owned.
- Deerfoot Mall in Calgary, Alberta, comprising 590,000 sq. ft., 25% owned.
- Aberdeen Mall in Kamloops, British Columbia, comprising 474,000 sq. ft., 50% owned.
- Oakville Place in Oakville, Ontario, comprising 450,000 sq. ft., 49% owned.
- Thunderbird Mall in Port Hardy, British Columbia, comprising 90,000 sq. ft., 33% owned.

During the year the Company purchased the 50% interest which it did not already own in the Micmac Shopping Centre in Dartmouth, Nova Scotia. The centre had earlier been expanded from 380,000 to 550,000 sq. ft. at a cost of approximately $11 million. The successful Southgate centre in Edmonton, Alberta, 40% owned was enlarged from 600,000 sq. ft. to 800,000 sq. ft. at a cost of approximately $28 million.

Two centres in which the Company has equity interests will open in Kingston and Toronto, Ontario, in 1982.



Natural Resources

Profits from natural resources (before interest and taxes) were $16.2 million in 1981, compared with $15.7 million the year before. Natural resources profits were made up principally of dividends from Hudson's Bay Oil and Gas Company Limited of $3.4 million, preferred dividends from Dome Petroleum Limited of $8.5 million, and accrued dividends from the new holding of Dome Resources Limited preferred shares for one month, amounting to $3.8 million.

The activities of Roxy Petroleum Ltd. were in the exploratory stage in 1981 and accordingly all costs related to the exploration for and development of reserves, net of revenue, were capitalized.

Roxy Petroleum Ltd.
During the past year Roxy achieved a number of milestones towards its goal of becoming a successful intermediate-sized Canadian oil company. These were the issue of two million common shares to the public in February; a listing on the Alberta and Toronto Stock Exchanges in March; the merger in December with Clarion Petroleums Ltd. and the concurrent issue of 10.3 million common shares with 5.15 million warrants attached. These steps have resulted in a company with a shareholders' equity in excess of $141 million, compared with $28.1 million at the previous year end, and an expected gross revenue of $15 million for 1982.

With the Clarion merger, Roxy added to its existing staff a seasoned production and operations group together with geologists and landmen. A further benefit to Roxy of the merger was the acquisition of an exploration group located in Denver,

CALGARY
Canada's oil capital and fastest-growing major city. Home of the Calgary Stampede and host of the 1988 Winter Olympics. Shareholders' meetings to approve the Dome/Hudson's Bay Oil and Gas, and the Roxy/Clarion mergers were held in Calgary.

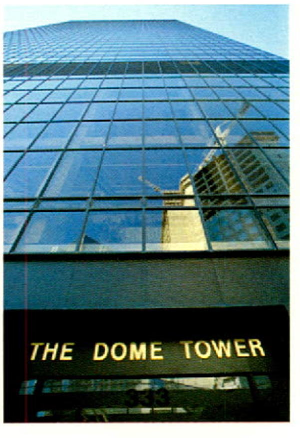
Colorado, which will form the basis of the Company's future expansion plans in the United States.

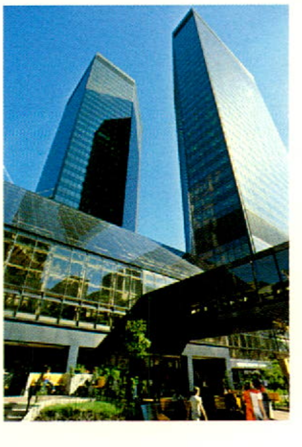
Roxy's exploration activities have been expanded considerably in the past year. In western Canada Roxy is now actively exploring in Manitoba, Saskatchewan, Alberta and British Columbia. Off the East Coast of Canada it is currently participating in a well, located offshore Nova Scotia near Sable Island. As a member of the East Coast III Group, Roxy has an aggressive primary exploration play under way offshore Labrador and Newfoundland. In the United States the efforts of Roxy and Clarion have been combined with activity in six states. Finally, in keeping with Roxy's objective to diversify its activities beyond North America, it has taken a position in a Dubai concession in the Persian Gulf.

Production of crude oil in 1981 averaged 1,055 barrels per day in Canada and 128 barrels per day in the United States. Sales of natural gas averaged 12.1 million cubic feet per day in Canada and a further 2.3 million cubic feet per day in the United States.

Roxy plans to spend approximately $30 million in 1982 on exploration lands held and in exploiting existing discoveries. Of this total, $22 million will be spent on exploration and $8 million on development. The financing for these capital expenditure programs will come primarily from existing operating cash flow, the escrow funds of Hudson's Bay Company, Petroleum Incentive Payments (PIP grants) and special joint venture fundings.

The continuance of the world oil surplus and falling world prices, the general recession in Canada and the United States, and the tight money policies adopted in both countries make the prospect of improvement in Roxy's economic growth in 1982 difficult to predict. Nevertheless, Roxy is well placed with sufficient finances, experienced personnel and exploration lands to move ahead in due course despite the present difficult environment.





Yukon
Northwest Territories
Victoria Island
British Columbia
Alberta
Saskatchewan
Manitoba
Resolute Bay
Tuktoyaktuk
Aklavik
Inuvik
Fort McPherson
Holman
Cambridge Bay
Spence Bay
Gjoa Haven
Fort Good Hope
Coppermine
Fort Norman
Fort Franklin
Repulse
Whitehorse
Fort Simpson
Fort Providence
Fort Rae
Yellowknife
Baker Lake
Chesterfield Inlet
Rankin Inlet
Fort Liard
Hay River
Fort Resolution
Fort Nelson
Meander River
Fort Smith
Eskimo Point
John D'Or Prairie
Uranium City
Fond-du-Lac
Stony Rapids
Black Lake
Prince Rupert
Hazelton
Fort Vermilion
Fox Lake
Fort Chipewyan
Smithers
Kitimat
Fort St. John
Mackenzie
Dawson Creek
Fairview
Peace River
Wabasca
Fort McMurray
Churchill
Brochet
Fort St. James
Grande Prairie
Atikameg
Desmarais
La Loche
Buffalo Narrows
Lynn Lake
Prince George
High Prairie
Patuanak
Southend
Gillam
Quesnel
Grand Cache
Lac La Biche
Dillon
Ile à la Crosse
Beauval
Stanley
Leaf Rapids
Split Lake
Shamattawa
Port Hardy
Pukatawagan
Thompson
Nelson House
Oxford House
La Ronge
Pelican Narrows
Hinton
Edmonton
Drayton Valley
Campbell River
100 Mile House
Meadow Lake
Wabowden
Flin Flon
God's Narrows
Red Sucker L
Rocky Mountain House
Ponoka
Camrose
Cumberland House
Snow Lake
Cross Lake
Island Lake
Courtnay
Kamloops
Red Deer
Lloydminster
Prince Albert
The Pas
Rossville
Norway House
Waasagomach
Vancouver
Stettler
North Battleford
Poplar River
Sandy Lake
Nanaimo
Vernon
Banff
St. Theresa Point
Calgary
Saskatoon
Berens River
Round Lake
Kelowna
Chilliwack
Penticton
Victoria
Brooks
Saskatchewan
Little Grand Rapids
Pikangikum
Cat Lake
Trail
Cranbrook
Yorkton
Medicine Hat
Red Lake
Balmertown
Dauphin
Lethbridge
Moose Jaw
Regina
Pine Falls
Lac Seul
Ear Falls
Grassy Narrows
Lac du Bonnet
Weyburn
Brandon
Portage la Prairie
Pinawa
Hudson
Sioux
Winnipeg
Dryden
Ignace
Atikokan
Hudson's Bay Company
Retail and Wholesale Locations
January 31, 1982.
The Bay (289)
Simpsons (21)
Zellers (178)
Wholesale Branches (57)
Excludes Fields stores in Western Canada (84).


Southern Ontario
Midland
Orillia
Owen Sound
Barrie
Hanover
Newmarket
Oshawa
Richmond Hill
Brampton
Georgetown
Toronto
Guelph
Milton
Mississauga
Oakville
Kitchener / Waterloo
Burlington
Cambridge
Hamilton
St. Catharines
Brantford
Grimsby
Thorold
Niagara Falls
Welland
London
Port Colborne
Sarnia
St. Thomas
Fort Erie
Wallaceburg
Chatham
Windsor
Leamington
tic Bay
Pond Inlet
Nanisivik
Clyde
Baffin Island
Arctic Circle
Broughton Island
Igloolik
Hall Beach
Pangnirtung
Bay
Frobisher Bay
Cape Dorset
Lake Harbour
Coral Harbour
Saglouc
Maricourt
Bellin
Povungnituk
Kuujjuaq (Fort Chimo)
Rigolet
Cartwright
North West River
Newfoundland
Hudson Bay
Inoucdjouac
Happy Valley
St. Anthony
Schefferville
Blanc-Sablon
Rivière-St-Paul
St-Augustin
Sanikiluaq
Labrador City
La Tabatière
Chevery
Grand Falls
Carbonear
Poste-de-la-Baleine
La Romaine
Corner Brook
St. John's
Fort Severn
Québec
Havre-St-Pierre
Chisasibi (Fort George)
Gagnon
Rivière-au-Tonnerre
Stephenville
Maliotenam
Sept-Îles
Marystown
Nouveau-Comptoir
ake
Port-Cartier
Attawapiskat
Eastmain
Gaspé
Bearskin Lake
Kashechewan
Baie-Comeau
Trout Lake
Fort Albany
Hauterive
Chandler
Webequie
Betsiamites
Mont-Joli
Moosonee
Mistassini
Forestville
P.E.I.
Sydney
Rimouski
Wunnummin Lake
Moose Factory
Fort Rupert
Chibougamau
Newcastle
Chatham
Bathurst
Charlottetown
Summerside
Alma
Rivière-du-Loup
Chapais
Chicoutimi
New Glasgow
Lansdowne House
Ontario
Amherst
Matagami
Obedjiwan
New Brunswick
Nova Scotia
Edmundston
La Tuque
Moncton
Hearst
Nakina
Smooth Rock Falls
Noranda
La Pocatière
Truro
Fredericton
Geraldton
Longlac
Québec
Kentville
Halifax/Dartmouth
Sussex
Lookout
Hornepayne
Val-d'Or
St-Georges
Bridgewater
St-John
Schreiber
Manitouwadge
Iroquois Falls
Trois-Rivières
Thetford Mines
Nipigon
Manouane
Victoriaville
Yarmouth
Marathon
St-Jérôme
Drummondville
Red Rock
Wawa
New Liskeard
St-Hyacinthe
White River
Thunder Bay
Pembroke
Beloeil
North Bay
Lachute
Montréal
Sudbury
Ottawa / Hull
Sherbrooke
Russell
Cornwall
Magog
Elliot Lake
Sault Ste. Marie
Smiths Falls
St-Jean
Brockville
Peterborough
Kingston
Lindsay
Trenton
Cobourg
see Inset

Directors and Officers

HUDSON'S BAY COMPANY

Board

Ian A. Barclay
Vancouver
Chairman of the Board
British Columbia Forest Products Limited

Marcel Bélanger◆
Quebec
President, Gagnon et Bélanger Inc.

G. Allan Burton
Toronto
Company Director

C. W. (Wally) Evans
Toronto
President, The Bay

Gurth C. Hoyer Millar
London, England
Director, J. Sainsbury Ltd.

G. Richard Hunter◆
Winnipeg
Partner, Pitblado & Hoskin

Martin W. Jacomb★
London, England
Vice-Chairman, Kleinwort, Benson Limited

Josette D. Leman
Montreal
Travel Consultant, McGregor Travel Co. Ltd.

Alexander J. MacIntosh★
Toronto
Partner, Blake, Cassels & Graydon

W. Donald C. Mackenzie◆
Calgary
President, W.D.C. Mackenzie Consultants Ltd.

Donald S. McGiverin★◆
Toronto
President, Hudson's Bay Company

Dawn R. McKeag
Winnipeg
President, Walford Investments Ltd.

John H. Moore★
London, Ontario
Chairman, Executive Committee
London Life Insurance Company

George T. Richardson★◆
Winnipeg
President, James Richardson & Sons, Limited

Kenneth R. Thomson
Toronto
Chairman of the Board and President
Thomson Newspapers Limited

John A. Tory
Toronto
President, The Thomson Corporation Limited

The Rt. Hon. Lord Trend
Oxford, England
Rector, Lincoln College

Donald O. Wood
Toronto
Vice-President, Finance
Hudson's Bay Company

Peter W. Wood★
Toronto
Executive Vice-President
Hudson's Bay Company

★ Member of Executive Committee
◆ Member of Audit Committee

Officers and Senior Management

George T. Richardson
Governor

Alexander J. MacIntosh
Deputy Governor

Donald S. McGiverin
President

Peter W. Wood
Executive Vice-President

William H. Evans
Vice-President, Inter-Corporate Services

Brian C. Grose
Vice-President and Controller

A. Rolph Huband
Vice-President and Secretary

John G.W. McIntyre
Vice-President, Real Estate and Development

Donald O. Wood
Vice-President, Finance

Peter F.S. Nobbs
Treasurer

Donald H. Carlisle
Assistant Treasurer

Christopher J. Desjardins
Assistant Secretary

Louis J. Henry
Vice-President, Furs

Dwane B. Byers
Manager, International Fur Sales Centre
Toronto

Hugh M. Dwan
Managing Director
Hudson's Bay and Annings Limited

Peter W. Schmidt
Corporate General Manager
Food Services

William F. Thompson
Executive Vice-President
Hudson's Bay Distillers Limited

THE BAY

Board

Ian A. Barclay
Chairman of the Board
British Columbia Forest Products Limited

Marcel Bélanger
President, Gagnon et Bélanger Inc.

J. Evan Church
Vice-President, Merchandising, The Bay

C. W. (Wally) Evans
President, The Bay

Al A. Guglielmin
Vice-President, Department Stores, The Bay

Donald S. McGiverin
President, Hudson's Bay Company

Dawn R. McKeag
President, Walford Investments Ltd.

Marvin E. Tiller
General Manager, National Stores Department
The Bay

John A. Tory
President
The Thomson Corporation Limited

Donald O. Wood
Vice-President, Finance
Hudson's Bay Company

Officers and Senior Management

C. W. (Wally) Evans
President

Al A. Guglielmin
Vice-President, Department Stores

J. Evan Church
Vice-President, Merchandising

John A. English
Vice-President, Personnel

Douglas W. Mahaffy
Vice-President, Planning and Control

Arthur A. Adamic
General Manager, Western Region

Hal L. Spelliscy
General Manager, Calgary Region

J. Blair Bustard
General Manager, Edmonton Region

Al W. Brent
General Manager, Central Region

Robert P. Boutin
General Manager, Quebec Region

George J. Kosich
General Manager, Toronto Region

Gary W. McLeod
General Manager, Ottawa Region

Marvin E. Tiller
General Manager, National Stores Department

J. Lorne Klapp
General Manager, Wholesale Department

D. G. (Peter) Buckley
General Manager, Marketing
Bay Downtown Department Stores

Shirley A. Dawe
Senior Group Merchandise Manager

Paul H. Harrison
Director of Merchandise Investment

D. Keith McConnell
Director of Operations Services

Roger Smith
Director of Food Services

SIMPSONS

Board

Thomas J. Bell
Chairman of the Board, Abitibi-Price Inc.

J. Richard Davidson
Executive Vice-President
Personnel and Administration, Simpsons Limited

Pierre Laurin
Directeur
École des Hautes Études Commerciales

Alexander J. MacIntosh
Partner, Blake, Cassels & Graydon

Charles A.M. MacRae
President
Simpsons Limited

Donald S. McGiverin
President, Hudson's Bay Company

J. Michael G. Scott
Vice-Chairman
Wood Gundy Limited

Charles B. Stewart
Retired officer, Simpsons Limited

Kenneth R. Thomson
Chairman of the Board and President
Thomson Newspapers Limited

Peter W. Wood
Executive Vice-President
Hudson's Bay Company

Officers and Senior Management

Donald S. McGiverin
Chairman of the Board

Charles A.M. MacRae
President

J. Richard Davidson
Executive Vice-President
Personnel and Administration

Ernest C. Bengert
Vice-President, Personnel

G. Archie L. Keown
Vice-President and Controller

Lou Marzolini
Vice-President, Toronto Region

Sol D. Nayman
Vice-President, Merchandising

Maurice Poitras
General Manager, Quebec and Maritime Region

Raymond G. Western
General Manager, Ontario Region

Christopher J. Desjardins
Secretary

ZELLERS

Board

James G. Balfour
Chairman of the Board, Zeller's Limited

Donald N. Byers
Partner, Byers, Casgrain

R. Ross Craig
Executive Vice-President, Commercial
Dofasco Inc.

Graham R. Dawson
President, G. R. Dawson Holdings

Thomas S. Dobson
Chairman, Easton United Securities Limited

C. Frederick Graves
President, Fields Stores Limited

Josette D. Leman
Travel Consultant, McGregor Travel Co. Ltd.

John M. Levy
President, Zeller's Limited

Keith H. MacDonald
Company Director

Donald S. McGiverin
President, Hudson's Bay Company

J. Robert Ouimet
President, J. René Ouimet Enterprises Ltd.

T. Iain Ronald
Executive Vice-President, Zeller's Limited

Peter W. Wood
Executive Vice-President
Hudson's Bay Company

Officers

James G. Balfour
Chairman of the Board

John M. Levy
President

T. Iain Ronald
Executive Vice-President

Murray M. Bozniak
Vice-President, Merchandise

William H. Buggs
Vice-President, Real Estate
Store Expansion & Food Service

Thomas H. Burdon
Vice-President, Human Resources

Hans E. Busse
Vice-President, Store Management

Marc-André Filion
Vice-President, Secretary & General Counsel

Michael A. Montagano
Vice-President, Finance

Eric S. Paul
Vice-President, Merchandise Distribution
Planning and Control

MARKBOROUGH PROPERTIES

Board

Peter A. Anker
President, Markborough Properties Limited

Tullio Cedraschi
President, CN Investment Division
Canadian National Railways

Alex R. Grant
Chairman, George Wimpey Canada Limited

Gordon C. Gray
Chairman of the Board, A.E. LePage Limited

Captain Joseph Jeffrey
Chairman of the Board
London Life Insurance Company

H. Peter Langer
Chairman of the Board
Markborough Properties Limited

Alexander J. MacIntosh
Partner, Blake, Cassels & Graydon

Donald S. McGiverin
President, Hudson's Bay Company

John G.W. McIntyre
Vice-President, Real Estate
and Development, Hudson's Bay Company

Donald F. Prowse
Executive Vice-President
Markborough Properties Limited

Peter W. Wood
Executive Vice-President, Hudson's Bay Company

Officers

H. Peter Langer
Chairman of the Board

Donald S. McGiverin
Deputy Chairman of the Board

Peter A. Anker
President

Donald F. Prowse
Executive Vice-President

Donald R. Cole
Regional Vice-President

Kenneth E. Nixon
Regional Vice-President

John B. Alguire
Senior Vice-President

George H. Mundy
Senior Vice-President

James C. Shapland
Senior Vice-President and Secretary

John A. Brough
Vice-President and Treasurer

F. Peter Langer
Vice-President

Reginald W. Munro
Assistant Secretary

ROXY PETROLEUM

Board

V. Edward Daughney
President, Roxy Petroleum Ltd.

Thomas S. Dobson
Chairman, Easton United Securities Limited

Robert G. Elliott
Chairman of the Board, Highfield Corporation Ltd.

W. Donald C. Mackenzie
President, W.D.C. Mackenzie Consultants Ltd.

G. Barry Padley
Vice-President, Finance & Secretary
Roxy Petroleum Ltd.

James S. Palmer
Partner, Burnet, Duckworth & Palmer

Robert G. Peters
President, Peters & Co. Limited

George A. Pinsky
Executive Vice-President
Exploration & Production, Roxy Petroleum Ltd.

T. Iain Ronald
Executive Vice-President, Zeller's Limited

William W. Siebens
President, Candor Investments Ltd.

Officers

V. Edward Daughney
President

George A. Pinsky
Executive Vice-President
Exploration and Production

Duncan Bird
Vice-President, Production

G. Barry Padley
Vice-President, Finance and Secretary

Ernest C. Gent
Chairman of the Board, Roxy Resources Inc.

Corporate Information

CORPORATE DATA

Registered Office
Hudson's Bay House, 77 Main Street
Winnipeg, Manitoba R3C 2R1

Corporate Office
2 Bloor Street East
Toronto, Ontario M4W 3H7

Principal Bankers
The Royal Bank of Canada
The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce
Bank of Montreal

Registrars and Transfer Agents
The Royal Trust Company, Calgary, Montreal, Toronto, Vancouver and Winnipeg
Williams & Glyn's Registrars Limited, London

Stock Exchange Listings
Ordinary shares – London, Montreal, Toronto and Winnipeg
Preferred shares Series A – Montreal, Toronto and Winnipeg

Auditors
Peat, Marwick, Mitchell & Co.

PRINCIPAL INVESTMENTS

Dome Petroleum Limited
$61,658,000 preferred shares

Dome Resources Limited
$407,233,000 preferred shares

Eaton Bay Financial Services Limited
Markets financial services
597,353 common shares (39%)

Simpsons-Sears Limited
Operates department stores and catalogue offices throughout Canada
31,095,925 common shares (35.6%)

PRINCIPAL SUBSIDIARY COMPANIES
(wholly-owned unless otherwise indicated)

Hudson's Bay and Annings Limited (59%)
Fur brokers

Hudson's Bay Company Acceptance Limited
Purchases accounts receivable

Hudson's Bay Company Developments Limited
  Hudson's Bay Company Properties Limited
Property owning companies

Hudson's Bay Company Fur Sales Inc.
Fur brokers

Markborough Properties Limited
Property development company

Roxy Petroleum Ltd. (51%)
Petroleum company

Simpsons Limited
Operates department stores
  Simpsons Acceptance Company Limited
  Purchases accounts receivable

Zeller's Limited
Operates department stores
  Fields Stores Limited
  Operates family clothing stores
  Marshall Wells Limited
  Distributes hardware

REAL ESTATE HOLDINGS At January 31, 1982

	Net Interest
Markborough Properties Limited	
15 shopping centres	1,019,000 sq. ft.
6 office buildings	751,000 sq. ft.
23 industrial buildings	760,000 sq. ft.
1 hotel	192 rooms
3 apartment buildings	583 suites
Markborough also owns land for development	
Other Real Estate	
33 shopping centres	6,110,000 sq. ft.
7 office/commercial buildings	1,016,000 sq. ft.

Hudson's Bay Company
Consolidated Statement of Earnings

Year Ended January 31, 1982

	This Year	Last Year
	in thousands of dollars	
Sales and revenue (Note 2)		
Merchandising:		
Retail	**3,443,040**	3,190,191
Wholesale	**497,058**	460,356
Fur	**42,604**	63,342
	3,982,702	3,713,889
Real estate	**173,003**	83,828
Natural resources	**16,737**	16,169
	4,172,442	3,813,886
Source of earnings (Note 2)		
Merchandising:		
Retail	**81,858**	153,314
Wholesale	**13,060**	11,856
Fur	**12,058**	17,556
	106,976	182,726
Real estate	**67,035**	33,349
Natural resources	**16,248**	15,735
Operating profit	**190,259**	231,810
Interest on long-term debt	**(135,526)**	(97,814)
Net short-term interest	**(108,781)**	(38,719)
Earnings (loss) before income taxes, minority interest and extraordinary items	**(54,048)**	95,277
Income taxes (Note 4)	**57,208**	(30,541)
Earnings before minority interest and extraordinary items	**3,160**	64,736
Minority interest	**573**	(10,186)
Earnings before extraordinary items	**3,733**	54,550
Extraordinary items (Note 5)	**382,435**	18,811
Net earnings	**386,168**	73,361
Earnings (loss) per ordinary share		
Earnings (loss) before extraordinary items	**($.34)**	$1.80
Net earnings	**$15.78**	$2.59

Consolidated Statement of Retained Earnings

Year Ended January 31, 1982

	This Year	Last Year
	in thousands of dollars	
Retained earnings at beginning of year	**458,447**	425,415
Net earnings	**386,168**	73,361
Dividends paid		
Preferred shares	**(11,746)**	(11,874)
Ordinary shares	**(28,510)**	(28,455)
Cancellation of ordinary shares (Note 10)	**(6,603)**	–
Retained earnings at end of year	**797,756**	458,447

Hudson's Bay Company
Consolidated Balance Sheet

January 31, 1982

	This Year	Last Year
	in thousands of dollars	
Current assets		
Cash	**14,562**	12,835
Short-term securities	**11,487**	10,165
Accounts receivable	**752,968**	675,976
Income taxes recoverable	**28,871**	970
Merchandise inventories	**746,053**	697,111
Prepaid expenses	**26,398**	20,015
	1,580,339	1,417,072
Secured receivables (Note 6)	**58,146**	26,927
Property for sale and future development, at cost	**239,318**	226,526
Investments (Note 7)	**973,481**	503,607
Fixed assets		
Land	**142,526**	131,411
Buildings	**571,030**	523,219
Equipment and leasehold improvements	**470,298**	379,411
	1,183,854	1,034;041
Less accumulated depreciation	**274,709**	239,881
	909,145	794,160
Deferred charges	**24,511**	20,712
Goodwill	**110,245**	62,229
	3,895,185	3,051,233

	This Year	Last Year
	in thousands of dollars	
Current liabilities		
Bank indebtedness	**497,834**	376,621
Notes payable	**319,066**	110,420
Accounts payable and accrued expenses	**393,716**	398,541
Long-term debt due within one year	**70,466**	71,260
	1,281,082	956,842
Long-term debt (Note 8)	**1,258,027**	1,091,362
Pensions (Note 9)	**28,195**	31,694
Deferred income taxes	**51,326**	56,566
Minority interest in subsidiaries	**69,270**	53,557
Shareholders' equity		
Capital stock (Note 10):		
$1.80 cumulative redeemable preferred shares series A	**124,758**	128,947
Variable rate, cumulative redeemable preferred shares series C	**20,000**	20,000
$1.512 convertible redeemable preferred shares series D	**2,022**	–
Ordinary shares	**257,240**	249,701
	404,020	398,648
Additional paid-in capital (Note 11)	**5,509**	4,117
Retained earnings	**797,756**	458,447
	1,207,285	861,212
	3,895,185	3,051,233

Hudson's Bay Company
Consolidated Statement of Assets Employed

January 31, 1982

	This Year	Last Year
	in thousands of dollars	
Merchandising		
Accounts receivable	**698,888**	634,889
Inventories	**746,053**	697,111
Accounts payable	**(375,943)**	(369,314)
Other current assets	**56,840**	28,900
Working capital (see below)	**1,125,838**	991,586
Investments	**275,044**	283,261
Fixed assets	**638,523**	583,820
Goodwill	**78,702**	31,365
Other assets	**42,099**	23,136
Pensions	**(28,195)**	(31,694)
Deferred income taxes	**78,626**	(485)
	2,210,637	1,880,989
Real estate		
Working capital (see below)	**43,215**	14,768
Secured receivables	**37,049**	18,290
Property for sale and future development	**239,318**	226,526
Fixed assets and investments:		
Shopping centres	**195,984**	138,693
Commercial	**82,904**	87,876
Residential	**55,774**	39,691
Goodwill	**31,429**	30,864
Other assets	**3,509**	6,213
Deferred income taxes	**(68,485)**	(55,045)
	620,697	507,876
Natural resources		
Working capital (see below)	**6,083**	2,012
Dome Petroleum Limited	**61,658**	123,316
Dome Resources Limited	**407,233**	–
Hudson's Bay Oil and Gas Company Limited	**–**	7,704
Roxy Petroleum Ltd.	**–**	33,406
Fixed assets and other investments	**165,506**	–
Goodwill	**114**	–
Deferred income taxes	**(61,467)**	(1,036)
	579,127	165,402
Assets employed	**3,410,461**	2,554,267
Provided from		
Long-term debt	**1,258,027**	1,091,362
Short-term debt – net (see below)	**875,879**	548,136
	2,133,906	1,639,498
Minority interest in subsidiaries	**69,270**	53,557
Shareholders' equity:		
Preferred shares	**146,780**	148,947
Ordinary shares	**257,240**	249,701
Additional paid-in capital	**5,509**	4,117
Retained earnings	**797,756**	458,447
	1,207,285	861,212
	3,410,461	2,554,267

Working capital is shown before deduction of short-term debt – net, which comprises bank indebtedness, short-term notes payable and long-term debt due within one year, less short-term securities.

Hudson's Bay Company
Consolidated Statement of Changes in Financial Position

Year Ended January 31, 1982

	This Year	Last Year
	in thousands of dollars	
Source of funds		
Earnings before minority interest and extraordinary items	**3,160**	64,736
Items not affecting working capital:		
Equity in undistributed earnings of affiliates and joint ventures	**(3,825)**	(3,922)
Depreciation and amortization	**56,949**	48,738
Deferred income taxes	**(5,240)**	(7,552)
Provided from operations	**51,044**	102,000
Issue of long-term debt	**319,580**	291,041
Disposition of investments	**479,839**	20,161
Decrease in secured receivables	**–**	6,078
Issue of preferred shares	**2,109**	–
Issue of ordinary shares	**12,962**	–
Issue of shares by subsidiaries	**44,871**	–
Working capital acquired on purchase of subsidiaries	**3,375**	–
Other – net	**2,254**	–
	916,034	419,280
Use of funds		
Capital expenditures:		
Merchandising	**129,758**	104,693
Real estate	**16,407**	67,636
Natural resources	**1,435**	–
Closure of Shop-Rite operations	**10,175**	–
Property for sale and future development	**12,792**	63,340
Investments:		
Dome Resources Limited	**406,158**	–
Natural resource joint ventures	**17,529**	–
Roxy Petroleum Ltd.	**–**	33,406
Other	**8,826**	27,543
Reduction of long-term debt	**229,678**	118,238
Purchase of shares for cancellation:		
Preferred shares	**2,815**	4,485
Ordinary shares	**12,095**	–
Dividends paid:		
Preferred shareholders	**11,746**	11,874
Ordinary shareholders	**28,510**	28,455
Minority shareholders	**–**	2,026
Deferred charges	**7,664**	7,347
Acquisition of shares of subsidiaries:		
Zeller's Limited	**102,465**	6,535
Clarion Petroleums Ltd.	**42,532**	–
Other	**5,203**	–
Increase in secured receivables	**31,219**	–
Other – net	**–**	1,727
	1,077,007	477,305
Decrease in working capital	**(160,973)**	(58,025)
Working capital at beginning of year	**460,230**	518,255
Working capital at end of year	**299,257**	460,230

Hudson's Bay Company Notes to the Consolidated Financial Statements

Year Ended January 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada and conform with the historical cost accounting standards of the International Accounting Standards Committee. The significant policies are summarized below:

a) Consolidation

These consolidated financial statements include the accounts of Hudson's Bay Company and of all its subsidiary companies.

b) Currency translation

The accounts of subsidiaries incorporated in the United Kingdom and in the United States are translated into Canadian dollars at approximately the exchange rates prevailing at the balance sheet dates.

c) Leases

The Company classifies leases as either operating leases (under which rentals are included in determining earnings of the period in which they accrue) or capital leases (under which the present values of future rental payments are capitalized as fixed assets and subsequently depreciated) based on an assessment of each lease and its materiality. All leases, including those relating to store premises, have been classified as operating leases in these consolidated financial statements.

d) Store pre-opening expenses

Costs associated with the opening of new stores are charged against earnings in the year in which the stores open for business.

e) Earnings (loss) per ordinary share

Earnings (loss) per ordinary share reflect the payment of preferred dividends and are based on the weighted average number of ordinary shares outstanding during the year.

f) Accounts receivable

In accordance with recognized retail industry practice, accounts receivable classified as current assets include customer instalment accounts of which a portion will not become due within one year.

g) Merchandise inventories

Merchandise inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of retail inventories is determined principally on an average basis by the use of the retail inventory method and the cost of other inventories is determined on a first-in, first-out basis.

h) Capitalization of interest and taxes

Interest and real estate taxes are capitalized to the extent that they relate to properties which either are held for sale or development or are under construction. The amount so capitalized during the year includes interest of $35,859,000 (last year $25,431,000).

i) Investments

The Company follows the equity method in accounting for its investments in joint ventures and in companies in which the Company's ownership interest exceeds 20% and the Company is able to elect a significant proportion of the board of directors of the investee company. Under the equity method, investments are recorded at cost plus the Company's equity in undistributed earnings since acquisition.

Investments in other companies are carried at cost (amortized cost in the case of the investment in Dome Resources Limited) with dividends being reflected in earnings when received with respect to common shares and non-cumulative preferred shares and as accrued in the case of cumulative preferred shares.

j) Fixed assets

Fixed assets are carried at cost.

Buildings (other than income properties), equipment and leasehold improvements are depreciated on the straight-line method at rates which will fully depreciate the assets over their estimated useful lives. The depreciation rates applicable to the various classes of assets are as follows:

Buildings	2 – 5%
Equipment	7 – 20%
Leasehold improvements	3 – 10%

Buildings held for the purpose of producing rental income (income properties) are depreciated on a 3% 40-year sinking fund method. Under this method the depreciation charged against earnings is an amount which increases annually and comprises a predetermined fixed sum and 3% compound interest, which together will fully depreciate each building over its estimated useful life.

k) Deferred charges

Deferred charges principally comprise debt discount and expense which is amortized on the straight-line method over the terms of the issues to which it relates. The amortization is included with interest on long-term debt in the Consolidated Statement of Earnings.

l) Goodwill

Goodwill comprises the unamortized balance of the excess of the cost to the Company over the fair value of its interest in the identifiable net assets of subsidiaries, principally Markborough Properties Limited and Zeller's Limited, at their respective dates of acquisition.

The goodwill which relates to acquisitions subsequent to 1973, $88,028,000 (last year $40,012,000) after deducting accumulated amortization of $4,388,000 (last year $2,335,000), is being amortized on the straight-line method over 40 year periods.

m) Pension costs

Current pension costs, substantially all of which arise under trusteed pension plans, are charged to operations. The costs of plan improvements are charged to operations over appropriate periods as they are funded.

2. SUPPLEMENTARY SEGMENTED INFORMATION

The Company is engaged in merchandising through retail stores, including investments in other companies, through wholesale distribution of tobacco and other products and through fur auction operations. The retail stores include full-line and promotional department stores, department stores located in smaller communities and, until the closing of the Shop-Rite operation on January 30, 1982, catalogue stores. The Company has interests in the real estate industry through Markborough Properties Limited and through real estate joint ventures and income properties. The Company also has interests in natural resources through its subsidiary, Roxy Petroleum Ltd., and through other investments.

Reported industry segments are merchandising, real estate and natural resources with merchandising further divided, where significant, into retail, wholesale and fur. Information pertaining to these segments is included in these consolidated financial statements and is supplemented by the following additional information.

Sales and revenue include the Company's equity in the pre-tax earnings of companies and joint ventures accounted for under the equity method, as follows:

	This Year	Last Year
	in thousands of dollars	
Pre-tax equity earnings:		
Merchandising – retail	14,715	29,453
Real estate	10,855	7,578
	25,570	37,031
Income taxes thereon	12,247	17,630
Equity earnings	13,323	19,401

Other supplementary segmented information related to the Consolidated Statement of Earnings is as follows:

	This Year	Last Year
	in thousands of dollars	
Dividends received in respect of investments carried at cost (included in revenue and earnings from natural resources)	15,662	16,169
Depreciation and amortization:		
Deducted in arriving at operating profit		
Merchandising	51,632	44,524
Real estate	4,535	2,591
	56,167	47,115
Included in natural resource earnings (see note 7(c)(ii))	(1,075)	–
Included in interest expense (amortization of debt discount and expense)	1,857	1,623
	56,949	48,738

Investments in joint ventures and other companies accounted for by the equity method which are included by segment in the Consolidated Statement of Assets Employed are as follows:

	This Year	Last Year
	in thousands of dollars	
Merchandising	270,709	278,221
Real estate	65,488	57,444
Natural resources	150,858	–
	487,055	335,665

Merchandising assets employed predominantly relate to retail operations.

The fur segment includes operations of auction houses in the United Kingdom and in the United States. All other operations of significance are in Canada.

3. ACQUISITIONS

a) Zeller's Limited ("Zellers")

In 1978 the Company acquired approximately 57% of the outstanding common shares of Zellers held by persons other than subsidiaries of Zellers. In January 1981 the Company acquired 371,300 common shares of Zellers through cash purchases in the open market at a cost of $6,535,000 and on February 5, 1981 the Company similarly acquired a further 283,700 common shares at an aggregate cost of $5,035,000.

On February 24, 1981 the Company announced its offer to purchase the remaining common shares of Zellers on the basis of $18 cash or, at the option of Zellers shareholders, either one convertible redeemable preferred share series D or 100 redeemable preferred shares series E for each Zellers common share. Pursuant to this offer, the Company acquired 5,232,940 common shares for which the total consideration, including costs of acquisition, was $97,430,000, comprising 117,172 series D preferred shares and total cash payments, including the redemption cost of 441,301,800 series E preferred shares redeemed immediately, of $93,776,000. As a result of these acquisitions Zellers became a wholly-owned subsidiary of the Company.

The total cost of acquisitions during the year ended January 31, 1982 has been allocated as follows:

	in thousands of dollars
Goodwill	49,137
Reduction in minority interest	52,319
Other	1,009
Cost, being the fair value of consideration paid	102,465

b) Roxy Petroleum Ltd. ("Roxy")

During the year ended January 31, 1981 the Company invested $33,406,000 in cash in Roxy, a then recently incorporated company engaged in oil and gas exploration. Of this amount, $13,155,000 was used to acquire 3,296,573 common shares of Roxy, representing 33.7% of those outstanding at January 31, 1981, and the remainder was deposited in escrow to provide for subsequent acquisitions of shares of Roxy.

During the year ended January 31, 1982 the Company invested additional funds in Roxy which increased the Company's interest to approximately 51%. The assets, liabilities and operating results of Roxy have been consolidated with effect from February 19, 1981, prior to which the investment in Roxy was accounted for by the equity method.

Effective December 1, 1981 Roxy acquired all the outstanding shares of Clarion Petroleums Ltd. ("Clarion") through an exchange of shares. In connection with this transaction, the Company invested $51,500,000 in cash to acquire 10,300,000 voting shares of Roxy, thereby maintaining its interest in Roxy at approximately 51%. The Clarion transaction was accounted for by the purchase method and the cost of the acquisition of Clarion was allocated as follows:

	in thousands of dollars
Investment in joint ventures	108,351
Working capital deficiency	(1,708)
Other assets – net	1,077
Long-term debt	(65,188)
Cost, being the fair value of consideration paid	42,532

On January 31, 1982 the Company held common shares which, in aggregate, represented 51.0% of the outstanding voting shares of Roxy and warrants to purchase additional common shares before December 15, 1983.

4. INCOME TAXES

The two principal items which contribute to the seemingly high income tax recovery in relation to the loss before income taxes (last year the low income tax expense in relation to the earnings before income taxes) are non taxable income, primarily dividend income, and the inventory allowance under the Income Tax Act.

5. EXTRAORDINARY ITEMS

Extraordinary items are as follows:

	This Year	Last Year
	in thousands of dollars	
Gain on disposition of investment:		
In exchange for debentures of the Company	**50,427**	19,058
In exchange for investments in other companies	**400,487**	–
Less income taxes thereon	**(58,304)**	(247)
	392,610	18,811
Costs and expenses relating to the closure of Shop-Rite operations, net of income tax recovery of $10,616,000	**(10,175)**	–
	382,435	18,811

a) Gain on disposition of investment

The gain results from the disposition during the year of the Company's investment in common shares of Hudson's Bay Oil and Gas Company Limited ("HBOG"), firstly on the exchange by debenture holders of their 6% exchangeable subordinated debentures for 4,499,567 (last year 1,705,308) HBOG shares, and secondly on the exchange of the remaining 7,736,337 HBOG shares for shares of Dome Resources Limited and common share purchase warrants of Dome Petroleum Limited (see note 7(c)).

b) Closure of Shop-Rite catalogue store operations

The Company closed Shop-Rite, its catalogue store division, on January 30, 1982. Net costs and expenses which relate to the closing have been classified as extraordinary. These include the losses on disposition or write-off of assets, termination payments to staff, the cost of ongoing obligations and the write-off of deferred charges.

6. SECURED RECEIVABLES

Secured receivables include mortgages which arise principally from land transactions and loans outstanding under the employee share purchase plan.

	This Year	Last Year
	in thousands of dollars	
Total secured receivables	**80,556**	51,365
Less amounts due within one year classified as accounts receivable	**22,410**	24,438
	58,146	26,927
Average rate of interest	**11.6%**	11.2%

Maturities during the five years ending January 31, 1987 are as follows:
1983 – $22,410,000; 1984 – $13,730,000; 1985 – $10,914,000;
1986 – $ 5,917,000; 1987 – $ 3,519,000.

Under certain conditions, the amounts due may be paid prior to maturity.

7. INVESTMENTS

Investments comprise the following:

	This Year	Last Year
	in thousands of dollars	
Simpsons-Sears Limited	**249,502**	249,682
Real estate joint ventures	**65,488**	57,444
Dome Petroleum Limited	**61,658**	123,316
Dome Resources Limited	**407,233**	–
Hudson's Bay Oil and Gas Company Limited	**–**	7,704
Roxy Petroleum Ltd.	**–**	33,406
Natural resource joint ventures	**150,858**	–
Other	**38,742**	32,055
	973,481	503,607

a) Simpsons-Sears Limited ("Sears")

The investment in Sears is carried at cost plus the Company's equity in undistributed earnings since acquisition in 1979 and represents 88.4% of the total class B shares, 44.2% of the total voting shares and 35.6% of all outstanding shares of Sears.

	This Year		Last Year	
	in thousands of dollars			
	Per Share		Per Share	
Investment				
At carrying value	**$8.02**	**249,502**	$8.03	249,682
At underlying Sears book value	**$6.58**	**204,720**	$6.53	203,050
At quoted market value, The Toronto Stock Exchange	**$5.50**	**171,028**	$7.63	237,262

b) Real estate joint ventures

The investment in real estate joint ventures, consisting of shopping centre, commercial, industrial and residential interests, is carried at cost plus the Company's equity in undistributed earnings since acquisition. The Company's share of real estate joint ventures is summarized as follows:

	This Year	Last Year
	in thousands of dollars	
Assets		
Accounts receivable	**36,522**	20,037
Property for sale and future development	**100,379**	97,923
Fixed assets	**223,612**	196,930
	360,513	314,890
Liabilities		
Bank indebtedness	**55,431**	64,582
Accounts payable	**40,265**	29,972
Long-term debt	**199,329**	162,892
	295,025	257,446
Investment in real estate joint ventures	**65,488**	57,444

	This Year	Last Year
	in thousands of dollars	
Revenue	60,853	41,318
Expenses		
Interest	21,905	11,663
Depreciation	3,005	2,710
Other	25,088	19,367
	49,998	33,740
Pre-tax earnings of real estate joint ventures	10,855	7,578

c) Dome Petroleum Limited ("Dome"), Dome Resources Limited ("Resources") and Hudson's Bay Oil and Gas Company Limited ("HBOG")

The Company has disposed of its remaining investment in HBOG in exchange for preferred shares in Resources and common share purchase warrants of Dome. This transaction took place in accordance with an Arrangement Agreement among Dome, Resources, HBOG, the Company and others dated as of December 10, 1981 and a Plan of Arrangement under the Canada Business Corporations Act concerning HBOG and its shareholders which was approved by HBOG shareholders on January 13, 1982 and confirmed by the Court on January 15, 1982. The transaction closed on March 10, 1982. This exchange has been accounted for as if it had been completed as of the close of business on December 31, 1981, at which time the Company became entitled to receive the final dividend paid on HBOG common shares. From and after January 1, 1982, pursuant to the Arrangement Agreement and the Resources preferred shares, dividends commenced to accrue on such shares.

(i) Dome

The investment in Dome, carried at cost, consists of 4,110,517 preferred shares, series D having a stated dividend rate of 7.25% per annum and being retractable in whole or in part at $15.00 per share at the Company's option on January 3, 1984 and at the end of each five-year period thereafter. Under an agreement entered into on February 26, 1982 Dome agreed to increase the effective dividend rate to 9% per annum commencing December 1, 1981 and to retract or purchase these shares at $15.00 per share on July 2, 1982. These shares (and a similar number of 7% series E shares redeemed by Dome pursuant to their terms on January 4, 1982) were issued by Dome and acquired by the Company in 1979 in exchange for certain western Canadian oil and gas properties previously held by the Company.

As a result of the Plan of Arrangement described above the Company acquired 10,315,116 Dome common share purchase warrants, each warrant entitling the holder to purchase one common share of Dome at an exercise price of $23.1125 per share until December 31, 1984. The warrants are carried at nominal value. The quoted market value of Dome common shares on The Toronto Stock Exchange on January 31, 1982 was $12.375.

(ii) Resources

The investment in Resources consists of 7,736,337 $5.75 class A retractable preferred shares of Resources acquired under the Plan of Arrangement described above in exchange for an equal number of HBOG common shares. These shares carry cumulative preferential annual cash dividends of $5.75 per share payable quarterly with dividends accruing from January 1, 1982, and are to be retracted at $57.50 per share on December 31, 1984. These shares were recorded on acquisition at their approximate fair value of $52.50 per share with the difference of $5.00 per share being amortized to income over the three year period to December 31, 1984.

Pursuant to a Support Agreement entered into as part of the Plan of Arrangement, an amount equal to the aggregate retraction price ($57.50 per share) of all Resources preferred shares outstanding as a result of the Plan of Arrangement has been deposited with a trustee, to be held by the trustee for the benefit of Resources and to be applied to the retraction obligation of Resources on December 31, 1984. Under the Support Agreement, Dome and affiliates of Dome have continuing obligations with respect to the payment of the amounts required to pay dividends on the Resources preferred shares and with respect to the maintenance of the Canadian dollar equivalent of the funds held in trust.

(iii) HBOG

The investment in HBOG was exchanged in part during the year for 6% exchangeable subordinated debentures of the Company and the remainder in exchange for Resources shares and Dome common share purchase warrants under the Plan of Arrangement described above. The extraordinary gain arising from these exchanges is described in Note 5(a).

d) Roxy Petroleum Ltd. ("Roxy")

On February 19, 1981 the investment in Roxy was increased to approximately 51% with the result that Roxy operations have been accounted for since that date on a consolidated basis.

e) Natural resource joint ventures

Natural resource joint venture activities are in the exploratory stage and accordingly all costs have been capitalized. The Company's share of natural resource joint ventures is summarized as follows:

	This Year	Last Year
	in thousands of dollars	
Oil and gas properties	156,542	–
Other assets	8,771	–
Accounts payable	(14,455)	–
Investment in natural resource joint ventures	150,858	–

f) Other

Other investments consist primarily of cash deposited in escrow in respect of Roxy (see note 3(b)) and of interests in merchandising companies carried at cost plus the Company's equity in undistributed earnings since acquisition.

8. LONG-TERM DEBT

Long-term debt comprises the following:

	This Year	Last Year
	in thousands of dollars	
Secured on property:		
Hudson's Bay Company Properties Limited		
5¾% first mortgage bonds series A due 1990	**9,366**	9,701
7½% first mortgage bonds series B due 1991	**6,483**	6,683
11½% first mortgage bonds series C due 1995	**26,988**	28,605
9⅞% first mortgage bonds series D due 1997	**39,068**	40,489
10 % first mortgage bonds series E due 1998	**31,283**	32,194
Hudson's Bay Company Developments Limited		
Mortgages, 11.5% average (last year 10.1%), repayable by instalments to 2002	**19,030**	15,605
Markborough Properties Limited		
8½% sinking fund debentures due 1981	**–**	4,000
Mortgages and obligations on property for future development, 14.2% average (last year 16.8%), repayable by instalments to 1988	**139,430**	122,900
Mortgages on income properties, permanent financing, 9.7% average, repayable by instalments to 2003	**43,357**	44,012
Mortgages on income properties, interim financing, 18.2% average, payable and maturing by 1983	**44,233**	38,919
Micmac Shopping Centre Limited		
9½% first mortgage bonds repayable by instalments to 1999	**11,827**	–
Roxy Petroleum Ltd.		
Term bank loans, bank prime rate plus ¼%, due 1986	**3,113**	–
Term bank loans, bank prime rate plus 1%, repayable by instalments to 1988 (U.S. $11,256,000)	**13,181**	–
11% promissory note due 1982 (U.S. $3,210,000)	**3,750**	–
Other	**6,302**	3,768
	397,411	346,876
Secured on accounts receivable:		
Hudson's Bay Company Acceptance Limited		
5¾% debentures series B due 1983	**10,000**	10,000
13¼% debentures series C due 1989 (a)	**4,628**	4,628
8¾% debentures series D due 1991	**20,000**	20,000
8¼% debentures series E due 1993	**20,000**	20,000
10½% debentures series F due 1996	**30,489**	33,398
13¾% debentures series G due 2001	**58,189**	–
Simpson's Acceptance Company Limited		
6 % debentures series B due 1981	**–**	15,000
5½% debentures series C due 1982	**10,000**	10,000
5¾% debentures series D due 1984	**10,000**	10,000
6¾% debentures series E due 1986	**10,000**	10,000
8⅜% debentures series F due 1992	**10,000**	10,000
8⅜% debentures series G due 1992	**15,000**	15,000
9⅞% debentures series H due 1997	**21,880**	24,325
	220,186	182,351
Secured by floating charge on assets of subsidiaries:		
Zeller's Limited		
7 % sinking fund debentures series C due 1986	**2,713**	3,266
10¼% sinking fund debentures series 1974 due 1994	**10,776**	12,797
Marshall Wells Limited		
7½% sinking fund debentures series A due 1982	**792**	979
	14,281	17,042
Unsecured or guaranteed by certain subsidiaries:		
Hudson's Bay Company		
10¼% notes due 1981	**–**	35,000
13¾% series D notes due 1986	**50,000**	50,000
Floating rate series F notes due 1986 (b)	**40,000**	–
16½% series G notes due 1986	**1,000**	–
18 % notes due 1987	**60,000**	–
10½% debentures due 1989	**60,000**	60,000
11½% debentures due 1990 (U.S. $75,000,000)	**90,000**	87,750
10 % debentures due 1994 (U.S. $50,000,000)	**60,000**	58,500
Bankers' acceptances (c)	**288,000**	188,000
Simpsons Limited		
5¾% debentures series D due 1984	**26**	2,899
5¾% debentures series E due 1985	**1,152**	2,897
6½% debentures series F due 1987	**3,260**	4,276
9½% debentures series G due 1989	**6,155**	6,884
8⅜% debentures series H due 1993	**11,901**	14,080
9⅛% debentures series I due 1994	**7,676**	8,441
11¾% debentures series J due 1995	**16,364**	17,864
Zeller's Limited		
Floating rate bank term loan	**–**	20,000
	695,534	556,591
Subordinated:		
Hudson's Bay Company		
6 % exchangeable subordinated debentures due 1993 (d)	**–**	54,416
Zeller's Limited		
5½% convertible subordinated debentures series 1971 due 1991 (e)	**1,081**	5,346
	1,081	59,762
	1,328,493	1,162,622
Less amounts due within one year	**70,466**	71,260
	1,258,027	1,091,362

a) The holders of Hudson's Bay Company Acceptance Limited series C debentures have the right to be prepaid on March 2, 1985.

b) The floating rate series F notes bear interest at 3% above the average monthly deposit rates of two Canadian chartered banks.

c) Bankers' acceptances, which are due within one year, have been classified as long-term debt as they may be converted, at the Company's option, to long-term borrowing facilities expiring at various dates from April 1, 1985 to April 1, 1989, provided by the Company's bankers.

d) The holders of Hudson's Bay Company 6% exchangeable subordinated debentures had the right until December 30, 1981 to exchange such debentures for outstanding common shares of Hudson's Bay Oil and Gas Company Limited at an exchange price of $12 per share. During the current year $53,995,000 (last year $20,463,000) of the debentures were exchanged. The remaining principal of $421,000 was redeemed on December 31, 1981.

e) The holders of Zeller's Limited 5½% convertible subordinated debentures series 1971 have the right until September 1991 to exchange such debentures for ordinary shares of Hudson's Bay Company at the rate of 32.43 ordinary shares per $1,000 of debenture principal.

The majority of the long-term debt is subject to redemption at the option of the issuers at various times or under certain conditions. For the most part, redemption earlier than within three or four years of maturity of the securities would require the payment of redemption premiums.

Aggregate maturities and sinking fund requirements during the five years ending January 31, 1987 are as follows:

1983 – $ 70,466,000; 1984 – $ 47,927,000; 1985 – $51,003,000; 1986 – $117,959,000; 1987 – $367,163,000.

9. PENSIONS

The amount shown in the Consolidated Balance Sheet at January 31, 1982 is adequate to provide for all unfunded pension liabilities. Funding payments are expected to extinguish substantially all of the unfunded liabilities over the next nine years.

10. CAPITAL STOCK

The authorized classes of shares of the Company consist of an unlimited number of ordinary shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. Unlimited numbers of the preferred shares have been designated as "redeemable preferred shares series B", "$1.512 convertible redeemable preferred shares series D" and "redeemable preferred shares series E", 11,750,000 shares have been designated as "$1.80 cumulative redeemable preferred shares series A" and 800,000 have been designated as "variable rate, cumulative redeemable preferred shares series C".

Shares issued and outstanding at January 31, 1982 and the changes during the two years then ended are as follows:

	Number of shares	in thousands of dollars
$1.80 cumulative redeemable preferred shares series A (stated capital $22.50 each)		
Issued and outstanding at January 31, 1980	5,969,809	134,321
Less purchased for cash and cancelled in the year ended January 31, 1981	(238,841)	(5,374)
Issued and outstanding at January 31, 1981	5,730,968	128,947
Less purchased for cash and cancelled in the year ended January 31, 1982	(186,179)	(4,189)
Issued and outstanding at January 31, 1982	5,544,789	124,758
Variable rate, cumulative redeemable preferred shares series C (stated capital $25.00 each)		
Issued and outstanding at January 31, 1981 and January 31, 1982	800,000	20,000

	Number of shares	in thousands of dollars
$1.512 convertible redeemable preferred shares series D (stated capital $18.00 each)		
Issued in the year ended January 31, 1982 to the holders of Zeller's Limited shares in payment for shares of that company	117,172	2,109
Less purchased for cash and cancelled in the year ended January 31, 1982	(4,406)	(80)
Less converted into ordinary shares in the year ended January 31, 1982	(414)	(7)
Issued and outstanding at January 31, 1982	112,352	2,022
Redeemable preferred shares series E (stated capital $0.0203 each)		
Issued in the year ended January 31, 1982 to the holders of Zeller's Limited shares in payment for shares of that company	441,301,800	8,958
Less redeemed for cash in the year ended January 31, 1982	(441,301,800)	(8,958)
Issued and outstanding at January 31, 1982	–	–
Ordinary shares:		
Issued and outstanding at January 31, 1980 and January 31, 1981	23,712,529	249,701
Issued in the year ended January 31, 1982:		
On conversion of $1.512 convertible redeemable preferred shares series D	251	7
On conversion of Zeller's Limited 5½% convertible subordinated debentures series 1971	2,817	87
Under the employee share purchase plan	569,135	12,868
Less purchased for cash and cancelled in the year ended January 31, 1982	(507,551)	(5,423)
Issued and outstanding at January 31, 1982	23,777,181	257,240

The Company may not redeem the $1.80 cumulative redeemable preferred shares series A prior to December 31, 1983. Thereafter, these preferred shares may be redeemed at the Company's option at rates varying from $23.50 at January 1, 1984 to $22.50 after December 31, 1988.

The holders of the variable rate, cumulative redeemable preferred shares series C will be entitled to receive dividends at the rate of 7.35% until September 15, 1984. On that date and thereafter at five-year intervals the rate will be 52% of the average of the five-year guaranteed investment certificate rate of certain trust companies plus 2%. The shares may be redeemed at the Company's option at their issue price at certain intervals after 1984.

The Company may not redeem the $1.512 convertible redeemable preferred shares series D prior to February 1, 1984. Under certain circumstances, these shares are redeemable from February 1, 1984 to January 31, 1986 at $18.90. Thereafter, these preferred shares may be redeemed at rates varying from $18.90 at February 1, 1986 to $18.00 after January 31, 1991. Each preferred share series D is convertible into 0.6154 ordinary shares at the holder's option until January 31, 1986 and thereafter into 0.5625 ordinary shares until January 31, 1991, after which date it will cease to be convertible.

The cost of shares redeemed or purchased for cash and cancelled in each of the two years ended January 31, 1982 has been allocated as follows:

	Cost	Allocated to		
		Capital stock	Additional paid-in capital	Retained earnings
		in thousands of dollars		
In the year ended January 31, 1981:				
$1.80 cumulative redeemable preferred shares series A	4,485	5,374	(889)	–
In the year ended January 31, 1982:				
$1.80 cumulative redeemable preferred shares series A	2,737	4,189	(1,452)	–
$1.512 convertible redeemable preferred shares series D	78	87	(9)	–
Redeemable preferred shares series E	79,434	8,958	70,476	–
Ordinary shares	12,095	5,423	69	6,603
	94,344	18,657	69,084	6,603

11. ADDITIONAL PAID-IN CAPITAL

The amount at January 31, 1982 and the changes during the two years then ended are as follows:

	This Year	Last Year
	in thousands of dollars	
Amount at beginning of year	**4,117**	3,228
Excess of proceeds over stated value of redeemable preferred shares series E issued	**70,476**	–
Excess of stated value over cost (or vice versa) of shares purchased for cash and cancelled:		
$1.80 cumulative redeemable preferred shares series A	**1,452**	889
$1.512 convertible redeemable preferred shares series D	**9**	–
Redeemable preferred shares series E	**(70,476)**	–
Ordinary shares	**(69)**	–
Amount at end of year	**5,509**	4,117

12. CONTINGENCIES

The Company has contingent commitments, along with others, relating to its investments in certain shopping centre companies and joint ventures. In the event that the Company had to meet any of these contingencies it would have a claim on the assets of the applicable development.

13. LEASES

a) As lessee

The Company conducts a substantial part of its merchandising operations from leased premises. No significant capital leases have been entered into since February 1, 1979 and all leases involving the Company as lessee have been accounted for as operating leases.

Rental expenses charged to earnings amount to $76,700,000 (last year $59,700,000).

The future minimum rental payments required under leases having initial or remaining noncancellable lease terms in excess of one year are summarized as follows:

	in thousands of dollars
Year ended January 31, 1983	69,400
1984	66,800
1985	61,300
1986	58,400
1987	57,100
Thereafter	838,500
Total minimum lease payments	1,151,500

In addition to these rental payments (and, in a few cases, relatively minor contingent rentals), the leases generally provide for the payment by the Company of real estate taxes and other related expenses.

b) As lessor

The Company leases space to others in a number of regional shopping centres and commercial properties. All of these leases are classified as operating leases.

Fixed assets in the Consolidated Balance Sheet include real estate leased to others under operating leases amounting to $227,000,000 (last year $194,900,000), net of accumulated depreciation of $14,800,000 (last year $10,000,000).

Real estate revenues include rentals from the above properties of $32,900,000 (last year $22,400,000).

14. RELATED PARTY TRANSACTIONS

The Company is involved in numerous transactions with related parties in the ordinary course of its business. None of these transactions is significant in relation to these consolidated financial statements.

Approval of Consolidated Financial Statements

The consolidated financial statements, contained on pages 25 to 36, including the notes thereto, have been reviewed by the Audit Committee of the Board of Directors, a majority of whom are outside directors, and have been approved by the Board on the recommendation of the Audit Committee.

On behalf of the Board:

George T. Richardson

Director

D McGinnis

Director

Toronto, Canada
March 19, 1982

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet and the consolidated statement of assets employed of Hudson's Bay Company as at January 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Hudson's Bay Company as at January 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Canada
March 19, 1982

Hudson's Bay Company
Ten Year Consolidated Financial Summary

	1981	1980
Results for the year (in thousands of dollars)		
Sales and revenue:		
Retail	**3,443,040**	3,190,191
Wholesale	**497,058**	460,356
Fur	**42,604**	63,342
Merchandising	**3,982,702**	3,713,889
Real estate	**173,003**	83,828
Natural resources	**16,737**	16,169
	4,172,442	3,813,886
Fur consignment sales	**405,913**	491,507
Source of earnings:		
Retail	**81,858**	153,314
Wholesale	**13,060**	11,856
Fur	**12,058**	17,556
Merchandising	**106,976**	182,726
Real estate	**67,035**	33,349
Natural resources	**16,248**	15,735
Operating profit	**190,259**	231,810
Finance costs	**244,307**	136,533
Earnings (loss)before income taxes and minority interest	**(54,048)**	95,277
Income taxes	**(57,208)**	30,541
Earnings before minority interest	**3,160**	64,736
Minority interest	**(573)**	10,186
Earnings before extraordinary items	**3,733**	54,550
Extraordinary items	**382,435**	18,811
Net earnings	**386,168**	73,361
Dividends paid:		
Preferred shares	**11,746**	11,874
Ordinary shares	**28,510**	28,455
Cancellation of ordinary shares	**6,603**	–
Earnings retained	**339,309**	33,032
Cash flow	**51,044**	102,000
Capital expenditures	**147,600**	172,329
Depreciation	**51,414**	43,909
Year end financial position (in thousands of dollars)		
Merchandising	**2,210,637**	1,880,989
Real estate	**620,697**	507,876
Natural resources	**579,127**	165,402
Assets employed	**3,410,461**	2,554,267
Debt	**2,133,906**	1,639,498
Minority interest	**69,270**	53,557
Shareholders' equity	**1,207,285**	861,212
Results per ordinary share (in dollars)		
Earnings (loss) before extraordinary items	**(.34)**	1.80
Net earnings	**15.78**	2.59
Dividends	**1.20**	1.20
Shareholders' equity	**44.58**	30.01
Shareholders and employees		
Number of ordinary shareholders	**19,300**	20,800
Ordinary shares outstanding (in thousands)	**23,777**	23,712
Range in share price (in dollars)	**30⅝–20¼**	31¾–23
Number of employees	**47,000**	46,000

Note: Where appropriate, figures have been restated for the purpose of comparability.

1979	1978	1977	1976	1975	1974	1973	1972
2,847,927	1,432,712	1,019,831	992,575	892,766	780,854	641,063	538,989
408,434	356,967	323,810	263,461	231,995	190,875	153,456	126,414
66,302	42,568	34,059	26,987	21,178	22,304	21,190	15,475
3,322,663	1,832,247	1,377,700	1,283,023	1,145,939	994,033	815,709	680,878
96,263	48,712	36,004	52,945	32,174	17,852	4,294	862
16,283	15,343	13,686	10,480	8,020	6,308	5,853	5,485
3,435,209	1,896,302	1,427,390	1,346,448	1,186,133	1,018,193	825,586	687,225
511,628	329,773	283,000	244,344	185,252	175,661	167,250	131,666
177,755	76,495	40,912	34,922	34,868	32,308	27,666	23,738
8,737	7,392	8,064	7,622	6,897	5,808	4,051	3,316
26,508	11,092	7,706	6,286	4,537	4,719	4,968	2,993
213,000	94,979	56,682	48,830	46,302	42,835	36,685	30,047
26,300	17,842	14,856	23,207	14,615	10,313	2,191	715
16,283	15,343	13,686	10,480	8,020	6,308	5,852	5,485
255,583	128,164	85,224	82,517	68,937	59,456	44,728	36,247
113,741	47,868	37,351	33,443	26,669	24,493	11,460	8,868
141,842	80,296	47,873	49,074	42,268	34,963	33,268	27,379
52,073	29,757	16,095	21,184	18,548	15,514	15,158	11,725
89,769	50,539	31,778	27,890	23,720	19,449	18,110	15,654
9,423	5,894	1,897	3,080	1,716	1,029	446	–
80,346	44,645	29,881	24,810	22,004	18,420	17,664	15,654
23,175	98,367	–	–	–	–	–	–
103,521	143,012	29,881	24,810	22,004	18,420	17,664	15,654
10,866	–	–	–	–	–	–	–
25,481	16,111	9,181	8,391	8,362	8,286	7,661	7,048
–	–	–	–	–	–	–	–
67,174	126,901	20,700	16,419	13,642	10,134	10,003	8,606
127,260	75,312	48,209	47,645	42,760	34,010	29,795	25,507
124,977	58,915	43,075	38,163	29,586	41,715	56,588	27,282
38,886	21,301	16,473	14,598	13,157	11,485	9,314	7,607
1,716,207	1,495,531	580,461	505,857	445,564	451,201	378,913	308,929
375,979	285,332	222,686	208,179	163,793	156,791	137,794	7,630
133,561	134,084	29,595	23,881	20,142	17,763	16,305	10,095
2,225,747	1,914,947	832,742	737,917	629,499	625,755	533,012	326,654
1,343,484	1,124,318	535,470	463,473	375,184	387,187	306,543	130,219
49,598	58,505	21,308	20,022	17,973	16,618	16,180	754
832,665	732,124	275,964	254,422	236,342	221,950	210,289	195,681
2.98	2.74	2.12	1.77	1.58	1.33	1.29	1.16
3.98	8.79	2.12	1.77	1.58	1.33	1.29	1.16
1.10	.91	.65	.60	.60	.60	.56	.52
28.59	25.80	19.50	18.05	16.90	15.93	15.23	14.44
22,500	30,600	20,900	21,900	22,800	24,000	24,500	24,900
23,712	23,092	14,155	14,096	13,985	13,936	13,809	13,553
35–21¼	24½–17⅛	19⅛–14⅛	20⅞–13½	18⅝–14¼	20–9¾	22¾–15	21⅛–16½
45,000	45,000	20,000	20,000	20,000	20,000	18,000	17,000

The Company – A Brief Description

The Company Today

Merchandising
Approximately 600 stores in three retail groups, The Bay, Simpsons and Zellers, serve the diversified needs of Canadians from Newfoundland to the Yukon and from the Arctic Islands to the United States border. The Bay is strongly represented in eleven of Canada's important cities and is the leading retailer throughout the Canadian North. Simpsons operates full-line department stores in eastern Canada. Zellers operates promotional department stores and variety stores across Canada and Fields family clothing stores in the western provinces. Hudson's Bay Wholesale distributes giftwares, confectionery and tobacco products through a network of branches located from coast to coast. The Company's famous blankets and spirits are sold throughout Canada.

The Company maintains its traditional interest in fur, with auction houses in New York, London and Toronto. It also has important investments in Simpsons-Sears and Eaton Bay Financial Services.

Natural Resources
The Company has a 51% interest in Roxy Petroleum Limited, a junior oil company engaged in exploration and production, principally in Canada and the United States.

In addition, the Company has large investments in the preferred shares of Dome Petroleum Limited and a subsidiary thereof, which were acquired as a result of the disposition of a 35% interest in Siebens Oil & Gas Ltd. in 1979 and of a 10% interest in Hudson's Bay Oil and Gas Company Limited in 1982.

Real Estate
The Company's real estate interests consist principally of whole or partial ownership of shopping centres and commercial buildings in Canadian cities, in addition to ownership of Markborough Properties Limited. Markborough is a Canadian property development company with substantial holdings of residential, commercial and industrial properties located principally in Ontario, Alberta and the southern United States.

Personnel
In its various activities, including Simpsons and Zellers, the Company employs over 47,000 people.

History

Incorporation
King Charles II granted on May 2, 1670 to 18 Adventurers, a Charter incorporating them as The Governor and Company of Adventurers of England trading into Hudson's Bay. This followed the successful voyage of the ketch "Nonsuch", with des Groseilliers aboard, to Hudson Bay to trade for furs.

In 1970, three hundred years after its incorporation, the Company was continued as a Canadian corporation and the headquarters were transferred from the United Kingdom to Canada.

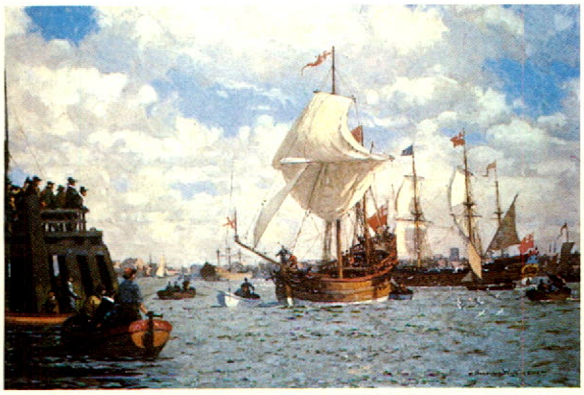
Competition
During the first century of the Company's existence the men on the Bay established forts and traded with the Indians.

As competition from the Montreal-based North West Company increased in the 1770's, the Company moved into the interior and gradually built a network of routes and forts spread out over the North and West. The two rival companies amalgamated under the Hudson's Bay Company name in 1821.

Deed of Surrender
In 1870, by Deed of Surrender, the Company's chartered territory was formally transferred to the Government of Canada in return for farm lands in the prairie provinces which were sold to settlers during the next 85 years.

Following the Deed of Surrender the Company turned its attention to the retail trade, which is now its most important activity.

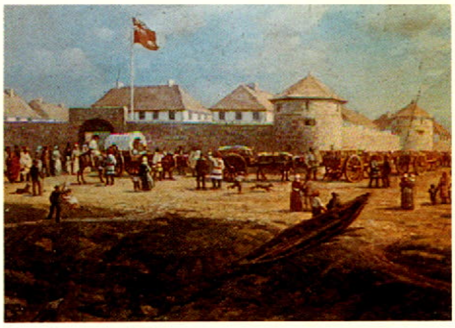
Twentieth Century
The Company built downtown department stores in each of the major cities of western Canada (1913-1968). It co-founded Hudson's Bay Oil and Gas Company Limited (1926), acquired Henry Morgan & Co. Limited (1960), A.J. Freiman Limited (1971) and 35% of Siebens Oil & Gas Ltd. (1973). It acquired control of Markborough Properties Limited (1973), Simpsons Limited (1978) and Zeller's Limited (1978), and disposed of its Siebens investment (1979). It acquired control of Roxy Petroleum (1980) and disposed of its HBOG investment (1982).



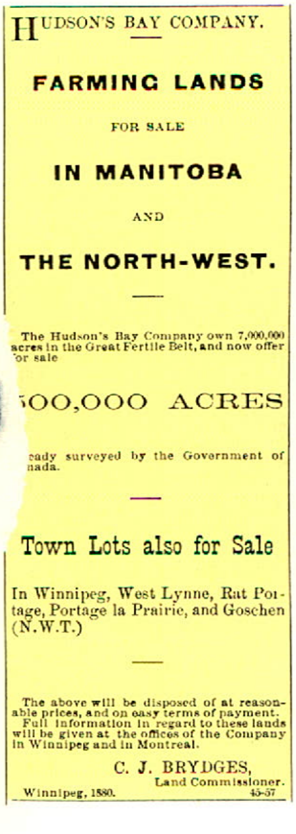
NONSUCH returns to London, October 1669

King Charles II

Radisson and Groseilliers at Charles Fort, 1671



Fort Garry in 1863



HUDSON'S BAY COMPANY.

FARMING LANDS

FOR SALE

IN MANITOBA

AND

THE NORTH-WEST.

The Hudson's Bay Company own 7,000,000 acres in the Great Fertile Belt, and now offer 'or sale

ɔ00,000 ACRES

eady surveyed by the Government of nada.

Town Lots also for Sale

In Winnipeg, West Lynne, Rat Portage, Portage la Prairie, and Goschen (N.W.T.)

The above will be disposed of at reasonable prices, and on easy terms of payment.
Full information in regard to these lands will be given at the offices of the Company in Winnipeg and in Montreal.

C. J. BRYDGES,
Land Commissioner.
Winnipeg, 1880. 45-57

Advertisement for farm lands and town lots, 1880

Kelsey sees the Buffalo, 1691

Hudson's Bay store, Calgary, built 1884