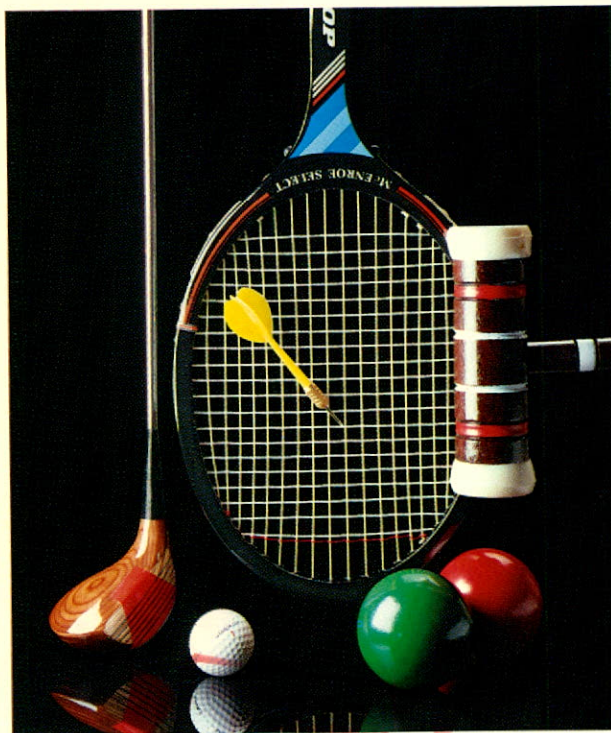


# Consumers Distributing®



JUL 3 1984  
MCGILL UNIVERSITY

## Annual Report 1983



## Five Year Comparative Summary (\$000's)

	52 Weeks Ended Jan. 28/84	52 Weeks Ended Jan. 29/83	52 Weeks Ended Jan. 30/82	52 Weeks Ended Jan. 31/81	52 Weeks Ended Feb. 2/80
<b>Sales</b>					
Canada .....	\$ 529,255	478,750	408,278	377,919	344,112
United States .....	369,661	309,013	252,051	253,013	209,745
<b>Total .....</b>	<b>\$ 898,916</b>	<b>787,763</b>	<b>660,329</b>	<b>630,932</b>	<b>553,857</b>
Earnings before taxes .....	\$ 25,580	22,529	6,034	11,177	13,161
Income taxes .....	9,451	9,336	1,163	2,747	4,734
<b>Net income .....</b>	<b>\$ 16,129</b>	<b>13,193</b>	<b>4,871</b>	<b>8,430</b>	<b>8,427</b>
Taxable dividends .....	\$ 2,359	1,613	1,456	1,451	1,160
Working capital .....	\$ 98,202	100,350	66,364	62,409	55,989
Total assets .....	\$ 369,367	286,095	244,084	213,817	241,540
Shareholders' equity .....	\$ 114,774	99,692	86,692	83,124	75,018
<b>Shares outstanding</b>					
actual .....	22,367,974	22,118,514	21,889,764	21,831,864	21,712,314
average .....	22,245,686	21,943,356	21,873,957	21,763,704	21,678,747
Earnings per share* .....	73¢	60¢	22¢	39¢	39¢
<b>Taxable dividends per share* —</b>					
Class A .....	9¢	6¢	5¢	5¢	4¢
Class B .....	12¢	8¢	7¢	7¢	6¢
<b>Stores</b>					
Canada .....	205	198	200	197	200
United States .....	134	110	100	99	86
<b>Total .....</b>	<b>339</b>	<b>308</b>	<b>300</b>	<b>296</b>	<b>286</b>

\* Earnings per share and taxable dividends per share have been calculated giving retroactive effect to the share reorganization on June 23, 1983, details of which are disclosed in Note 7 to the financial statements.

### Cover

Our cover, from the Spring and Summer 1984 Canadian catalogue, shows some of the wide selection of quality merchandise available at Consumers Distributing.

The Annual Meeting of Shareholders will be held July 16, 1984, at 2:30 p.m. in the Ridout Room, The Board of Trade of Metropolitan Toronto, First Canadian Place, Adelaide Street West, Toronto, Ontario

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## To our Shareholders

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In 1983 Consumers Distributing established new records in sales and profit performance. For the fifth consecutive year there was a highly satisfactory increase in profits and, once again, the company achieved double digit sales increases. Combined sales were \$899 million compared with \$788 million in the previous year. Profits were \$16.1 million or 73 cents per share compared with \$13.2 million or 60 cents per share. The comparative earnings per share reflect the 3-for-1 stock split and reclassification of the company's share capital which occurred in June 1983.

Credit for the company's excellent results is due to the outstanding performance of the Canadian division which is operating at a very high level of efficiency and is meeting, and indeed exceeding, its goals in terms of productivity and profits. Our operations were successful right across Canada with the one weak area being Alberta. In 1983 the country finally emerged from a harsh and prolonged recession which left a legacy of high unemployment and, for many retailers, an erosion of consumer confidence.

The company is fortunate that we did not see evidence of a lack of consumer confidence in our stores either in Canada or the United States. The Canadian division's success can be attributed to a number of factors the most important of which were:

- a strong marketing program which to a great extent was formulated on extensive and sophisticated research studies.
- our stores attract the patronage of an above-average income group which insulates the company against the effects of high unemployment.
- customer perception of Consumers Distributing is outstanding and studies show that the company is regarded as highly as the nation's other top retailers in terms of quality of product.



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- we are now a leading retailer in Canada with a major market share in household appliances, jewellery, toys, photography, home entertainment and juvenile and baby products.
  - a number of exciting and productive promotional programs have complemented the company's aggressive media advertising and have increased sales volumes in our stores.
  - the introduction of other innovative merchandising approaches such as the establishment of kiosks in 46 of our stores which rent video movies and rent or sell the hardware for showing the discs and cassettes.

The Canadian division has continued to modernize its stores and to-date close to 140 of the 195 catalogue showrooms in Canada have been renovated and are now projecting a very different type of image in keeping with our changed customer profile.

The profits of the Canadian operations were impacted by a \$814,000 after-tax loss from our United States division. The U.S. division was unable to repeat its performance of 1982 when it came through with a modest profit.

There are several reasons for the lacklustre performance in the U.S. First I should point out that sales volume in 1983 increased substantially with much of the increase coming from new stores. However expenses were not sufficiently controlled. Another factor was the cost of moving our west coast distribution centre from San Francisco to Reno, Nevada.

We have thoroughly studied the United States operations and believe we have identified a number of areas which can be improved. For example,

sales per store in the United States are only 10 percent less than the Canadian division and there is potential for improving these sales reasonably quickly. In looking at the total picture it is evident that a one point swing — either in additional margins or in expense cuts — would put the U.S. division into a profit position.

It should be made clear that while the division can become profitable we are a long way from the point at which the U.S. division will earn the kind of profits which are produced in Canada. We are confident that the United States operations can be turned around and over the next several years should steadily move to the point where they make a substantial contribution to total company profits. Our U.S. east coast operations have been profitable in the past and have good performance in terms of sales and store operations but there is need for improvement in cost controls. The west coast stores have been controlling expenses very well but need to improve margins and sales.

### **Management Changes**

Since the end of the fiscal year Bernard Cohen resigned as President of the U.S. division to take over the leadership of the catalogue operations of a large United States company. We had been planning changes in both countries, in order to better integrate the U.S. division with the Canadian division which has been consistently successful. Under a new management structure I will continue as Chairman and Chief Executive Officer and Michael Haberman, Executive Vice-President, has been appointed Chief Operating Officer for the total company. He was previously Chief Operating Officer for the Canadian division. We will be appointing a new head of the U.S. division but Mr. Haberman will have the opportunity to implement many of the management and marketing techniques which have proven over the years to be so successful in our Canadian operations.



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## Human Resources

Our emphasis on human resource planning and improved staff training programs has continued to be reflected in high productivity at the store level and in strengthening the performance of our middle management people. The company has built up a strong management group at the upper and middle levels and has upgraded the calibre of people throughout the organization. This has increased the operational capability and productivity of the company and led to development of new business opportunities.

## Toy Stores

Our Toy City chain has flourished from the day it was formed. We doubled its size in 1983 and met all our objectives in terms of number of store openings, sales performance and profits. Indeed Toy City has made money from the day the first store was opened. There are currently 11 stores and we expect to have 16 opened by the fall of this year. Toy City has enabled us to penetrate the huge toy/juvenile market without affecting our market share in our regular catalogue showrooms.

Consumers Distributing is no longer regarded just as a catalogue showroom retailer. We are now well established, certainly in Canada, as an important force in the retailing field. We are the largest vendor of watches and the third largest of jewellery in Canada and expect to improve that position over the next several years. Between our regular stores and the Toy City chain we are the leading retailer in toys. In a number of other product lines we sell more merchandise than most Canadian retailers.

## Outlook

Senior management is confident that the company will continue to enjoy increasing success in both sales and profits. During the current year we will pass the billion dollar sales mark and our profits will undoubtedly be higher than the previous year. There are a number of factors which afford us this confidence. Our Canadian operations have been fine-tuned to the point where they will continue to be profitable. While there is little room for expansion by way of new showrooms in Canada, there are many ways to maximize the productivity of our existing locations and the Toy City chain has great potential for expansion. We are optimistic that the United States division will become profitable and, with increasing contributions to profit from U.S. operations, the company will make even greater strides in coming years.

We can assure our shareholders that they have a company of which they can truly be proud and we compliment our staff at all levels for their continuing dedication and energy. We also thank our suppliers without whose strong support we would not have achieved these levels of success. Finally, we express our appreciation to our customers whose growing loyalty is, in large measure, responsible for the success that we have enjoyed.



Jack Stupp  
Chairman of the Board and  
Chief Executive Officer

Toronto,  
June 6, 1984

**Statement of Income and Retained Earnings**  
**Year Ended January 28, 1984**

	<b>Fifty-two weeks ended January 28, 1984</b>	Fifty-two weeks ended January 29, 1983
	(In Thousands of Dollars)	
Sales .....	<b>\$898,916</b>	<b>\$787,763</b>
Costs and expenses:		
Cost of sales and operating expenses .....	<b>851,000</b>	745,811
Interest expense, including interest on long-term debt and obligations under capital leases of \$6,943,000 (1983 — \$4,198,000) .....	<b>12,844</b>	12,093
Depreciation and amortization (Note 9) .....	<b>9,492</b>	7,330
	<b>873,336</b>	765,234
Income before income taxes .....	<b>25,580</b>	22,529
Income taxes (Note 10) .....	<b>9,451</b>	9,336
Net income .....	<b>16,129</b>	13,193
Retained earnings, beginning of year .....	<b>54,382</b>	42,802
	<b>70,511</b>	55,995
Dividends .....	<b>2,359</b>	1,613
Retained earnings, end of year .....	<b>\$ 68,152</b>	<b>\$ 54,382</b>
Earnings per share (Note 11) .....	<b>73¢</b>	<b>60¢</b>

See accompanying notes.



**Balance Sheet — January 28, 1984**

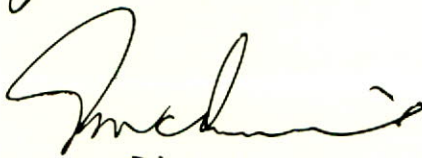
	<u>January 28, 1984</u>	<u>January 29, 1983</u>
	(In Thousands of Dollars)	
<b>Assets</b>		
Current:		
Cash .....	\$ 356	\$ 5,014
Marketable securities .....	—	2,132
Amounts receivable .....	13,119	9,012
Inventory .....	261,990	202,392
Prepaid expenses, including catalogue costs .....	<u>18,561</u>	<u>16,119</u>
	294,026	234,669
Fixed assets (Note 2) .....	64,815	44,869
Other assets (Note 3) .....	<u>10,526</u>	<u>6,557</u>
	<u>\$369,367</u>	<u>\$286,095</u>
<b>Liabilities</b>		
Current:		
Bank indebtedness (Note 4) .....	\$ 32,287	\$ —
Accounts payable and accrued liabilities .....	151,098	119,950
Dividends payable .....	616	516
Income taxes payable .....	1,893	5,979
Current portion of obligations under capital leases .....	3,717	2,686
Current portion of long-term debt .....	1,132	695
Deferred income taxes .....	<u>5,081</u>	<u>4,493</u>
	195,824	134,319
Obligations under capital leases (Note 5) .....	<u>25,246</u>	<u>19,213</u>
Long-term debt (Note 6) .....	<u>31,037</u>	<u>32,794</u>
Deferred income taxes .....	<u>2,486</u>	<u>77</u>
Contingent liability (Note 16) .....		
<b>Shareholders' Equity</b>		
Capital stock (Note 7) .....	44,161	43,129
Retained earnings .....	<u>68,152</u>	<u>54,382</u>
	112,313	97,511
Equity adjustment from foreign currency translation .....	<u>2,461</u>	<u>2,181</u>
	<u>114,774</u>	<u>99,692</u>
	<u>\$369,367</u>	<u>\$286,095</u>
See accompanying notes.		

On behalf of the Board:

JACK STUPP (Director)



PETER M. C. ONIONS (Director)



**Statement of Changes in Financial Position**  
Year Ended January 28, 1984

	<b>Fifty-two weeks ended January 28, 1984</b>	Fifty-two weeks ended January 29, 1983
	(In Thousands of Dollars)	
Financial resources were provided by:		
Net income .....	<b>\$ 16,129</b>	\$ 13,193
Items not affecting working capital:		
Depreciation and amortization .....	<b>9,492</b>	7,330
Deferred income taxes .....	<b>2,409</b>	(96)
Loss on disposal of fixed assets .....	<b>248</b>	179
Share of loss of related company (Note 15) .....	<b>72</b>	—
Working capital provided from operations .....	<b>28,350</b>	20,606
Proceeds on disposal of fixed assets .....	<b>90</b>	—
Issue of shares under Employees Stock Option Plan .....	<b>334</b>	469
Issue of subordinated debentures .....	<b>—</b>	27,500
Increase in equity due to conversion of debentures .....	<b>625</b>	—
Obligations under capital leases .....	<b>9,691</b>	1,418
	<b>39,090</b>	49,993
Financial resources were used for:		
Payment of dividends .....	<b>2,359</b>	1,613
Reduction in obligations under capital leases .....	<b>3,717</b>	2,686
Reduction in long-term debt .....	<b>1,757</b>	695
Increase in fixed assets .....	<b>27,520</b>	9,209
Increase in other assets .....	<b>5,860</b>	2,292
Effect of foreign exchange rate changes on working capital .....	<b>25</b>	(488)
	<b>41,238</b>	16,007
Increase (decrease) in working capital .....	<b>(2,148)</b>	33,986
Working capital, beginning of year .....	<b>100,350</b>	66,364
Working capital, end of year .....	<b>\$ 98,202</b>	<b>\$100,350</b>
See accompanying notes.		

**Auditors' Report**

**To the Shareholders of  
Consumers Distributing Company Limited**

We have examined the balance sheet of Consumers Distributing Company Limited as at January 28, 1984 and the statements of income and 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 financial statements present fairly the financial position of the company as at January 28, 1984 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.

Toronto, Ontario,  
March 30, 1984.

Laventhol & Horwath  
Chartered Accountants.



## Notes to Financial Statements January 28, 1984

### 1. Summary of significant accounting policies:

#### Basis of accounting:

The financial statements have been prepared on the historical cost basis in accordance with generally accepted accounting principles in Canada, and also conform in all material respects with International Accounting Standards.

#### Inventory:

Inventory is valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

#### Catalogue costs:

The cost of the company's annual catalogue is charged to earnings over its one year life based upon seasonal sales patterns. Similarly, the costs of supplementary catalogues and promotional material are charged to earnings over the period during which they are in effect.

#### Fixed assets:

Equipment and leasehold improvements are recorded at cost. The company capitalizes financing leases. Depreciation and amortization are provided on a straight-line basis at rates which are designed to write off the assets over their estimated useful lives as follows:

Office, warehouse and showroom equipment	5% and 10%
Leasehold improvements	Term of lease
Automotive equipment	10% and 20%
Assets under capital leases:	
Buildings	2.5% or term of lease
Equipment	5%, 10% and 20%

#### Favourable leases:

The cost of favourable leases is amortized over the average remaining term of those leases.

#### Goodwill:

Goodwill, representing the excess of cost over assigned values of net assets acquired, is being amortized over 40 years.

#### Pre-opening costs:

Certain costs related to the start-up of new showrooms and major sales-support facilities are deferred and amortized over periods of up to three years, commencing with the month after the date of opening.

#### Deferred financing costs:

Deferred financing costs are amortized over the terms of the related financing agreement.

#### Income taxes:

The company follows the deferral method of income tax allocation. Deferred income taxes result from the recognition of revenue and expense in different periods for tax and financial statement purposes.

#### Foreign currency translation:

The financial statements of the U.S. Division (which represent self-sustaining foreign operations) are translated using the "current rate method". Under this method assets and liabilities are translated into Canadian dollars at the rate of exchange at the fiscal year end. Revenues and expenses are translated at the weighted average exchange rates prevailing during the year.

Transactions of the Canadian Division whose terms are denominated in foreign currency are recorded in Canadian dollars at the exchange rates in effect at the date of the transactions. Monetary assets and liabilities arising from those transactions which are outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at the balance sheet date. Exchange gains or losses arising from the translation of the financial statements of the U.S. Division are deferred and included as a separate component of shareholders' equity. Exchange gains or losses arising from the translation of current monetary assets and liabilities resulting from transactions of the Canadian Division are included in operations when applicable to current monetary items, and are deferred and amortized on a straight-line basis over the remaining life of the related monetary items when applicable to long-term items.

### 2. Fixed assets:

	Cost	Accumulated depreciation and amortization	Net	
			1984	1983
(In Thousands of Dollars)				
Office, warehouse and showroom equipment	\$ 32,858	\$14,607	\$18,251	\$14,792
Leasehold improvements	29,332	9,274	20,058	10,830
Automotive equipment	2,983	2,377	606	642
Assets under capital leases	38,398	12,498	25,900	18,605
	<u>\$103,571</u>	<u>\$38,756</u>	<u>\$64,815</u>	<u>\$44,869</u>



### 3. Other assets:

	Cost	Accumulated amortization	Net	
			1984	1983
	(In Thousands of Dollars)			
Goodwill	\$ 2,971	\$ 445	\$ 2,526	\$2,600
Favourable leases	1,840	746	1,094	1,234
Deferred pre-opening costs	6,880	1,723	5,157	1,147
Deferred financing costs	1,125	85	1,040	1,106
Sundry	709	—	709	470
	<u>\$13,525</u>	<u>\$2,999</u>	<u>\$10,526</u>	<u>\$6,557</u>

### 4. Collateral assigned to bank:

As security for the bank indebtedness, a collateral floating charge on all the assets of the company and an assignment of a life insurance policy in the amount of \$6,000,000 have been given to the bankers.

### 5. Leases:

Future minimum payments under capital leases due from 1985 to 2004 and the present value of the net minimum lease payments as at January 28, 1984 are as follows:

	(In Thousands of Dollars)
1985	\$ 7,195
1986	6,801
1987	6,380
1988	5,705
1989	4,208
Thereafter	15,427
	45,716
Amount representing interest at an average of approximately 12.33%	16,753
Present value of net minimum lease payments	28,963
Less current portion	3,717
	<u>\$25,246</u>

#### Operating leases:

Premises and equipment rental for the fifty-two weeks ended January 28, 1984 amounted to \$21,745,815.

Minimum rentals payable under long-term operating leases for premises and equipment in effect as at January 28, 1984 (excluding insurance, property taxes and certain other occupancy charges) are as follows:

	(In Thousands of Dollars)
1985	\$ 21,869
1986	21,859
1987	21,091
1988	20,789
1989	19,191
Thereafter	97,936
	<u>\$202,735</u>

The company has issued a Series B bond to indemnify the Oshawa Group Limited, an original guarantor under certain of its leases. The maximum amount which the company could be held liable for under this indemnification amounts to \$7,500,000.

### 6. Long-term debt:

	January 28, 1984	January 29, 1983
	(In Thousands of Dollars)	
Subordinated debentures (a)	\$26,875	\$27,500
First promissory note repayable in equal monthly payments without interest to February 1, 1989. This note has been recorded at a discounted value based on an imputed interest rate of 13%	614	696
Second promissory note bearing interest at 1% over the bank prime lending rate, repayable over 7 years based upon a 10-year amortization schedule	4,680	5,293
	32,169	33,489
Less current portion (b)	1,132	695
	<u>\$31,037</u>	<u>\$32,794</u>

(a) Pursuant to a Trust Indenture dated December 10, 1982, the company issued \$27.5 million 11% subordinated debentures with a maturity date of December 14, 1997. The debentures are redeemable at the company's option for a premium of 11%, commencing December 15, 1985. The premium declines by 1% per year until par value is reached.

The debentures are convertible at any time up to the close of business on December 14, 1997 into one Class A share and two Class B shares at a combined rate of \$15. The Trust Indenture contains anti-dilution provisions whereby the conversion price could be changed. The Trust Indenture further provides for mandatory sinking fund requirements commencing December 15, 1992 and contains restrictions against payment of dividends if interest payments on the debentures are in default.

(b) The aggregate amounts of principal repayment of long-term debt are as follows:

	(In Thousands of Dollars)
1985	\$ 1,132
1986	3,748
1987	121
1988	137
1989	156
Thereafter	26,875
	<u>\$32,169</u>



## 7. Capital stock:

### Authorized:

On June 23, 1983, the shareholders approved the following:

- (i) Each of the existing 12,000,000 authorized common shares was subdivided and reclassified into one Class A share without par value, and two subordinate, voting, Class B shares, without par value.
- (ii) The authorized capital of the company was increased by an additional 26,000,000 sub-

ordinate, voting, Class B shares, without par value and 10 common shares, without par value.

After the reorganization, the authorized share capital (all without par value) of the corporation is:

10 Common shares  
12,000,000 Class A shares  
50,000,000 Class B subordinate voting shares

### Stated capital:

	Class A shares	\$000's	Class B shares	\$000's	Total (000's)
Balance, beginning of year (as restated)*	7,372,838	\$15,179	14,745,676	\$27,950	\$43,129
Issued during the year:					
For cash — Employees Stock Option Plan	38,150	117	76,300	217	334
For shares in another company (Note 15)	—	—	10,000	72	72
Debt conversion	41,662	213	83,338	412	625
	<u>7,452,650</u>	<u>\$15,509</u>	<u>14,915,314</u>	<u>\$28,651</u>	<u>44,160</u>
For cash — 10 common shares					<u>1</u>
					<u>\$44,161</u>

\*The stated capital as at January 29, 1983, of \$43,129,000 has been prorated to the Class A and Class B shares based upon the quoted market values immediately following the reclassification.

### (a) Voting rights:

Class A shares: 20 votes for each share held.  
Class B shares: 1 vote for each share held (same as common shares).

Class B shares: convertible into Class A shares on a share-for-share basis solely for the purpose of accepting any tender offer or Stock Exchange Take-Over Bid for the Class A shares, under specified circumstances.

### (b) Preferences:

Class A shares: the first five cents on liquidation, dissolution, or winding up of the corporation.  
Class B shares: a non-cumulative dividend of one-quarter of one cent in each fiscal quarter year of the corporation.

The Class B shares carry the right to receive not less than 115% of the amount of all cash dividends declared in any fiscal year on the Class A and the common shares, to a limit of twenty cents of dividends on the Class B shares. Dividends on all classes of shares are at the discretion of the directors.

### Stock options:

In connection with the company's Employees Stock Option Plan, 91,450 Class A shares and 732,900 Class B shares have been reserved. At January 28, 1984, there were options outstanding to purchase 91,450 Class A shares and 621,400 Class B shares over the next eight years, exercisable at prices within the following ranges:

	Class A	Class B
From \$2.08 — \$3.33	91,450	182,900
From \$6.00 — \$6.88	—	438,500
	<u>91,450</u>	<u>621,400</u>

### (c) Convertibility:

Class A shares: convertible at any time, at the option of the holder, into Class B shares on a share-for-share basis.

### Subordinated debentures:

The company has reserved 1,791,671 Class A shares and 3,583,339 Class B shares for issuance upon conversion of the 11 $\frac{7}{8}$ % subordinated debentures.

## 8. Segmented information:

The company operates in what is considered to be a single business, namely the sale of general merchandise through retail stores supported by the distribution of catalogues featuring such merchandise. The company operates in two distinct geographic regions:

- (1) Canadian segmented information relates to the 205 stores the company operates in Canada from Newfoundland to British Columbia.
- (2) United States segmented information relates to the 134 stores the company operates in the States of California, Connecticut, Massachusetts, Nevada, New Jersey, New York and Pennsylvania.

	Fifty-two weeks ended January 28, 1984		
	(In Thousands of Dollars)		
	Canada	United States	Combined
Sales	\$529,255	\$369,661	\$898,916
Operating profit (loss)	\$ 42,495	\$ (511)	\$ 41,984
Interest expense			12,844
General corporate expense			3,560
			16,404
Income before taxes			25,580
Income taxes			9,451
Net income			\$16,129
Total assets	\$189,005	\$180,362	\$369,367
	Fifty-two weeks ended January 29, 1983		
	(In Thousands of Dollars)		
	Canada	United States	Combined
Sales	\$478,750	\$309,013	\$787,763
Operating profit	\$ 33,534	\$ 3,788	\$ 37,322
Interest expense			12,093
General corporate expense			2,700
			14,793
Income before taxes			22,529
Income taxes			9,336
Net income			\$13,193
Total assets	\$161,027	\$125,068	\$286,095

## 9. Depreciation and amortization:

	Fifty-two weeks ended January 28, 1984	Fifty-two weeks ended January 29, 1983
	(In Thousands of Dollars)	
Depreciation and amortization of fixed assets	\$7,559	\$6,542
Amortization of deferred charges	1,644	563
Amortization of goodwill	74	75
Amortization of favourable leases	140	140
Amortization of deferred financing costs	75	10
	<u>\$9,492</u>	<u>\$7,330</u>

## 10. Income tax expense:

In computing income for tax purposes, the company deducted a 3% inventory allowance which had the effect of reducing the income tax expense and thereby increasing net income by approximately \$2,929,000 (1983 — \$2,660,000).

## 11. Earnings per share:

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years, after giving retroactive effect to the share reorganization on June 23, 1983.

Fully diluted earnings per share, determined on the assumption that all outstanding subordinated debentures and stock options had been converted or exercised, would be 63 cents in the current year (1983 — 58 cents).



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## **12. Trust deed:**

The Series B bond, referred to in Note 5, has been issued under a trust deed which includes a floating charge over all the assets of the company ranking second only to the security provided to the bankers.

## **13. Dividend restrictions:**

The company is restricted from declaring or paying dividends under the terms of the trust deed securing the Series B bond, if after deduction of the dividend the working capital is less than \$10 million or the shareholders' equity is less than \$20 million. See also Note 6(a).

## **14. Related party transactions:**

The company obtains legal services from the firm in which two directors of the company are partners. Payment for such services in the fifty-two weeks ended January 28, 1984 amounted to \$361,000 (fifty-two weeks ended January 29, 1983 — \$218,000).

Current assets include loans due from senior officers of \$397,000 (January 29, 1983 — \$350,000). These amounts are secured by mortgages and shares of the company.

## **15. Related company:**

During the 1984 fiscal year the company purchased for 10,000 Class B shares a 50% interest in another company which carries on a retail jewellery business. The company's share of the loss from operations of the related company was approximately \$72,000 which has been reflected as a charge to the earnings of the company.

The company has guaranteed fixed asset lease commitments and bank loans of the related company aggregating approximately \$1,157,000 at January 28, 1984.

## **16. Contingent liability:**

On January 10, 1979, the Chairman, who also acts as President and Chief Executive Officer of the company, and two other persons not employed by the company were charged with conspiring to affect the public market price of the shares of the company during the years 1977, 1978 and 1979, contrary to the Criminal Code of Canada. The company has not been charged or named as a co-conspirator nor have any claims arising from the alleged conspiracy been made against the company. The possible adverse financial effects upon the company, if any, arising from the charge described above and the evidence relating thereto, whether because of claims against the company or otherwise, cannot be determined.

## **17. Comparative figures:**

Certain of the 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1984.

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**351 Stores in North America (May 26, 1984)**

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**CATALOGUE SHOWROOMS (340)****Canada (195)****Alberta (19)**

Calgary (7)  
Edmonton (9)  
Lethbridge  
Medicine Hat  
Red Deer

**British Columbia (3)**

North Vancouver  
Richmond  
Surrey

**Manitoba (10)**

Brandon (1)  
Winnipeg (9)

**New Brunswick (5)**

Bathurst  
Fredericton  
Moncton (2)  
Saint John

**Newfoundland (2)**

St. John's (2)

**Nova Scotia (5)**

Bedford  
Dartmouth  
Halifax  
New Glasgow  
Sydney

**Prince Edward Island (1)**

Charlottetown

**Quebec (60)**

Montreal (33)  
Charlesbourg (2)  
Chateauguay  
Chicoutimi  
Drummondville  
Gatineau  
Granby  
Hull  
Jonquiere  
Levis  
Quebec City (5)  
Rosemere  
St-Bruno  
St. Eustache  
St. Hyacinthe  
St. Jean  
St. Jerome  
St. Therese  
Sept Iles  
Shawinigan  
Sherbrooke  
Trois Rivieres  
Valleyfield

**Saskatchewan (6)**

Regina (2)  
Moose Jaw  
Prince Albert  
Saskatoon (2)

**Ontario (84)**

Toronto (19)  
Barrie  
Belleville  
Bramalea  
Brampton  
Brantford  
Brockville  
Burlington (2)  
Cambridge  
Chatham  
Cornwall  
Georgetown  
Guelph (2)  
Hamilton (6)  
Kingston  
Kitchener  
London (5)  
Mississauga (3)  
Newmarket  
Niagara Falls  
North Bay  
Oakville  
Orangeville  
Orillia  
Oshawa (2)  
Ottawa (6)  
Owen Sound  
Peterborough  
Pickering  
Richmond Hill  
St. Catharines (2)  
St. Thomas  
Sarnia  
Sault Ste. Marie  
Stratford  
Sudbury (2)  
Thunder Bay  
Timmins  
Waterloo  
Welland  
Whitby  
Windsor (3)  
Woodstock

**United States (145)****Connecticut (5)**

Hamden  
Norwalk  
Stamford  
Torrington  
Waterbury

**Massachusetts (4)**

Boston  
Dedham  
Medford  
Natick

**New Hampshire (1)**

Portsmouth

**New Jersey (22)**

Bricktown  
Florham Park  
Hazlet  
Jersey City  
Kearny  
Kinneton  
Montclair  
North Plainfield  
Paramus  
Ramsey  
Roselle  
South Orange  
South Plainfield  
Tenafly  
Toms River  
Totawa  
Union  
Wayne  
W. Long Branch  
(Eatontown)  
West New York  
Westwood  
Woodbridge

**New York (37)**

Bronx  
Brooklyn (4)  
Cortlandt (Peekskill)  
Carle Place  
Centereach  
Central Islip  
Clifton Park  
Commack  
Coram  
East Meadow  
Eastchester  
Flushing  
Great Neck  
Hicksville  
Kingston  
Long Island City  
Massapequa  
Melville  
Merrick  
Middletown  
Oceanside  
Pearl River  
Pelham  
Port Chester  
Poughkeepsie  
Queens (3)  
Shirley  
Staten Island  
West Babylon  
West Islip  
White Plains  
Yonkers

**Pennsylvania (4)**

Philadelphia (4)

**California (70)**

Alameda  
Alhambra  
Antioch  
Bakersfield  
Campbell  
Capitola  
Chico  
Clovis  
Colma  
Concord  
Dublin  
Escondido  
Fairfield  
Fremont  
Fresno (2)  
Gilroy  
Hayward  
Lakewood  
Lancaster  
Larkspur  
Los Angeles (3)  
Los Gatos  
Merced  
Millbrae  
Modesto  
Monrovia  
Oakland (2)  
Orange County (3)  
Pleasant Hill  
Rancho Cordova  
Redding  
Redwood City  
Roseville  
Sacramento (4)  
Salinas  
San Bruno  
San Diego (3)  
San Francisco (6)  
San Jose (3)  
San Leandro  
San Mateo (2)  
San Pablo  
Santa Clara  
Santa Maria  
Santa Rosa  
Sunnyvale  
Terra Linda  
Vallejo  
Visalia  
Walnut Creek  
Woodland

**Nevada (2)**

Reno  
Sparks

**TOY STORES (11)****Canada****Toy City (6)**

Alberta (1)  
Edmonton

British Columbia (1)  
Surrey

**Ontario (4)**

Toronto (2)  
Mississauga  
Ottawa

**Toyville (5)**

Quebec (5)  
Montreal (4)  
Quebec City



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## Corporate Directory (May 26, 1984)

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### Directors:

RICHARD BAIN, Q.C., Barrister and Solicitor,  
Toronto

L. S. D. FOGLER, Q.C., Barrister and Solicitor,  
Toronto

A. J. LATNER, President, Greenwin  
Construction Company, Toronto

BORIS B. LEVITT, Consultant, New York, N.Y.

PETER M. C. ONIONS, Vice-President, Finance,  
Consumers Distributing Company Limited,  
Toronto

R. I. SCOLNICK, Chairman of the Board and  
Chief Executive Officer, United Tire & Rubber  
Company Limited, Toronto

HARRY SOLOMON, Chairman of the Board,  
Ronto Development Corporation, Toronto

JACK STUPP, Chairman of the Board and Chief  
Executive Officer, Consumers Distributing  
Company Limited, Toronto

LILLIAN STUPP, Toronto

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### Corporate Officers:

JACK STUPP, Chairman and Chief Executive  
Officer

MICHAEL HABERMAN, Executive Vice-  
President and Chief Operating Officer

MICHAEL GIETKA, Vice-President,  
Distribution

JOHN GRAY, Vice-President, Store Operations

GARY McCABE, Vice-President, Corporate  
Services

PETER M. C. ONIONS, F.A.I.A., Vice-President,  
Finance

REGINALD J. ROBERTSON, Vice-President,  
Development

CLIFF ST. PIERRE, Vice-President, Human  
Resources

CRAIG L. JUDSON, C.A., Controller

MAXWELL SEYMOUR, C.G.A., Treasurer

L. S. D. FOGLER, Q.C., Secretary

### United States Division Officers:

SANFORD BOROFF, Vice-President, Marketing

PAUL HAINES, Vice-President and Eastern  
Region Manager

GERRY SCOTT, Vice-President and Western  
Region Manager

ROBERT M. SHEA, Vice-President, Distribution

WAYNE UNGER, Vice-President, Management  
Information Systems

JERRY WELKIS, Vice-President, Real Estate  
Development

RICHARD E. ZEMP, Vice-President,  
Administration

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### Head Office

62 Belfield Road, Rexdale (Toronto) Ontario  
M9W 1G2  
(416) 245-4900

### Regional Offices

205 Campus Plaza, Edison, New Jersey 08817  
985 Moraga Avenue, Lafayette,  
California 94549

### Distribution Centres

6700 Northwest Drive, Mississauga, Ontario  
South Service Road, Oakville, Ontario  
120 Northfield Avenue, Edison, New Jersey  
1101 East Glendale Avenue, Sparks, Nevada

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### Transfer Agent and Registrar

Guaranty Trust of Canada  
Central Trust Company

### Auditors

Laventhol & Horwath, Toronto

### Principal Bankers

National Bank of Canada  
Bank of Montreal  
Marine Midland Bank, N.A.  
Bank of America

### Stock Listing

The Toronto Stock Exchange



62 Belfield Road, Rexdale (Toronto) Ontario M9W 1G2