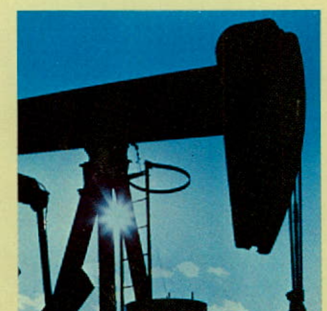
DOMINION STORES LIMITED

annual report 1982



Contents

Dominion Stores Limited is a major diversified Canadian company with two main business sectors; retailing/wholesaling, and natural resources.

In addition to the familiar Dominion Grocery Store Division, the retailing and wholesaling group is also comprised of 14 operating subsidiaries, primarily involved in the processing, distribution and retailing of food for home consumption.

The natural resources group, through recently acquired Hollinger Argus Limited, generates revenues from iron ore and gold mining operations and is involved in the exploration for, and the production of, oil and natural gas.

DOMINION STORES LIMITED

Retailing and Wholesaling Group

100%	Bittner Packers Limited
100%	Bittner Stores Limited
60%	Donovans Wholesale Limited
100%	DSL Properties Ltd.
100%	General Bakeries Limited
100%	Hiway Market Limited
50%	Mil-Mac Communications Inc.
100%	Min-A-Mart Ltd.
100%	Parkway Wholesale Limited
100%	Safeguard Drugs Limited
100%	Superparket Limited
50.03%	Travelsphere Inc.
50%	Volume 1 Inc.
100%	Willett Foods Limited

Natural Resources Group

92.9%	Hollinger Argus Limited
60.0%	Hollinger North Shore Exploration Inc.
7.1%*	Iron Ore Company of Canada
66.9%	Labrador Mining and Exploration Company Limited

36.2% Norcen Energy Resources Limited

*3.3% of the capital stock of Iron Ore Company of Canada is also held by Labrador Mining and Exploration Company Limited

(in thousands of dollars)

	For the fiscal years ended **March 20/82**	March 21/81
Revenue	**2,594,337**	2,774,042
Earnings before taxes	**33,298**	48,547
Taxes on income	**9,012**	19,740
Equity in net earnings of Norcen	**1,337**	–
Minority interests	**1,802**	798
Earnings before extraordinary item	**23,821**	28,009
Per share	**$2.47**	$3.26
Gain on sale of Quebec operations	**21,805**	–
Net earnings	**45,626**	28,009
Per share	**$4.74**	$3.26
Dividends	**13,091**	9,479
Per share	**$1.10**	$1.10

The last fiscal year was one of challenge, adaptation, acquisition and, in some instances, curtailment. Extreme economic turbulence coupled with a fiercely competitive environment for Dominion Stores, our major business unit, challenged the mettle of your management. Unprecedented high interest rates were partly responsible for substantial direct interest expense increases, as this cost rose from $11,795,000 in 1980 to $37,490,000 in 1981. These increases were also reflected in the cost of construction, occupancy and inventory carrying charges, all critical cost components of our business. Little of this was unexpected, however, and new investment guidelines were implemented to ensure that expenditures met corporate return criteria.

Your Company takes a long term approach to investment decisions, but short-term fluctuations can have a dramatic effect on a company's performance in a given year. We experienced this type of short-term fluctuation during our third quarter and part of our fourth quarter when the volatile nature of the retail food industry was demonstrated by the eruption of a major price war in Ontario during November 1981. We were fortunate in being able to blunt the impact of the price war through quick and decisive counteraction which resulted in increased market share. However, while difficult to measure precisely, the effect of this aberration alone was enough to cause a year to year decline in earnings before an extraordinary item. Earnings declined to $23,821,000 for the period under review from $28,009,000 for the previous fiscal year. An extraordinary gain of $21,805,000 from the sale of the retail assets and operations in the Province of Quebec increased net income to $45,626,000.

The management of your Company is aware of the need to reduce the risk of concentration in one industry or in one geographical area. The cover of this year's annual report is a statement of adaptation to change and reflects the recognition of the need for diversity and balance. Our many shareholders who are familiar with past annual reports will notice that the big "D" logo is not present for the first time since its inception in the autumn of 1955. This year's cover symbolizes the changing nature of your Company as we begin a new phase of our development while still mindful of our 62 year history in food retailing.

During the year, your Company purchased 92.9% of the outstanding capital stock of Hollinger Argus Limited for $75,056,000 cash and 6,833,202 Dominion common shares issued from treasury stock. Hollinger Argus operates as a holding company and has interests in companies engaged in the exploration for mineral deposits, oil and natural gas. The group also derives royalty income from iron ore and gold mining operations conducted by other companies and receives interest and dividend income from its various investments. We believe that this investment in Canada's heritage will offer significant opportunity for earnings growth in your Company in future years.

In addition to our diversification into natural resources, Dominion acquired 50% of Mil-Mac Communications Inc., a Toronto based marketing, printing and creative services organization. In April, 1982, your Company also entered into a joint venture to develop Volume 1 Inc., a procurement company created to ensure competitive food purchasing. A description of these companies and how they fit into Dominion's new structure is shown in the "Company Profile" section and discussed in the body of this report.

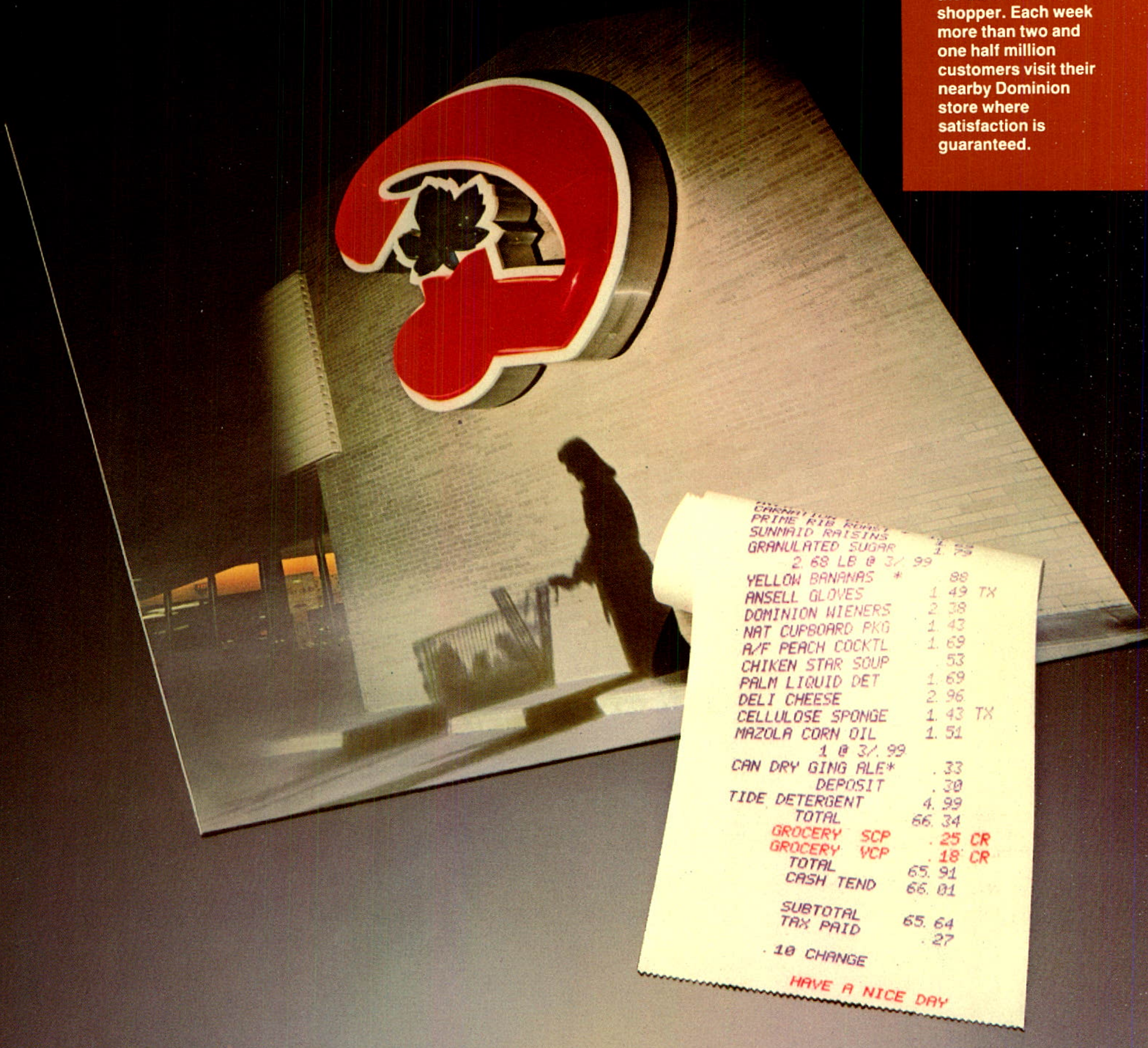
With this diversification, your Company's assets are now divided into two major groups, retailing and wholesaling (40.6%) and natural resources (59.4%). As you read this report and become more deeply aware of the diverse base of business activities in which your Company is now involved, we are certain you will agree that we are well positioned to meet the challenge of the eighties.

For the Board of Directors

G. Montegu Black
Chairman of the Board

Allen C. Jackson
President and Chief Executive Officer

Thomas G. Bolton **G. Montegu Black** **Allen C. Jackson**



Since 1955 the 'Big D' has been a symbol of quality to the Canadian food shopper. Each week more than two and one half million customers visit their nearby Dominion store where satisfaction is guaranteed.

Industry Trends

The infrastructure of the retail food industry is undergoing constant change. The traditional supermarket segment is receiving pressure from both the up-scale superstore and the austere limited line and warehouse stores. Recognizing the need to adapt to the demands of the informed consumer, Dominion converted 7 strategically located traditional stores to limited line stores under the Thrift name. In addition, our innovative warehouse food stores under the Best For Less banner were first introduced in Ottawa this year, combining low everyday prices with complete produce and self-serve meat departments. The 3 stores converted last year have met with overwhelming consumer acceptance and have experienced record sales.

At the opposite end of the scale, Dominion continues to excel in providing shoppers with exclusive services such as cheese huts, bakeries, health food boutiques, delis, and fresh fish 'Pier 19' service counters in many stores where consumer demand exists.

Marketing

Value for the food dollar purchase remains the greatest concern of consumers, and integrated continuity programs such as Dominion's Lifestyle Crystal and Copperware promotions proved very popular in 1981. Health and nutritional foods have shown remarkable growth with an increasingly health conscious consumer. In the fall of 1981, Dominion opened its first 'Nature's Cupboard' in its Meadowvale store in Mississauga, Ontario. This boutique carries approximately 1,000 of the most popular lines of health foods and high fibre products. The operation was so successful that a second 'Nature's Cupboard' was opened in Markham, Ontario in May, 1982.

Generic label products have continued to enjoy excellent growth over the past year, partly due to the increase in consumer acceptance and partly due to the new lines introduced. It is expected that growth, however, will level off in the near future as the price/quality equilibrium for these products is reached. Dominion currently carries 240 white label lines and will continue to examine the potential of generics and introduce the appropriate lines to ensure customer patronage through sufficiently wide merchandise selection.

Planning and Development

Dominion continued an aggressive development program with the opening of 10 new supermarkets in the fiscal year. Two of the stores were opened in Amherst, Nova Scotia and Winnipeg, Manitoba, and the other 8 stores were opened in Ontario, in Milton, Hamilton, Brampton, Ottawa, London, Thornhill, Renfrew, and Toronto. In addition, 1 store was enlarged in Sault Ste. Marie.

In the retail and wholesale subsidiary group, additions to physical plant included 2 Bittner stores, 2 Willett cash and carry wholesale food outlets, 4 Safeguard drug stores, 2 Superparket gas bars, 1 Bread Box bakery and 19 Min-A-Mart convenience stores.

During the year, 77 Dominion stores were sold to Provigo Inc. along with 9 outlets operating under the Econoprix and ABC names in the Province of Quebec. The Company closed 19 Dominion stores, of which 7 were converted to Thrift in Ontario along with 3 conversions to Best For Less. One ABC store and 1 Bittner store were also closed.

Dominion's real estate subsidiary, DSL Properties Ltd., completed the first phase of a community shopping centre in London, Ontario and commenced construction of a new distribution centre in Ottawa, Ontario. Properties also were designated for future retail developments in Brockville, Peterborough and Scarborough.

In addition, Dominion acquired 50% of Mil-Mac Communications Inc., a creative services organization. Mil-Mac's business endeavours include creative and editorial services, photography, graphic design, silk screening, printing, direct mail,

"You'll love Dominion for more than our meat". Each day before the sun rises Dominion's produce buyers are busy at work visiting local markets to ensure that in-store fresh cases are fully stocked with a wide selection of quality fruits and vegetables.

and the publication of two specialty magazines. Future plans for growth include increased business from Dominion and its subsidiary companies as well as the development of its already diverse client base.

As of April 1, 1982, Dominion Stores Limited and its subsidiaries became members of Volume 1 Inc., a procurement company. Volume 1 is a joint venture between Dominion and another major Canadian food retailer and many requirements of both companies will be purchased through this buying group, thus allowing the members to combine respective purchases to maximize volume earnings. Volume 1 Inc. should help to equalize the buying ability of chain food retailers and enable Dominion to operate more competitively in the future.

People

The Company's strength has always been its people and 1981 was no exception. To keep abreast of the 20,000 Dominion employees, a new computerized human resources information system was developed. The program will assist greatly in people planning and will provide ready access to complete information on candidates for managerial positions.

Experimentation with employee participation in decisions that affect the work place have been expanded through 'Quality of Work Life' programs in selected stores and 'Quality Circle' programs in the Ontario division accounting office.

In addition, Dominion commenced a company-wide project to review its Key Personnel salary administration program both in terms of internal equity and external competitiveness. This more formal approach will become part of the ongoing management process and will reinforce existing compensation and personnel programs in maintaining and motivating a well qualified management work force.

Technology and Energy Conservation

Modern retail technology continues to make a significant contribution to operating efficiencies.

Approximately two-thirds of all Dominion stores are now equipped with electronic cash registers. Scanning has been installed in 16 stores. Some scanners use computerized voice simulators which call out the prices to the customer at the same time that the description and price of the product is displayed on a visual screen and printed on the receipt tape.

Minicomputers are installed in every new Dominion and are being used for merchandise ordering, the transmission of sales, shelf label verification and energy data compilation.

In 1981, Dominion's 'Energy Conservation Program' continued to expand. Existing computerized systems designed to control store equipment were evaluated and fine tuned, in an all out program of energy cost reduction and fuel efficiency.

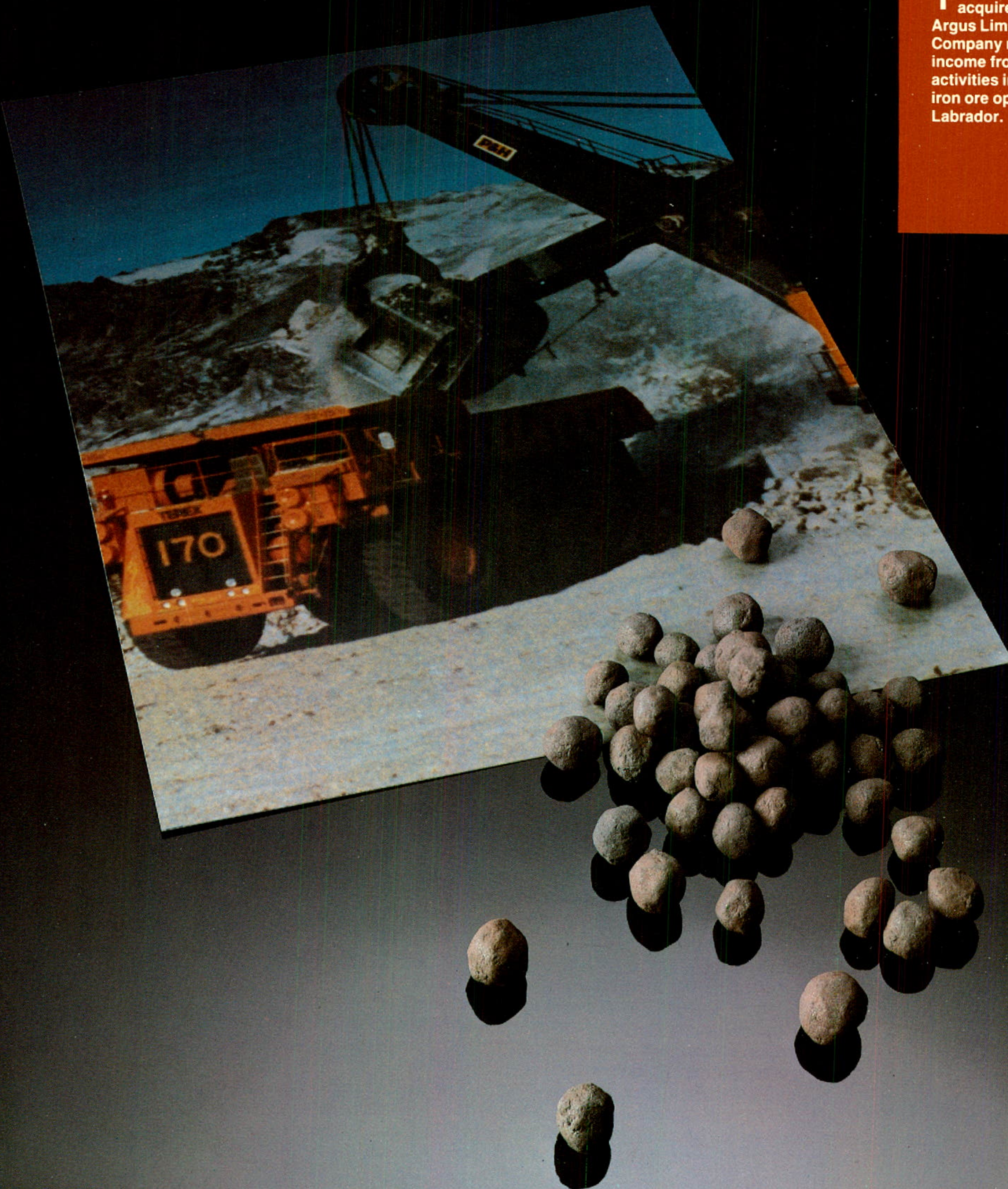
In conjunction with the installation of the new equipment, an aggressive 'Energy Awareness Program' was launched. The program, designed to educate Dominion employees on energy saving techniques has been continually expanded and will encompass the entire chain by the end of next year.

Consumer Affairs

The mandate of the Consumer Affairs department is to ensure that Dominion can live up to its commitment of 'Satisfaction Guaranteed'.

In carrying out this mandate, Consumer Affairs communicates with 2,500 individual customers each week in response to their requests for assistance and suggestions for improved services.

Last year was the International Year of the Disabled and Dominion incorporated many special features and services into its operations such as reserved parking for the handicapped, specially adapted checkout lanes and counters, and shopping baskets that are designed to be used by customers confined to a wheelchair.



Through recently acquired Hollinger Argus Limited, the Company receives income from mining activities including iron ore operations in Labrador.

During August 1981, the Company announced an offer to purchase all the 5.9 million outstanding shares of Hollinger Argus Limited. The basis of the offer was $14 cash plus 1 1/4 common shares of Dominion for each common share of Hollinger Argus.

The offer resulted in Dominion acquiring 92.9% of Hollinger Argus for $75,056,000 cash and 6,833,202 Dominion shares.

This entry into the natural resource sector represents an excellent opportunity for your company to significantly diversify and strengthen its earnings base for future years.

Hollinger Argus is a diversified resource company holding interests through subsidiaries, including 66.9% owned Labrador Mining and Exploration Company Limited, in mining licences and leases. Some of these have been sublet to the Iron Ore Company of Canada giving rise to significant royalty income. Hollinger Argus and Labrador Mining together own approximately 10.5% of the Iron Ore Company of Canada. Both Hollinger Argus and Labrador Mining are engaged directly and through joint ventures with other companies in the exploration for mineral deposits in Canada and the United States and for oil and gas in Alberta. In addition, Labrador Mining owns 36.2% of the outstanding common shares of Norcen Energy Resources Limited. Norcen is a major energy organization involved in the exploration and production of oil and natural gas primarily in Western Canada and in the distribution of natural gas in the Provinces of Manitoba and Ontario.

Mining and exploration activities carried out by Hollinger Argus Limited and its subsidiaries form an integral part of the new structure of Dominion Stores Limited.

Although Dominion has consolidated the results of Hollinger Argus only from September 15, 1981, it was felt appropriate to outline Hollinger's revenue activity for the full year in order to present a more comprehensive picture of the new organization. Revenues are generated from a variety of sources including royalty income, dividends and interest payments and a closer look at each source is warranted.

Royalties

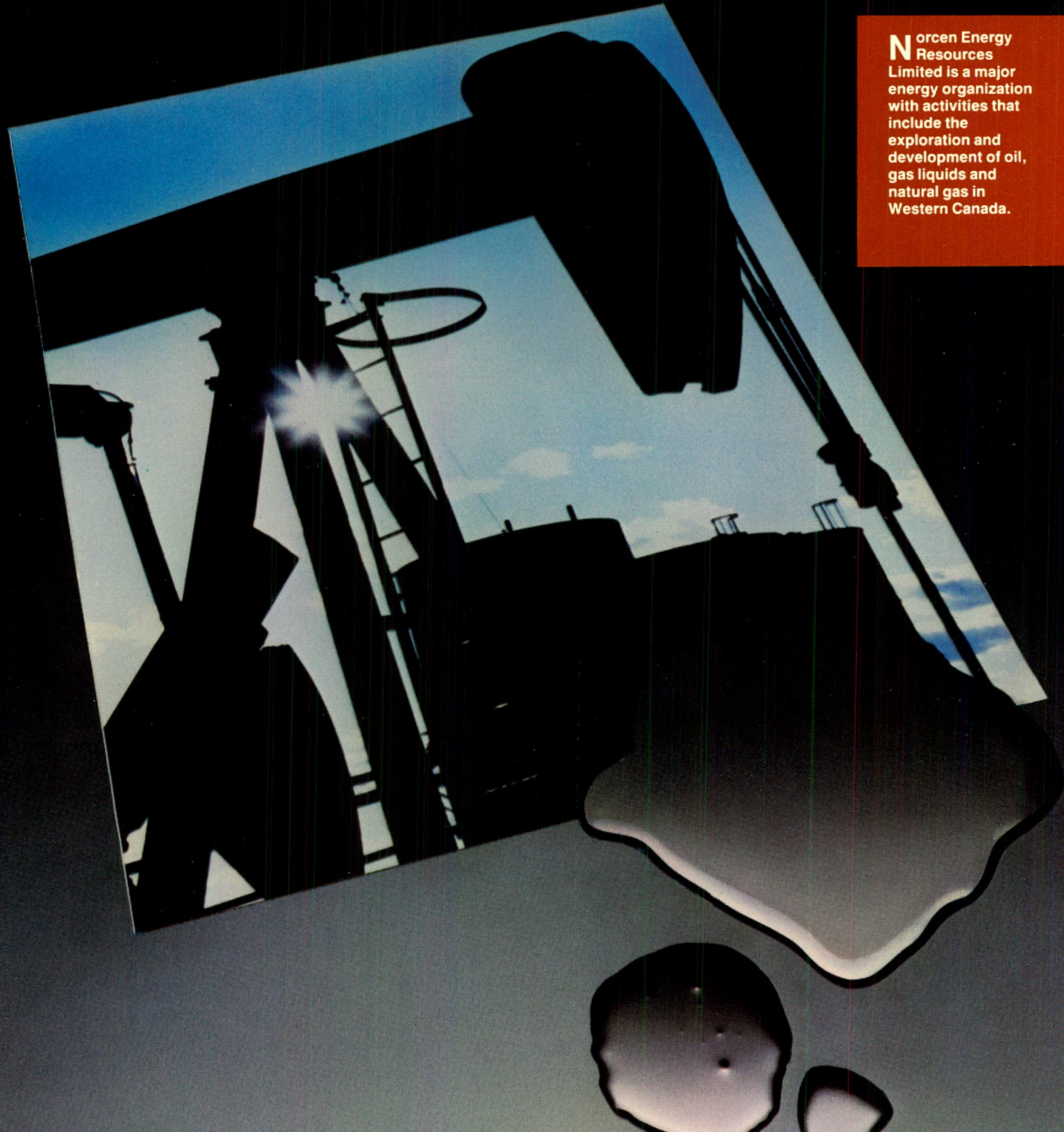
The primary source of royalty revenue results from payments by Iron Ore Company of Canada to both Labrador Mining and Hollinger North Shore. Iron Ore mines properties subleased or sublicensed to it and pays royalties at a rate of 7% of the sale price for iron ore and 5% of the sale price for iron ore pellets.

In 1981, total iron ore sales declined marginally to 21.2 million tons from 21.5 million tons the previous year. However, increased selling prices and a weaker Canadian dollar resulted in increased royalties which amounted to $45,665,000, up from $42,493,000 in 1980.

Royalty income also is derived from properties sold to Pamour Porcupine Mines Limited in 1976. The royalty paid by Pamour is based upon the price of gold and the tonnage mined. The average annual price of gold fell from $716.08 per ounce in 1980 to $551.15 per ounce in 1981 and mining volumes declined to 248,589 tons in 1981 from 471,577 tons in 1980. Consequently, royalty income from this source declined to $609,561 in the year under review from $2,060,473 the previous year.

Dividends

Total dividends received in 1981 were $15,287,000, down from $16,594,000 in 1980. However, it should be noted that prior to the acquisition by Dominion, all Argus Corporation Limited common shares and Argus Class C shares held by Hollinger Argus were transferred by way of a special dividend to holders of the common shares of Hollinger. Consequently, dividend income from holdings of Argus Corporation Limited will not be available to Hollinger in future years.



Norcen Energy Resources Limited is a major energy organization with activities that include the exploration and development of oil, gas liquids and natural gas in Western Canada.

Interest

Interest is received primarily from Brascan Limited as a result of a sale of shares in Noranda Mines Limited to Brascan in 1979. Additional interest income was generated on short-term investments made during the year.

Minerals

Mineral exploration in Hollinger Argus is carried out through its subsidiaries as well as through Hollinger directly with a total of $2,646,000 being spent in 1981. Activity included work in many parts of Canada and the United States both singularly and through joint ventures in search primarily of base metals and gold.

Oil and Gas

Oil and gas exploration was conducted through the joint venture managed by Sulpetro Limited (formerly Candel Oil Limited), with seven exploratory wells drilled in 1981 resulting in one gas well and one oil well. The joint venture holds 100,772 gross acres (68,346 net acres).

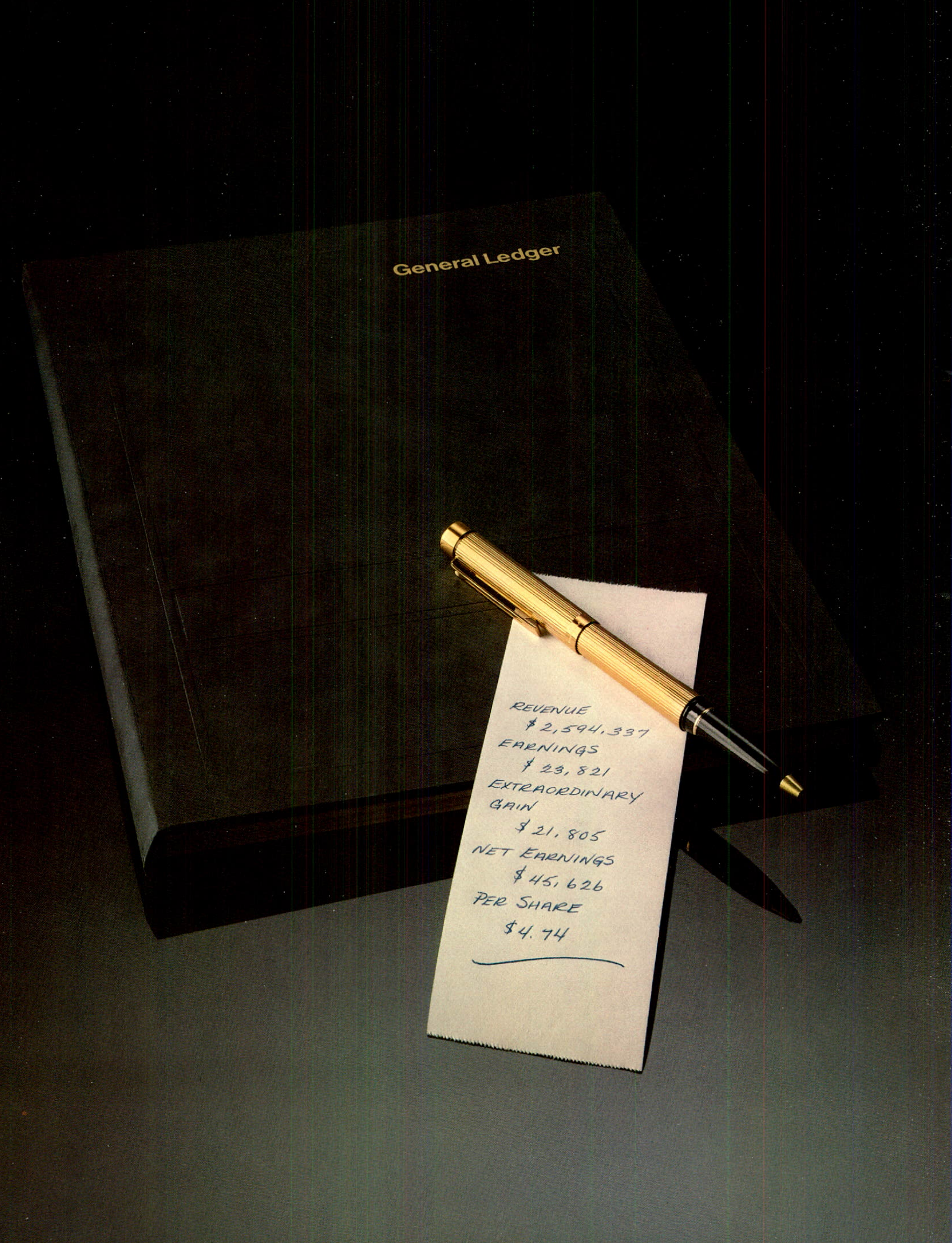
Norcen

Norcen's 1981 financial results reflect the effects of the introduction of the National Energy Program late in 1980. This program included a new petroleum and gas revenue tax, a reduction in the price of oil sands production and a higher effective rate of income tax as a result of the phasing out of certain income deductions. Cutbacks in oil production imposed by the Alberta Government in response to the National Energy Program also had an adverse effect on 1981 earnings.

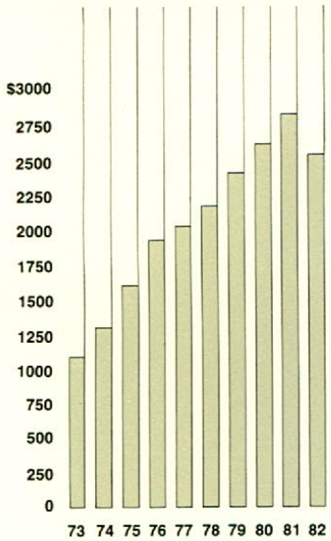
Decreased export demand for natural gas and reduced oil sands production, due principally to the biennial plant maintenance program, also contributed to the earnings reduction. Income applicable to common shares was $51,246,000, including an extraordinary credit of $8,048,000, compared with $83,492,000 in the previous year.

Successful exploration and development activities in western Canada have over a period of the last four years enabled Norcen to replace its production of oil, gas liquids and natural gas. In 1981, exploration continued in various areas, including in particular Evi in northern Alberta, where drilling to date has established significant reserves of oil. In the Bodo area of eastern Alberta, a fireflood program is producing excellent results in the recovery of heavy oil and this project will be expanded in the coming year. New areas of exploration include a farm-in offshore Nova Scotia, expansion of activity in the Beaufort Sea and participation in the East Coast III Group joint venture to explore areas offshore Newfoundland and Labrador. Norcen increased its activity in the United States during 1981, participating in 29 gross wells in the Rocky Mountain basins, Texas and California and participated in some drilling activity in the U.K. North Sea waters. The company continued to add to its net acreage in Canada, although surrenders of acreage in Guyana, Gabon and Tunisia reduced the international acreage held.

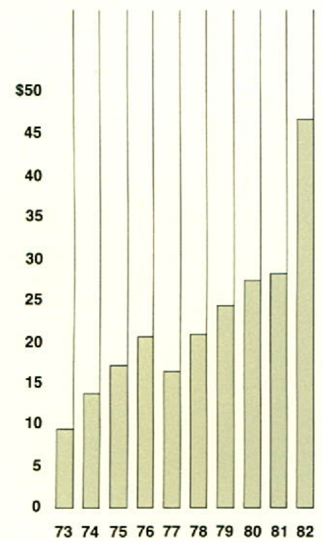
Norcen's gas utilities in Ontario and Manitoba expanded their customer base in 1981 with the addition of 8,700 new services. Rate increases were approved by the respective regulatory authorities in 1981 to recover higher federal excise taxes on gas sales. The utilities have applied to increase rates to recover costs of operations and capital on a more current basis and hearings on these applications will take place in 1982.


General Ledger
REVENUE
$2,594,337
EARNINGS
$23,821
EXTRAORDINARY GAIN
$21,805
NET EARNINGS
$45,626
PER SHARE
$4.44

Revenue in Millions



Earnings in Millions
After Taxes



Revenue

Revenue for the year was $2,594,337,000 compared with $2,774,042,000 the year before. The decrease was the result of the sale of 86 stores in the province of Quebec during the first half of the fiscal year.

Earnings

Net earnings in the 52 weeks amounted to $45,626,000 compared with $28,009,000 last year.

Earnings this year include an extraordinary gain of $21,805,000, the net result of the sale of the retail assets and operations in the province of Quebec.

Discussion

The purpose of a discussion of financial results is not only to elaborate on long term trends and year to year changes in revenue and expense items, but also to furnish an insight into the financial results that only the management of a company can provide.

In past years, the management of Dominion has provided shareholders with a comprehensive list of key performance indicators for the retail food industry. Any ratio calculations important in the analysis of a retail food company have become less meaningful in light of your company's thrust into the natural resource sector. Included in this year's annual report is a newly formatted ten year statement of earnings which will give shareholders a clearer picture of the factors which affect profitability of Dominion Stores after its acquisition of Hollinger Argus.

This year, for example, the revenue figure of $2,594,337,000 not only includes retail sales of $2,560,576,000 but also includes royalties on iron ore of $13,872,000 and a substantially increased investment income of $19,889,000. The $17,550,000 increase in investment income from $2,339,000 for the previous year is partly a result of the consolidation of the investment income of Hollinger Argus and partly the interest earned on the funds from the sale of Dominion's Quebec assets and operations before the Hollinger Argus acquisition.

Although royalties and investment revenue appear small in comparison to retail sales revenue, it should be noted that they make a proportionately greater contribution to net earnings.

Shareholders will also notice an increase in the interest expense of $25,695,000 to $37,490,000 for the fiscal year ended March 20, 1982, from $11,795,000 for the fiscal year ended March 21, 1981. This increase reflects the consolidation of the interest expense of Hollinger Argus, as well as a $4,790,000 increase in interest on obligations under capital leases. This figure increased from $2,799,000 last year to $7,589,000 this year. Lease capitalization will continue to have an increasingly greater impact on the income statement and balance sheet of the Company in future years.

Although it is no longer possible to compare the Retailing and Wholesaling Group to previous years, there is a breakout of information by industry segment in note (12) to the consolidated financial statements. It should be noted that results of the Retailing and Wholesaling Group have been fully impacted by the interest burden of the Hollinger Argus acquisition. The before tax impact of the above imputed interest is estimated at $6,900,000.

(in thousands of dollars)

	For the fiscal years ended March 20/82	March 21/81
Revenue		
Retail Sales	**2,560,576**	2,771,703
Royalties on iron ore	**13,872**	–
Investment and other income	**19,889**	2,339
	2,594,337	2,774,042
Cost of goods sold and expenses except those shown below	**2,494,799**	2,686,333
Depreciation and amortization	**28,750**	27,367
Interest on long-term debt	**24,106**	7,154
Interest on obligations under capital leases	**7,589**	2,799
Other interest	**5,795**	1,842
	2,561,039	2,725,495
Earnings before taxes on income	**33,298**	48,547
Taxes on income	**9,012**	19,740
	24,286	28,807
Equity in net earnings of Norcen Energy Resources Limited (net of amortization of $2,424,000 of the excess of the cost of the investment over underlying book value)	**1,337**	–
	25,623	28,807
Minority interests	**1,802**	798
Earnings before extraordinary item	**23,821**	28,009
Extraordinary item		
Gain on sale of operations in the province of Quebec – net of income taxes of $7,395,000 (note 9)	**21,805**	–
Net earnings for the year	**45,626**	28,009
Earnings per share (note 11)		
Earnings before extraordinary item	**$2.47**	$3.26
Net earnings for the year	**$4.74**	$3.26

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

(in thousands of dollars)

	For the fiscal years ended March 20/82	March 21/81
Reinvested earnings – beginning of year	**174,743**	156,213
Net earnings for the year	**45,626**	28,009
Dividends	**(13,091)**	(9,479)
Reinvested earnings – end of year	**207,278**	174,743

(in thousands of dollars)

	For the fiscal years ended **March 20/82**	March 21/81
Source of funds		
Earnings before extraordinary item	**23,821**	28,009
Items not affecting working capital –		
Depreciation and amortization	**28,750**	27,367
Deferred income taxes	**4,376**	3,120
Loss (gain) on disposal of fixed assets	**(193)**	452
Minority interests	**1,802**	798
Equity in net earnings of Norcen Energy Resources Limited	**(1,337)**	–
Funds provided from operations	**57,219**	59,746
Increase in obligations under capital leases	**19,065**	12,857
Proceeds from disposal of fixed assets including Quebec non-current assets and excluding deferred income taxes of $935,000	**51,763**	5,843
Proceeds from shares issued under the stock option plan	**15**	354
Dividends received from Norcen Energy Resources Limited	**2,411**	–
	130,473	78,800
Use of funds		
Investment in fixed assets	**67,800**	51,828
Investment in property under capital leases – net	**21,299**	13,372
Dividends	**13,091**	9,479
Increase in mortgages and investments	**6,118**	788
Decrease in long-term debt	**1,023**	5,628
Dividends to minority interests	**1,142**	154
Investment in subsidiaries (note 10) –		
Purchase consideration	**266,385**	6,035
Issue of common shares	**(191,329)**	(3,621)
Working capital acquired	**(40,979)**	–
	144,550	83,663
Decrease in working capital	**14,077**	4,863
Working capital – beginning of year	**62,014**	66,877
Working capital – end of year	**47,937**	62,014

(in thousands of dollars)

ASSETS

	March 20/82	March 21/81
Current assets		
Cash	**11,182**	14,076
Short-term investments, at cost	**24,780**	4,000
Accounts receivable	**43,694**	20,510
Merchandise	**187,082**	211,281
Prepaid expenses	**3,201**	3,875
	269,939	253,742
Note receivable (note 2)	**168,786**	–
Mortgages and investments (note 3)	**480,236**	2,023
Fixed assets		
Store, warehouse, office and other equipment	**281,427**	281,203
Buildings and leasehold improvements	**113,551**	98,832
	394,978	380,035
Less: Accumulated depreciation and amortization	**169,653**	173,126
	225,325	206,909
Land	**17,958**	22,117
Assets under capital leases at cost less amortization of $3,942,780 (1981 – $1,484,793) (note 5)	**45,651**	26,810
	288,934	255,836
Oil and gas properties	**18,960**	–
Mining rights and concessions (note 10)	**41,845**	–
Unamortized debenture discount	**862**	918
	1,269,562	512,519

LIABILITIES

	March 20/82	March 21/81
Current liabilities		
Promissory notes and accrued interest	**61,192**	4,928
Accounts payable and accrued expenses	**149,396**	159,232
Income and sundry taxes	**10,026**	26,739
Current portion of long-term debt and obligations under capital leases	**1,388**	829
	222,002	191,728
Deferred income taxes	**61,525**	25,485
Long-term debt (note 4)	**435,591**	65,999
Obligations under capital leases (note 5)	**46,368**	27,303
Minority interests	**79,401**	1,208
	844,887	311,723

SHAREHOLDERS' EQUITY

	March 20/82	March 21/81
Capital stock (notes 7 & 10)		
Authorized – Unlimited number of common shares and preference shares without par value		
Issued and fully paid – 15,628,960 common shares (1981 – 8,794,758 shares)	**217,397**	26,053
Reinvested earnings	**207,278**	174,743
	424,675	200,796
	1,269,562	512,519

Signed on behalf of the board

G. MONTEGU BLACK, Director

ALLEN C. JACKSON, Director

For the Fiscal Year Ended March 20, 1982

1. Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of Dominion Stores Limited and all its subsidiaries. The consolidated financial statements of Hollinger Argus Limited included herein are as at December 31, 1981. The results of operations of Hollinger Argus Limited have been included in these consolidated financial statements from September 15, 1981, the effective date of acquisition of the Company's investment therein (note 10), to December 31, 1981.

(b) Investment in associated company

The investment in an associated company, Norcen Energy Resources Limited, which represents a significant minority interest, has been accounted for by the equity method.

(c) Merchandise

Merchandise is located at both stores and warehouses. These inventories have been valued at the lower of cost and market. The term "market" as it applies to store inventories means "net realizable value" and, to warehouse inventories "replacement cost" or "net realizable value", as appropriate.

(d) Fixed Assets

The cost of fixed assets (including significant renewals and betterments) is capitalized at cost. Provisions for depreciation are determined on a straight-line basis over the estimated useful lives of the assets as follows:

Store, warehouse, office and other equipment	–	3 to 10 years
Buildings	–	40 years
Leasehold improvements	–	term of lease

(e) Leases

Leases entered into subsequent to March 17, 1979 that transfer substantially all of the benefits and risks incident to the ownership of property are classified as capital leases. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets as described in note 1(d) or over the lease term, as appropriate. Obligations under capital leases are reduced by rental payments net of imputed interest and executory costs. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

(f) Exploration

(i) Frontier oil and gas exploration costs are written off in the year incurred. If a property is determined to be economic, all subsequent costs are deferred and amortized against related production income. Non-frontier oil and gas exploration costs are capitalized on an area of interest basis and will be depleted using the production revenue method, based on total estimated recoverable reserves as and when discovered, or will be written off if exploration is unsuccessful.

(ii) Mining exploration costs are written off in the year incurred. If a property is determined to be economic, all subsequent costs are deferred and amortized against production income.

(g) Interest

Interest on specific borrowings ascribed to exploratory acreage of Norcen Energy Resources Limited is being capitalized and brought into the amortization calculation over six years. The amount capitalized in the current year amounted to $2,391,000.

(h) Foreign currency translation

Transactions in foreign currencies are translated at the rates which prevailed at the dates of the transactions. Foreign currency current assets and current liabilities are translated at the currency exchange rate prevailing at the end of the year. Foreign currency non-current assets and liabilities are translated at the currency exchange rate prevailing when the assets were acquired or the liabilities incurred. Any gains or losses are taken into income.

(i) Mining rights and concessions

Substantially all costs related to mining rights and concessions are amortized on the straight-line basis over 50 years. Unamortized costs are written off at such time as the likelihood of their realization becomes remote.

2. Note Receivable

The note receivable bears interest at a rate which varies quarterly with the 90 day bank term deposit rate, is callable in whole or in part at any time with 90 days' notice with the balance due October 15, 1989. On January 19, 1982, $52,000,000 was called for repayment on April 19, 1982.

3. Mortgages and Investments
(in thousands of dollars)

	March 20/82	March 21/81
Norcen Energy Resources Limited – at equity (note 10)	**409,652**	–
Iron Ore Company of Canada – at cost (note 10)	**63,040**	–
Mortgages and other investments – at cost	**5,315**	2,023
Investment in real estate joint venture – at equity	**2,229**	–
	480,236	2,023

4. Long-term Debt
(in thousands of dollars)

	March 20/82	March 21/81
(a) Redeemable sinking fund debentures –		
9¾% Series "D" maturing December 1, 1990	**13,073**	14,227
9¾% Series "F" maturing July 15, 1997	**50,000**	50,000
Non-interest bearing note, mortgages payable and promissory notes bearing interest at rates from 6¾% to 13%	**1,985**	2,262
Bank loans, bankers' acceptances and LIBOR advances (note 4 (b))	**370,615**	–
	435,673	66,489
Less: Current portion included in current liabilities	**82**	490
	435,591	65,999

(b) A subsidiary company, Labrador Mining and Exploration Company Limited, has established with its bankers a line of credit aggregating $390,100,000, expiring December 31, 1986. The subsidiary company may obtain advances by borrowing in Canadian or United States dollars, in Eurodollars (with certain limitations) and certain other Eurocurrencies by way of LIBOR advances, and accommodation (with certain limitations) by way of bankers' acceptances in Canadian or United States dollars. Interest is payable on Canadian dollar loans at the bank prime rate and on United States loans at the U.S. base rate for commercial loans in U.S. dollars made in Canada. LIBOR advances bear interest in the currency of the LIBOR advance at the LIBOR rate plus 3/8 of 1% per annum. The loan agreements require that principal payments received under the note receivable, described in note 2, be applied to retire long-term debt, unless otherwise agreed.

At December 31, 1981, LIBOR advances aggregated U.S. $75,000,000. Repayment of these advances at the company's fiscal year-end rate of exchange would result in additional obligations of $3,110,000. The 9,643,250 shares of Norcen Energy Resources Limited representing the subsidiary company's total investment, have been hypothecated as security for the debt.

(c) The principal amounts payable, other than for obligations under capital leases (note 5), and the line of credit described above, in the next five fiscal years are:

(in thousands of dollars)

Fiscal years ending March 1983	82
1984	3,638
1985	3,456
1986	4,265
1987	3,454

5. Lease Commitments and Contingency
(in thousands of dollars)

(a) Future minimum payments under capital and operating leases are as follows:

	Capital Leases	Operating Leases
Fiscal years ending March 1983	8,533	23,209
March 1984	8,563	22,673
March 1985	8,677	22,085
March 1986	8,736	21,363
March 1987	8,378	20,751
Subsequent	103,303	212,121
Total future minimum lease payments	146,190	322,202
Less: Imputed interest and executory costs	98,516	
	47,674	
Less: Current portion included in current liabilities	1,306	
Present value of obligations under capital leases bearing interest at a weighted average rate of 15%, due from 1984 to 2007	46,368	

Certain leases contain an option to cancel. Should the Company exercise these options it could be required to purchase the related properties.

The recommendations of the Canadian Institute of Chartered Accountants have not been applied on a retroactive basis to those leases in existence on March 17, 1979. As a result, leases in existence on March 17, 1979, which meet the definition of a capital lease have been accounted for as operating leases. Had the accounting principle been applied retroactively, net investment in assets under capital leases of $54,353,000 (1981 – $80,973,000) and related lease obligations of $75,027,000 (1981 – $110,316,000) would have been recorded on the balance sheet; and net earnings for the current year would have been increased by $1,210,000 (1981 reduced by $214,000).

(b) The Company is jointly and severally liable for the compliance, by the purchaser of the Quebec operations (note 9), with the terms of certain lease commitments and obligations. However, the company has been indemnified by the purchaser for any losses that may occur.

6. Income Taxes

A subsidiary has mining property development expenses aggregating approximately $8,400,000 available for application against taxable income of the subsidiary in future years. Additionally, a subsidiary has capital losses of approximately $2,664,000 available for application against future capital gains of the subsidiary. Income tax benefits with respect to these future tax benefits will be reflected in the consolidated financial statements when realized.

7. Capital Stock

Pursuant to an employees' stock option plan which expires on November 22, 1983, 47,699 unissued common shares at a price of $14.74 per share are reserved. The exercise of these options would have no material effect on the reported earnings per share. During the year 1000 shares were issued for cash of $14,740 upon exercise of stock options granted.

8. Pension Plan

Based on the most recent actuarial reports, the estimated past service unfunded pension liability amounted to approximately $3,435,000 at January 1, 1982. This liability is being funded and charged to operations over seven years and ten months by means of annual payments of approximately $580,000.

9. Discontinued Operations
(in thousands of dollars)

During the year, the Company completed the sale of its retail and warehouse assets and operations in the province of Quebec. The results of the Quebec operations included in the consolidated statement of earnings are as follows:

	March 20/82	March 21/81
Sales	**117,940**	468,203
Cost of goods sold and expenses except certain unallocated expenses, depreciation and amortization	**120,647**	461,585
Depreciation and amortization	**1,141**	4,104
	121,788	465,689
Earnings (loss) from discontinued operations before provision for income taxes	**(3,848)**	2,514

10. Acquisition

On September 15, 1981, the Company acquired from related companies and others 5,466,775 common shares (92.9%) of Hollinger Argus Limited for a consideration of 6,833,202 shares of the Company with an assigned paid in value of $191,329,000 and $75,056,000 in cash. Hollinger Argus Limited is engaged through subsidiaries and investees in the mining of iron ore, exploration for minerals, oil and gas, and the distribution of natural gas. The acquisition has been accounted for as a purchase and accordingly the results of operations have been included in the consolidated financial statements from September 15, 1981 to December 31, 1981, the Hollinger Argus Limited year-end.

The net assets of Hollinger Argus Limited acquired, as at the effective date, were:
(in thousands of dollars)

Working capital	40,979
Investments	473,169
Note receivable	168,786
Mining rights and concessions	42,049
Other assets	20,279
	745,262
Long-term debt	370,615
Deferred income taxes	30,729
Minority interests	77,533
	478,877
Total cost	266,385

The excess of the purchase price over the net book value of assets acquired has been allocated to assets as follows:

Investment in Iron Ore Company of Canada	29,000
Oil and gas reserves and exploratory acreage of Norcen Energy Resources Limited (investee)	19,766
Mining rights and concessions	39,831
	88,597

The amount allocated to the resource assets of Norcen Energy Resources Limited is being amortized on the production revenue basis and the amount allocated to mining rights and concessions is being amortized on the straight-line basis over 50 years. The amount allocated to the investment in Iron Ore Company of Canada is not being amortized.

11. Earnings per Share

The earnings per common share are calculated using the weighted average number of common shares outstanding after taking into account the difference in year-ends within the consolidated group (note 1(a)). As a result, earnings per share have been calculated on the basis that the shares issued to acquire the investment in Hollinger Argus Limited shares were outstanding for a period equal to the period for which the earnings of Hollinger Argus Limited are included in consolidated earnings.

12. Information by Industry Segment
(in thousands of dollars)

The Board of Directors of the Company has determined that the Company's operations are conducted primarily in Canada and that retailing and wholesaling, and natural resources are the business segments of the Company.

	Retailing and Wholesaling Group	Natural Resources Group	Consolidated
Revenue	2,565,867	28,470	2,594,337
Cost of goods sold and expenses except interest expense	2,521,032	2,517	2,523,549
Interest expense	19,583	17,907	37,490
	2,540,615	20,424	2,561,039
Earnings before taxes on income	25,252	8,046	33,298
Taxes on income	8,271	741	9,012
	16,981	7,305	24,286
Equity in net earnings of Norcen Energy Resources Limited	–	1,337	1,337
	16,981	8,642	25,623
Minority interests	858	944	1,802
Earnings before extraordinary item	16,123	7,698	23,821
Extraordinary gain on sale of operations in the province of Quebec – net of income taxes of $7,395	21,805	–	21,805
Net earnings for the year	37,928	7,698	45,626
Identifiable assets	514,824	345,086	859,910
Investment accounted for by the equity method	–	409,652	409,652
Total assets	514,824	754,738	1,269,562
Capital expenditures and investment in property under capital leases	89,099	–	89,099
Depreciation, depletion and amortization	28,539	211	28,750

13. Comparative Figures
Certain of the 1981 figures have been reclassified to conform to the 1982 financial statement presentation.

We have examined the consolidated balance sheet of Dominion Stores Limited as at March 20, 1982 and the consolidated statements of earnings, reinvested earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 20, 1982 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

145 King Street West
Toronto, Ontario
April 14, 1982

Coopers & Lybrand
CHARTERED ACCOUNTANTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the integrity and objectivity of the financial statements contained in the annual report. These statements have been prepared in conformity with generally accepted accounting principles. Where necessary and appropriate, certain estimates and judgements have been applied, based on currently available information and managements' view of current conditions and circumstances.

The Company maintains a system of accounting control including an internal audit program to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records provide a reliable basis for the preparation of the financial statements.

Management reviews and evaluates the effectiveness of the system of internal accounting control through periodic internal audits carried out by the Company's internal auditors. Coopers & Lybrand, the Company's independent auditors, also review the internal accounting controls to the extent they consider necessary as part of their examination of the Company's financial statements. They also discuss financial statement format, presentation and accounting practices with the Company's management on a regular basis.

The Board of Directors, through the activities of its Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the maintenance of effective internal accounting controls. Periodically, the Audit Committee meets with management, the internal auditors, and Coopers & Lybrand to discuss audit activities, internal accounting controls, and financial reporting matters. Both Coopers & Lybrand and the internal auditors have free access to the Audit Committee.

J. B. WILLIAMS
Vice-President
Finance and Corporate Planning

(in millions of dollars)

For the fiscal year ended March:	**1982**	1981	1980*	1979
Revenue				
Retail Sales	**$2,560.6**	$2,771.7	$2,663.9	$2,405.4
Royalties on iron ore	**13.8**	–	–	–
Investment Income	**19.9**	2.3	1.8	2.6
	$2,594.3	$2,774.0	$2,665.7	$2,408.0
Cost of Goods Sold and Expenses				
Cost of goods sold and expenses except those shown below	**$2,494.7**	$2,686.4	$2,579.3	$2,335.5
Depreciation and amortization	**28.8**	27.3	23.9	19.4
Interest on long-term debt	**24.1**	7.2	9.0	9.1
Interest on obligations under capital leases	**7.6**	2.8	1.1	–
Other Interest	**5.8**	1.8	1.0	.3
	$2,561.0	$2,725.5	$2,614.3	$2,364.3
Earnings Before Taxes on Income	**$ 33.3**	$ 48.5	$ 51.4	$ 43.7
Per dollar of revenue	**1.28¢**	1.75¢	1.93¢	1.81¢
Taxes on Income	**$ 9.0**	$ 19.7	$ 22.8	$ 19.1
Per dollar of revenue	**.35¢**	.71¢	.86¢	.79¢
Minority Interests	**$ 1.8**	$ .8	$ 1.3	$ .5
Per dollar of revenue	**.07¢**	.03¢	.05¢	.02¢
Equity in Net Earnings of Norcen Energy Resources Limited	**$ 1.3**	$ –	$ –	$ –
Earnings Before Extraordinary Item	**$ 23.8**	$ 28.0	$ 27.3	$ 24.1
Per dollar of revenue	**.92¢**	1.01¢	1.02¢	1.00¢
Per share	**$ 2.47**	$ 3.26	$ 3.18	$ 2.81
Extraordinary Item	**$ 21.8**	$ –	$ –	$ –
Net Earnings	**$ 45.6**	$ 28.0	$ 27.3	$ 24.1
Per dollar of revenue	**1.76¢**	1.01¢	1.02¢	1.00¢
Per share	**$ 4.74**	$ 3.26	$ 3.18	$ 2.81
Dividends	**$ 13.1**	$ 9.5	$ 9.4	$ 7.9
Per share	**$ 1.10**	$ 1.10	$ 1.10	$ .92

*53 Weeks

1978	1977	1976	1975	1974*	1973
$2,215.8	$2,026.5	$1,914.0	$1,649.5	$1,320.7	$1,112.2
–	–	–	–	–	–
2.4	.9	2.4	.6	.4	.3
$2,218.2	$2,027.4	$1,916.4	$1,650.1	$1,321.1	$1,112.5
$2,155.4	$1,976.4	$1,856.5	$1,597.1	$1,280.6	$1,082.1
17.5	15.6	14.7	12.3	10.8	10.1
7.6	4.5	4.6	2.4	2.3	2.3
–	–	–	–	–	–
.3	.5	.2	2.0	.6	.2
$2,180.8	$1,997.0	$1,876.0	$1,613.8	$1,294.3	$1,094.7
$ 37.4	$ 30.4	$ 40.4	$ 36.3	$ 26.8	$ 17.8
1.69¢	1.50¢	2.11¢	2.20¢	2.03¢	1.60¢
$ 16.3	$ 14.1	$ 19.7	$ 19.2	$ 13.5	$ 8.5
.73¢	.70¢	1.03¢	1.16¢	1.02¢	.76¢
$ .3	$ .1	$ .3	$ .1	$ –	$ –
.01¢	–	.02¢	.01¢	–	–
$ –	$ –	$ –	$ –	$ –	$ –
$ 20.8	$ 16.2	$ 20.4	$ 17.0	$ 13.3	$ 9.3
.94¢	.80¢	1.06¢	1.03¢	1.01¢	.84¢
$ 2.44	$ 1.90	$ 2.40	$ 2.02	$ 1.60	$ 1.12
$ –	$ –	$ –	$ –	$ –	$ –
$ 20.8	$ 16.2	$ 20.4	$ 17.0	$ 13.3	$ 9.3
.94¢	.80¢	1.06¢	1.03¢	1.01¢	.84¢
$ 2.44	$ 1.90	$ 2.40	$ 2.02	$ 1.60	$ 1.12
$ 8.2	$ 7.8	$ 8.6	$ 6.9	$ 5.9	$ 5.9
$ .96	$ .91	$ 1.01	$ .82	$ .72	$ .72

(in millions of dollars)

As at fiscal year ended March:	1982	1981	1980	1979
Total Assets	**$1,269.5**	$512.5	$454.1	$392.1
Current Assets	**$ 269.9**	$253.7	$227.7	$214.4
Current Liabilities	**222.0**	191.7	160.8	146.8
Working Capital	**$ 47.9**	$ 62.0	$ 66.9	$ 67.6
Working Capital Ratio	**1.2**	1.3	1.4	1.5
Other Assets	**$ 710.7**	$ 3.0	$ 2.2	$ 5.2
Net Fixed Assets	**288.9**	255.8	224.2	172.5
Deferred Income Taxes	**61.5**	25.5	22.3	15.8
Minority Interests	**79.4**	1.2	6.6	1.9
Long-Term Debt (excludes current portion)	**481.9**	93.3	86.1	67.3
Shareholders' Equity	**$ 424.7**	$200.8	$178.3	$160.3
Accounted for as follows –				
Capital Stock	**$ 217.4**	$ 26.1	$ 22.1	$ 22.0
Reinvested Earnings	**$ 207.3**	$174.7	$156.2	$138.3
Number of Shares Outstanding (000 Omitted)	**15,629**	8,795	8,565	8,558
Number of Shareholders	**6,374**	5,792	5,884	6,561
Capital Expenditures	**$ 67.8**	$ 51.8	$ 49.6	$ 41.1

1978	1977	1976	1975	1974	1973
$349.4	$282.4	$262.9	$240.8	$197.5	$168.9
$192.5	$142.3	$136.7	$126.6	$ 94.5	$ 76.7
98.0	94.2	84.4	73.1	66.6	44.7
$ 94.5	$ 48.1	$ 52.3	$ 53.5	$ 27.9	$ 32.0
2.0	1.5	1.6	1.7	1.4	1.7
$ 5.1	$ 3.8	$ 4.3	$ 3.7	$ 3.4	$ 3.8
151.8	136.3	121.9	110.5	99.6	88.4
12.7	11.4	9.5	8.5	7.6	7.4
1.4	1.2	1.0	.8	–	–
93.6	44.7	45.6	47.9	25.3	26.3
$143.7	$130.9	$122.4	$110.5	$ 98.0	$ 90.5
$ 21.5	$ 21.4	$ 21.4	$ 21.3	$ 18.9	$ 18.7
$122.2	$109.5	$101.0	$ 89.2	$ 79.1	$ 71.8
8,526	8,517	8,514	8,510	8,319	8,308
7,037	7,315	7,495	7,797	8,474	9,191
$ 36.3	$ 30.9	$ 26.8	$ 25.8	$ 24.4	$ 13.8

*G. Montegu Black
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President and Chief Executive Officer
Argus Corporation Limited
Chairman of the Board
Standard Broadcasting Corporation Ltd.

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Director
Argus Corporation Limited
Hollinger Argus Limited

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Chairman of the Board and Chairman of the Executive Committee
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Vice-Chairman and Chairman of the Executive Committee and Chief Executive Officer
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Member of the Executive Committee and Director
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Acadia Life Assurance Company

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Hollinger Argus Limited
Hendrie & Co. Limited

Hamilton Advisory Board
Royal Trust Company

*Executive Committee
**Audit Committee

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Conrad M. Black
Ronald T. Riley
Thomas G. Bolton, Deputy Chairman
Pierre P. Daigle
Trumbull Warren
G. Montegu Black, Chairman of the Board
The Honourable W. John McKeag
Glen W. Davis
Allen C. Jackson, President
Dixon S. Chant
Beryl Plumptre
The Honourable Clarence L. Gosse

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Marketing

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Vice-President
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Ontario

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Canada Permanent Trust Company
Halifax and Saint John

The Canadian Bank of Commerce
Trust Company, New York

Registrars
Crown Trust Company
Toronto, Montreal and Vancouver

Canada Permanent Trust Company
Halifax and Saint John

The Canadian Bank of Commerce
Trust Company, New York

The Annual Meeting of Shareholders will be held in the Canadian Room of the Royal York Hotel, 100 Front Street West, Toronto on Thursday the 8th day of July, 1982 at the hour of 11:00 a.m. (Toronto time).

Shareholders wishing to receive copies of the Annual Reports of Hollinger Argus, Labrador Mining or Norcen may request them through the Company Secretary of Dominion Stores Limited,
605 Rogers Rd.,
Toronto, Ontario M6M 1B9

Version française – On peut obtenir un exemplaire français du présent rapport annuel en s'adressant au secrétaire de la Compagnie,
605, Rogers Road,
Toronto (Ontario) M6M 1B9

DOMINION STORES LIMITED
605 Rogers Road
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