CANADIAN TIRE

annual report 1976

CANADIAN TIRE CORPORATION LIMITED

Canadian Tire Corporation, Limited Home Office: 2180 Yonge Street, Toronto, Ontario M4V 2B9

1976 at a glance

(Dollars in thousands, except per share figures)	1976	1975	Annual Increase
Gross operating revenue	$683,684	$561,032	21.9%
Net income	$ 28,920	$ 25,793	12.1%
*Net income per share	$2.57	$2.32	10.8%
Dividends	$ 5,175	$ 4,217	22.7%
*Dividends per share	46 cents	38 cents	21.1%
Earnings retained and reinvested	$ 23,745	$ 21,576	10.0%
Working capital	$112,088	$109,707	2.2%
Ratio of current assets to current liabilities	1.85	2.10	
Capital expenditures	$ 45,544	$ 32,842	38.7%
Shareholders' equity	$194,813	$163,490	19.2%
*Shareholder's equity per share	$17.32	$14.73	17.6%
Return on shareholders' equity	14.8%	15.8%	

**Combined Class A and common — based on weighted average number of shares outstanding during the year (1976 — 11,250,000 shares, 1975 — 11,101,000 shares).*

Front Cover

The Canadian Tire people portrayed on the front cover (and listed below in order of appearance), and those shown on pages 5 to 9, are representative of the dedicated corporate and associate store employees on whom the Company relies for our current and future growth.

Naheed Tarikh *Home Office payroll office*	**Charlie Larter** *Sheppard Avenue Distribution Centre*	**Marie Duval** *Mississauga Centre office*
Pauline McEwen *Heart Lake adjusting*	**Gus Tsingos** *Petroleum Division*	**John Quinnell** *Home Office display*
Gerald Lamiot *Home Office printing*	**Joan Steffan** *Associate Store (Carrier Drive, Toronto)*	**Luciano Ciniello** *Cantire Products*

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Directors' Report to the Shareholders

Alex E. Barron, Chairman of the Board, and J. D. Muncaster, President.

During 1976, the consolidated gross operating revenue of the Company and its subsidiaries increased by 21.9% to $683,684,000. This new record was achieved despite reduced merchandise shipments to dealers during December, and reflects a substantially lower element of price increases than in the two preceding years.

Net income after taxes was $28,920,000 or $2.57 per share in 1976, compared with $25,793,000 or $2.32 per share in 1975. Included in net income for both years were extraordinary gains on sale of property amounting to $369,000 in 1976 (3 cents per share) and $517,000 in 1975 (4 cents per share).

This improvement in profitability was achieved despite the sharply higher provision for depreciation of $11.0-million (an increase of $3.7-million from the previous year), lower earnings from gasoline marketing activities, and substantial downward pressure on gross margins—essentially the difference between the prices at which merchandise is bought from suppliers and sold to dealers. Offsetting these factors, which restricted profit growth, were reduced operating costs as a percentage of revenue and a lower effective tax rate for 1976 of 47.8%, compared with 49.6% for 1975. Interest expense, net of interest income, increased by $1,451,000 of which all but $68,000 was attributable to Canadian Tire Acceptance Limited, where outstanding receivables increased by 43.6% to $66,161,000.

Inventories increased by $44.8-million during the year, with some $30.0-million of this increase reflecting the return to a practice, which prevailed in 1974 and earlier years, of bringing substantial quantities of Spring seasonal and promotional merchandise into inventory prior to year-end. The availability of this merchandise for shipment early in 1977 has permitted our distribution organization to operate at high levels of utilization throughout the month of January. In contrast, the decision not to accept Spring merchandise into inventory in December of 1975 had resulted in less than optimum utilization of such capacity during January, 1976.

Capital expenditures during 1976 amounted to $45.5-million, an increase from $32.8-million a year earlier. As outlined on page 24, some $32.9-million was invested in land acquisition and construction to provide expanded retail and gasoline marketing capacity. Other major items included the purchase of a 233-acre site for our next major distribution centre; the construction of a 66,500 square foot office building for Canadian Tire Acceptance Limited in Welland, Ontario; construction of a truck maintenance depot, and the purchase of an IBM 370-158 computer utilized in our Home Office operations. The increase in total capital expenditures, from the previously estimated $37.5-million, resulted principally from the acquisition late in 1976 of our new distribution centre site and of a 44-acre parcel in Mississauga which will become the location of a large Canadian Tire retail store. The land which is surplus to our requirements in this latter location will be offered for sale.

The quarterly dividend payable on June 1, 1977 has been declared in the amount of 13 cents per share, an increase from the previous quarterly rate of 12 cents per share. The payment of a similar dividend of 13 cents per share on September 1, 1977 would be within the guidelines specified for the second compliance period under existing anti-inflation legislation.

Profit sharing awards, and the Company's contribution to the employee share purchase plan, amounted to $4,-270,000, an increase of nearly $300,000 from the preceding year. Despite this increase in aggregate awards, an increased number of participating employees resulted in a reduced award for each participant from the prior year's level.

In addition to the profit sharing plans within the Company, because of our strong conviction of the very worthwhile short- and long-term benefits, we have been actively encouraging the concept of profit sharing by our associate dealers with their employees by assisting financially in these programs. More than 5,900 dealer employees are now participating. We view this program as one of the cornerstones of Canadian Tire's future.

For the first time since 1968 when the Company reported sales of $143.9-million, earnings of $6.0-million and total assets of $68.3-million, a restructuring of management responsibilities was undertaken late in the year. While retaining his position as a Vice-President and a Director of the Company, R. J. Hobbs was appointed President, Cantire Realty and Construction. This newly formed division will be responsible for the management of the Company's real-estate holdings, for our retail development and expansion program including site selection and acquisition, zoning and permit approvals, store design and construction management, and for such other real-estate activities as urban redevelopment projects and shopping centre development. Robert Law, Secretary of the Company since 1962, became Secretary and General Counsel.

In addition to W. R. Dawson and J. W. Kron, Vice-Presidents of Marketing and Distribution, respectively, since 1968, F. Y. Sasaki has been appointed Vice-President, Finance and Treasurer; S. J. Bochen, Vice-President; Personnel, and P. B. Edmonson, Vice-President, Dealer Relations. A. B. Malcolm, who has carried the responsibility of the Company's gasoline marketing and Pit Stop* activities, has been appointed Vice-President, Petroleum Marketing.

In looking ahead to the remainder of 1977, the Company's principal challenges are those of improved asset turnover, maintenance or improvement of gross margins and of sustaining a high level of revenue growth in the face of sluggish economic conditions. As in former periods of slow economic growth, we believe that Canadian Tire's product mix—which is concentrated in lower dollar value items and products of a do-it-yourself nature—combined with our reputation for value, will result in the Company outperforming the retail industry as a whole. During the first half of 1977, this performance will be substantially augmented by the opening of six additional stores, relocation of 12 others into new and larger premises and the sizable expansion of seven other retail facilities. The anticipated growth in revenue should result in comparable or improved growth in profitability.

On behalf of the Board,

Dated March 30, 1977.

Chairman of the Board

President and Chief Executive Officer

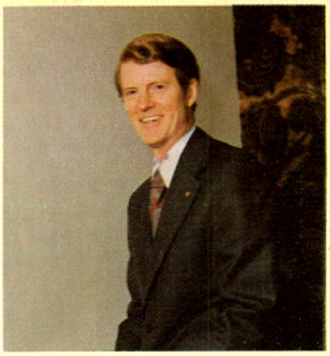
*(*Registered Trade Mark)*

Board of Directors

Missing from photos at right:

D. G. BILLES, Director
President, Performance Engineering,
Thornhill, Canada

A. E. BARRON, Chairman of the Board
President, Canadian General Investments, Limited



A. D. BILLES, President, Bilco Tire Limited, Toronto, Canada
A Canadian Tire Associate Store Owner

A. J. BILLES, Past-President of the Company

A. W. BILLES, President, 839 Yonge Main Store Limited, Toronto, Canada
A Canadian Tire Associate Store Owner

R. J. HOBBS, Vice-President
President, Cantire Realty and Construction

C. R. KNOLL, President, C. R. Knoll, Limited, Downsview, Canada
A Canadian Tire Associate Store Owner

R. LAW, Q.C., Secretary and General Counsel
Partner, Blackwell, Law, Treadgold & Armstrong,
Barristers and Solicitors

J. D. MUNCASTER, President and Chief Executive Officer

A. L. SHERRING, C.A., Executive, National Trust Company, Limited, Toronto, Canada

Officers of the Company

A. E. BARRON, Chairman of the Board
S. J. BOCHEN, Vice-President, Personnel
W. R. DAWSON, Vice-President, Marketing
P. B. EDMONSON, Vice-President, Dealer Relations
R. J. HOBBS, Vice-President and President, Cantire Realty and Construction
J. W. KRON, Vice-President, Distribution
R. LAW, Secretary and General Counsel
A. B. MALCOLM, Vice-President, Petroleum Marketing
J. D. MUNCASTER, President and Chief Executive Officer
F. Y. SASAKI, Vice-President, Finance and Treasurer
C. D. SMITH, Assistant Treasurer

Registrar & Transfer Agent National Trust Company, Limited, Toronto, Montreal & Calgary

Solicitors Blackwell, Law, Treadgold & Armstrong

Bankers Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Chicago City Bank and Trust Company

Auditors Deloitte, Haskins & Sells, Chartered Accountants

Year-end Review of Activities

1976 saw the continuation of aggressive expansion of both our retail store capacity, as reported on page 24, and the corporate facilities and support systems for sustaining our current and projected growth. Planning was initiated for Phase III of the Mississauga Distribution Centre at an estimated construction cost of $23-million. The expansion will double its size – to 62-million cubic feet – and provide hi-rise storage and retrieval facilities to meet requirements into the 1980's. On completion late in 1978, Mississauga will be one of the largest structures of its type and will represent the largest single-site building project Canadian Tire has ever undertaken. Since the Phase III addition will fully utilize the 90-acre Mississauga site, some 300 acres of land were purchased in 1976 in nearby Brampton, Ontario, for the location of distribution facilities for future growth. Expropriation of a corridor of this land by the CNR has left Canadian Tire with title to a net 233 acres for anticipated requirements.

On-going modifications have maximized the potential of our older Sheppard Avenue distribution facility. Through numerous expansion phases of its own over the years, the building has reached near-optimum size of 1-million square feet on its North Toronto site. With the highly-automated Mississauga Centre receiving and shipping all merchandise destined to dealers in complete carton lots, Sheppard's installations have been revamped to process split-package quantities and products which require special handling.

Tantalus Construction Company, Limited – operating out of offices in Toronto and Calgary – had its most productive year since this wholly-owned subsidiary was established in 1974. With its capacity to carry out a greater proportion of our construction workload, Tantalus completed five stores in 1976 (Bracebridge, Kingston and Milton, Ontario; Prince Albert, Saskatchewan, and our westernmost unit in Calgary, Alberta). Other construction starts, scheduled for opening in 1977, were three free-standing store buildings and an enclosed shopping mall, incorporating a Canadian Tire store in Simcoe, Ontario. Tantalus also renovated the Barrie premises and at year-end was nearing completion of the new Canadian Tire Acceptance offices (shown on page 17) and a new maintenance depot for servicing and repairing our transport fleet. The 38,000 square foot depot includes a fully-equipped bodyshop for structural repairs, skin-stretching trailer panels, painting and washing.

The strength of our transport fleet was increased significantly in 1976 through the addition of 50 trailers and 10 power units, raising the trailer total to 481 and tractors to 100. In only 11 years of operation, Canadian Tire's truck and trailer fleet has grown into one of the largest private-carriage systems in the country. From 55 to 60 per cent of merchandise shipped to dealers from our Mississauga and Sheppard Avenue distribution centres is via our own trucks. The remainder is despatched by contract trucker or railway "piggyback."

After the allowance for depreciation and amortization on property and equipment, Canadian Tire's net fixed assets at year-end totalled $177.5-million – a gain of 23.1% over 1975 and close to 7½ times the level of ten years ago.

Canadian Tire Acceptance Limited showed sharp increases in growth for the year. Gross operating revenue increased 42 per cent – from $10.4-million in 1975 to $14.7-million – and net income was up 58 per cent, from $508,000 to $803,000. Over 300,000 new accounts were opened, bringing the total to one-million by year-end. With this continuing growth in outstanding accounts, credit purchases are expected to represent a significant source of on-going momentum.

Cantire Products Limited, a remanufacturing subsidiary of the Company, achieved a very productive and satisfactory year, both in terms of increased sales and earnings. The subsidiary's remanufactured products are supplied on a trade-in basis to our associate stores, as well as other automotive outlets. Strong consumer demand for high quality and competitive prices has substantially increased the market potential of Cantire's automotive parts. As remanufacturers of electrical, fuel and brake components, Cantire has actively pursued additional items for processing and has added a full line of brake calipers, engine distributors and engine-head assemblies. One of the new machines, in Cantire's cylinder-head assembly line, is shown on page 8 (photo at bottom, right).

Timberline Home Centres Limited completed their first full year of operation. These lumber and building supply outlets were opened in 1975 adjacent to two Canadian Tire stores (Fort Erie and Stratford, Ontario) in a joint venture with The Larkin Lumber Company, Limited. Although profitable operation has not been achieved by the test units, a third Timberline location is being considered.

Replacement store in Kingston (West), Ontario, opened early in 1976.

Canadian Tire
. . . its people in review

In 1976, the numbers of Canadians who shopped "the Canadian Tire way" increased greatly and, by year-end, a total of 303 associate stores were attracting customers with consistent appeal in terms of value, merchandise selection and customer service policies.

Although our stores and products are well-known, the Canadian Tire organization is not well understood. In fact, the company is a unique partnership between two different—but largely interdependent—operations. Representing the company to most Canadians are the familiar Canadian Tire associate stores, owned and operated by highly-motivated, independent businessmen. The other side of the partnership is Canadian Tire Corporation, Limited which provides the associate stores with merchandise and corporate services and support systems.

Working in partnership, the associate store dealer and his employees and the Corporation and its employees combine the advantages and flexibility of an independent local business with the purchasing and distributing power of a major organization.

One question frequently asked of this partnership is: "How does the organization keep growing so rapidly?" Our answer is a very simple one: "Because our people make the partnership work." In so doing, they have developed a work ethic in which growth represents a challenge.

Growth doesn't happen on its own—it must be defined as an overall objective and the appropriate strategies developed to fulfill that objective. This, in practice, is the combined roll of Canadian Tire Corporation and its associate dealer structure. All participants in this joint enterprise realize that growth requires more than hard work. Through adding the ingredients of dedication and efficiency, the people who ARE Canadian Tire have enabled us to achieve a growth rate that is one of the success stories of Canadian merchandising.

Here are some of these remarkable people . . .

Top Photo: **Arch Brown,** a Canadian Tire associate dealer since 1963, and **Dale Steward** check merchandise data at Mr. Brown's new store in Barrie, Ontario.

Centre: At our associate store in The Centre Mall, Hamilton, Ontario, **Linda Guzzo** and warehouse manager **Tom Howard** check inventory with a computerized Store Level Inventory Control (SLIC) system. This highly-efficient system was originally developed by a group of associate dealers.

Bottom: **Adrian Gaudet,** of Sheppard Avenue's co-ordination office, and **Ted Chopin,** of our Mississauga Distribution Centre office, meet with home office promotions manager **John Young** to assess merchandise availability for one of the year's successful store-wide promotional sales.

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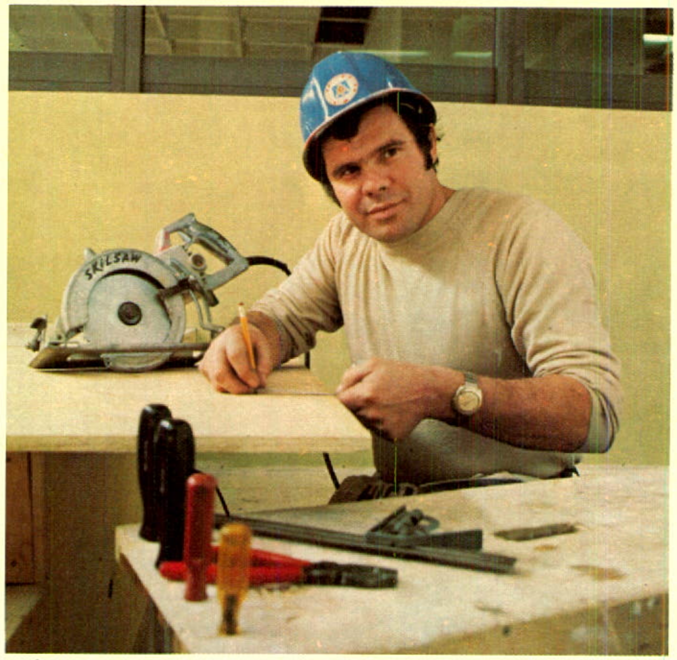

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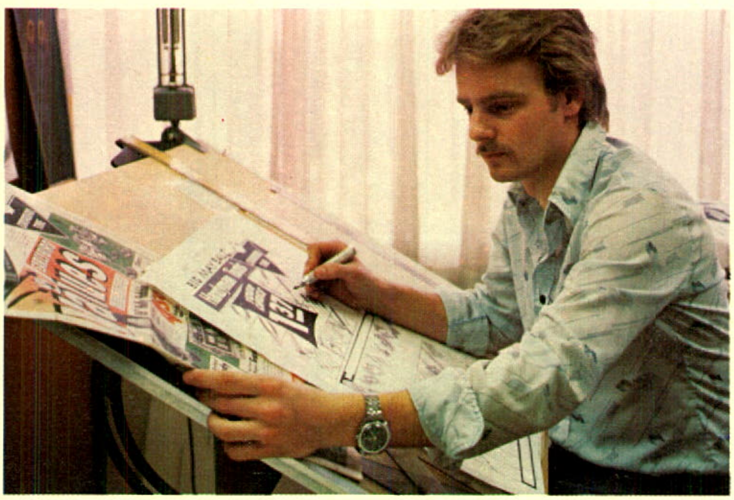

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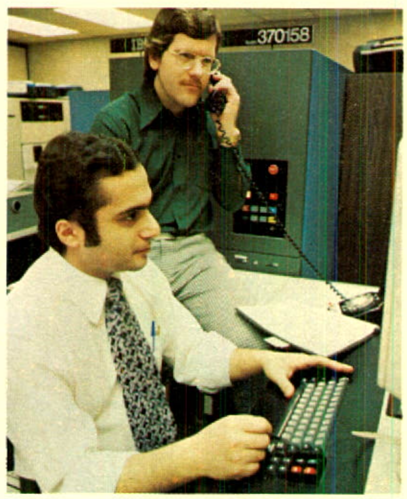

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1 Canadian Tire's store design production group produces complete sets of architectural working drawings for all associate store construction projects. **Frank Bevilacqua, Gail Cooley** and manager **Larry Adams** check a set of plans. The production group is a Cantire Realty and Construction department.

2 Tantalus Construction Company was established in 1974. This subsidiary is active in building new associate stores and expanding and renovating existing units. Other construction projects include buildings for corporate and subsidiary use. During the year, Tantalus's largest project was a new office building for Canadian Tire Acceptance in Welland, Ontario. **John Dal Bello,** a carpenter with Tantalus, completes interior work on the new premises.

3 **Mary MacMillan,** Dealer Selection supervisor, conducts a preliminary interview with dealership applicant **Fergus Chapman** who is now completing his dealer training program at various associate store training locations. Over 1,500 dealership applications were processed in 1976.

4 A "forecast group," comprised of associate dealers and home office marketing personnel, meets regularly to project sales for various product lines. The forecast group views the presentations of the placing order program for the upcoming season, along with promotional items. Principal buyers **Warren Melville** and **Bill Kerr** check a merchandise list with associate dealers **Bob Anderson** and **Dave Finch** of Ontario's Alliston and Midland stores.

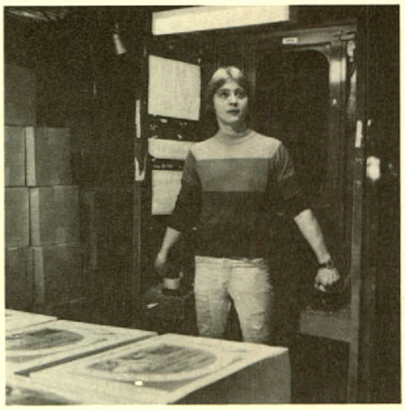
5 **Ken Bolam,** auto accessory buyer (right), and a Canadian Tire supplier check details of an in-car heater for the winter season. The heater was one of many new products introduced to Canadian Tire associate stores during the year.

6 Canadian Tire is one of Canada's major newspaper advertisers. Advertisements—in both English and French—are produced in-house by our Advertising Department. **Gerry Van Berkum,** a layout artist, prepares one of the 13 major sale flyers distributed during the year.

7 A new IBM 370-185 computer was purchased and installed at home office in 1976. **Sami Boutros,** shift supervisor, and **Don Spence,** senior computer operator, work with the equipment which provides a fully-integrated range of computer services for the Company.

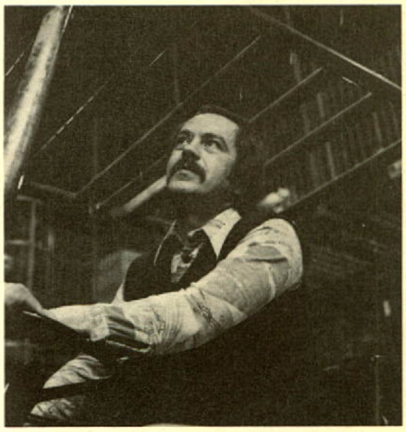
"Canadian Tire is a unique partnership between two interdependent operations"

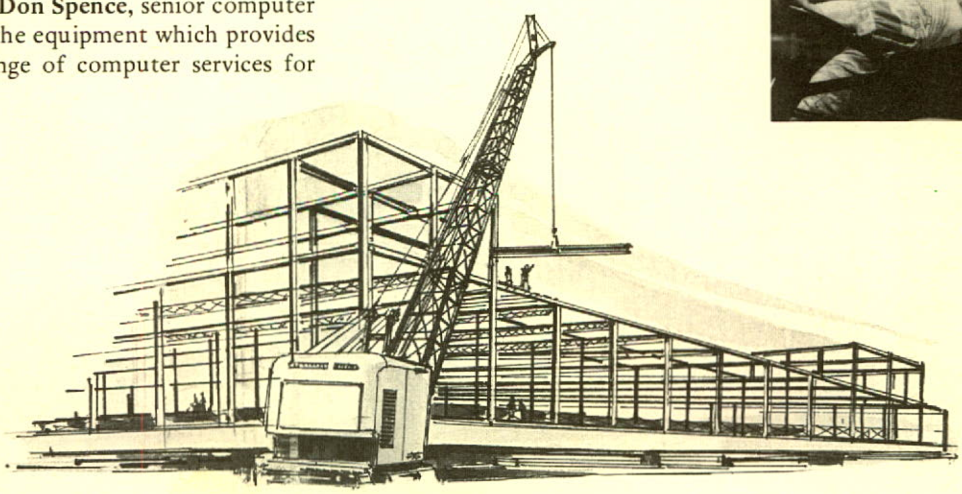
Completion of Phase II of our Mississauga Distribution Centre more than doubled the cubic footage of the hi-rise storage and retrieval complex. Two of the facility's three integrated computers directly control the stackers and conveyors in each "Phase" of the building. The third computer—a management unit—retains all inventory records, performs calculations for aisle and bin locations, does priority scheduling and prints out management reports. **Patricia Oja,** a CRT terminal unit operator, changes a tape on one of the computers.



A Demag order-picking machine operator guides his equipment to a location in the new Phase II complex. There are 30 picking machines—one for each picking lane and a spare in each Phase for maintenance purposes. The picking lanes reach a height of 30 feet and the machine allows the operator to pick from any level. Order-fillers, such as **Doug Snider,** pick individual associate store merchandise orders, following a pre-determined route on a rigid time schedule.

Although the Mississauga Centre is highly automated, the facility relies on its "people skills" to fulfill a variety of functions. One of these skills is the safe and efficient handling of merchandise, utilizing lift trucks. **Terry Miles** guides his forklift truck into position in the new Phase II section.





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1 The merchandise-handling capabilities of Sheppard Avenue—our original major distribution facility—have been significantly stepped-up by extensive operational changes. The new 'A' Section features a modular mezzanine storage and gravity-retrieval system which came on-stream during the year. The space-saving installation keeps a wide range of pre-defined product items within easy reach of **Len Pearce** and speeds-up the order-filling process.

2 Costly annual inventory shut-downs are avoided, and overall "down-time" is considerably reduced, through a perpetual inventory audit program at both of the Company's distribution centres. **Doug Parsons, Tom Borland, Lorraine Robinson** and **Neil Verheyen** comprise the full-time audit team at the Sheppard Avenue distribution facility.

3 A growing transport fleet provides the merchandise link between Canadian Tire's distribution centres and associate stores. **Terry Anderson** is one of the 90 drivers who jointly logged close to 7,000,000 highway miles during 1976.

4 A computerized accounts payable system has been developed and implemented by our Management Information Services and Accounting departments. This system has greatly facilitated the processing of large volumes of paperwork and presently produces over 3,500 cheques per month for payment to merchandise suppliers. **Linda Lam**, an accounts payable auditor, operates a CRT terminal unit as she checks the details of an account.

5 The Company's growth has necessitated the formation of an efficient and people-oriented personnel function. With the aid of an audio-visual program, **Pat Vann**, home office personnel manager (at left), explains overall company operations to new employees **Lou Hachey** and **Diane Ravazzolo**.

6 In 1976, over 8,000,000 packages were produced by Sheppard Avenue's packaging department. Our packaging equipment can produce many types of dealer and consumer packages—skin-pack, blister-pack, stretch-pack and form-fill seal-pack. **Beverley Hinds** and **Zahia Ghanem** assemble auto tune-up kits for packaging purposes.

7 **Albert O'Neil**, manager of the Pit Stop* lubrication and gas-vending facility at the relocated store in Barrie, Ontario, provides "personalized service" on a customer's car. Since the relocation, the unit has become even more popular as a fuel-and-lube stop for area motorists—thanks to the courteous efforts of Canadian Tire people like **Albert.**

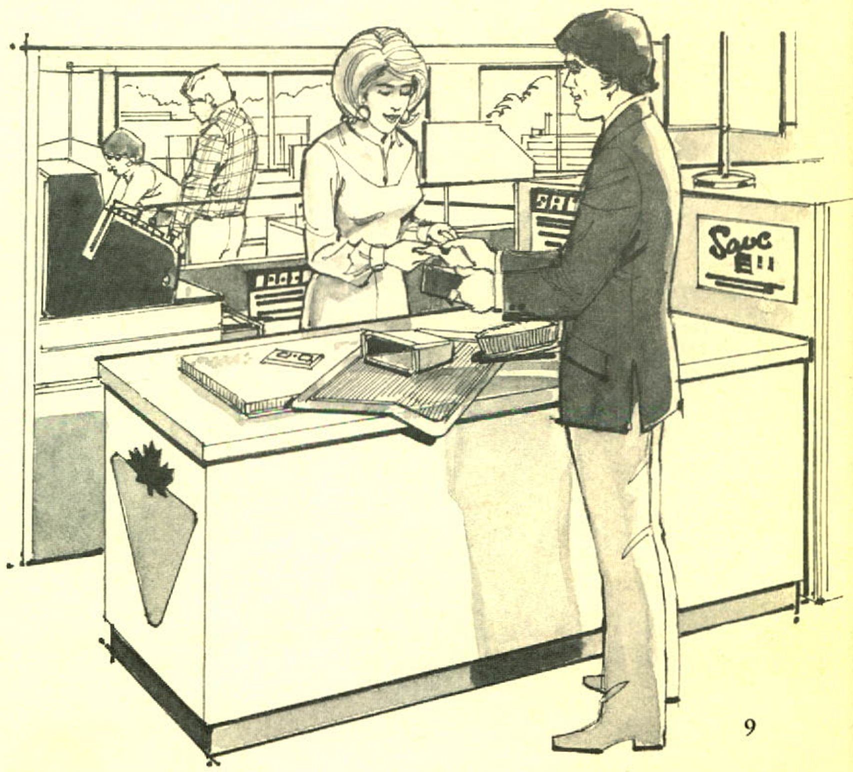
8 Cantire Products—one of Canada's largest remanufacturers of automotive electrical components, fuel pumps, carburetors, water pumps, brake shoes and disc brake pads—added a cylinder-head remanufacturing line to its plant capacity in 1976. The best machinery and production techniques are employed at all stages of the cylinder-head operation and strict quality control is maintained throughout the production cycle. **Matija Cadonic** is one of the employees who assured the operation's success.

**Registered Trade Mark*

"Our people have developed a work ethic in which growth represents a challenge"

Debbie McGuinness operates a card-embossing unit to imprint the card for our Acceptance company's one-millionth credit customer in December, 1976. Canadian Tire Acceptance Limited continued its rapid growth during the year, opening over 300,000 new customer accounts.

Suzanne Caron, of Canadian Tire Acceptance, attends new associate store openings in addition to her promotional visits to existing stores. When not travelling, **Suzanne** performs extensive dealer communications, both in French and English, from the Acceptance company's office in Welland, Ontario.



Consolidated Statement of Income and Retained Earnings

for the year ended December 31, 1976 (with 1975 figures for comparison)

	(Dollars in thousands) 1976	1975
GROSS OPERATING REVENUE	$683,684	$561,032
OPERATING EXPENSES:		
Cost of merchandise sold and all expenses except for the undernoted items	605,271	492,645
Depreciation and amortization	11,039	7,324
Employee deferred profit sharing and share purchase plans	4,270	3,988
Interest:		
Long-term debt	7,634	6,058
Medium-term debt of acceptance company	1,717	776
Short-term financing:		
Acceptance company	2,174	1,731
Other	663	1,466
Total operating expenses	632,768	513,988
	50,916	47,044
Interest income [Note 5]	3,782	3,075
INCOME BEFORE INCOME TAXES	54,698	50,119
Provision for income taxes:		
Current	26,626	24,063
Deferred	(479)	780
Net provision for income taxes	26,147	24,843
Income before extraordinary gain	28,551	25,276
Gain on sale of property (less applicable income taxes: 1976 – $57; 1975 – $99)	369	517
NET INCOME FOR THE YEAR	28,920	25,793
RETAINED EARNINGS AT BEGINNING OF THE YEAR	126,140	104,564
	155,060	130,357
DEDUCT:		
Dividends paid:		
Class A shares	3,588	2,906
Common shares	1,587	1,311
	5,175	4,217
RETAINED EARNINGS AT END OF THE YEAR	$149,885	$126,140
Earnings per share before extraordinary gain	$2.54	$2.28
Earnings per share relating to gain on sale of property	.03	.04
EARNINGS PER SHARE	$2.57	$2.32

The accompanying notes, on pages 14 to 16, are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1976 (with 1975 figures for comparison)

	(Dollars in thousands) 1976	1975
FUNDS PROVIDED:		
Income before extraordinary gain	$ 28,551	$ 25,276
Add (deduct) charges not involving an outlay of funds:		
Depreciation and amortization	11,039	7,324
Amortization of debenture discount and issue expense	65	50
Amortization of goodwill	151	–
Deferred income taxes	(479)	780
Funds provided from operations	39,327	33,430
Issue of medium-term promissory notes	–	17,500
Issue of Sinking Fund Debentures	–	29,417
Issue of Class A shares	7,578	5,497
Increase in mortgages and notes payable	5,480	696
Disposals of property and equipment	1,596	1,558
Decrease in long-term portion of income debentures	1,622	2,462
Total funds provided	55,603	90,560
FUNDS APPLIED:		
Additions to property and equipment:		
Land	14,787	3,258
Buildings	23,798	19,658
Fixtures and equipment	4,919	6,588
Automotive equipment	824	827
Leasehold improvements	1,216	2,511
	45,544	32,842
Acquisition of subsidiary company – less working capital acquired of $633	660	–
Investment in shares of 50%-owned company	–	(10)
Increase in mortgages receivable	1,343	681
Redemption of Sinking Fund Debentures, Series A	500	–
Dividends paid:		
Class A shares	3,588	2,906
Common shares	1,587	1,311
Total funds applied	53,222	37,730
Increase in working capital for the year	2,381	52,830
Working capital at beginning of the year	109,707	56,877
WORKING CAPITAL AT END OF THE YEAR	$112,088	$109,707

The accompanying notes, on pages 14 to 16, are an integral part of these financial statements.

Consolidated Balance

ASSETS:

	(Dollars in thousands) 1976	1975
CURRENT ASSETS:		
Cash and bank deposit receipts	$ 4,018	$ 48,494
Accounts and loans receivable	72,171	58,093
Merchandise inventories	99,666	54,910
Income debentures of Canadian Tire dealers — amounts due within one year	1,416	1,336
	177,271	162,833
Acceptance company:		
Charge account receivables	66,161	46,096
Other	294	156
Total current assets	243,726	209,085
INVESTMENTS:		
Income debentures of Canadian Tire dealers — less amounts due within one year — at cost	1,011	2,633
PROPERTY AND EQUIPMENT:		
Land	48,950	34,602
Buildings	135,111	112,482
Fixtures and equipment	28,275	23,359
Automotive equipment	6,055	5,288
Leasehold improvements	7,105	5,889
	225,496	181,620
Less accumulated depreciation and amortization	47,962	37,364
Net property and equipment	177,534	144,256
OTHER ASSETS:		
Mortgages receivable	2,734	1,391
Goodwill — at cost less accumulated amortization of $151	909	—
Debenture discount and issue expense — less accumulated amortization of $201	1,086	1,151
Total other assets	4,729	2,542
TOTAL	$427,000	$358,516

The accompanying notes, on pages 14 to 16, are an integral part of these financial statements.

Sheet AS AT DECEMBER 31, 1976 (with 1975 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

(Dollars in thousands)

	1976	1975
CURRENT LIABILITIES:		
Accounts payable	$ 50,950	$ 39,300
Accrued liabilities and coupons outstanding	36,691	33,692
Income taxes payable	2,284	1,652
Loans payable to directors and shareholders	1,623	1,689
Mortgages payable – amounts due within one year	1,386	457
	92,934	76,790
Acceptance company:		
Bank indebtedness	–	275
Short-term promissory notes	32,215	16,685
Accounts payable	6,155	5,273
Income taxes payable	334	355
Total current liabilities	131,638	99,378
LONG-TERM DEBT [Note 2]:		
Medium-term promissory notes of acceptance company	17,500	17,500
Mortgages and notes payable	8,453	2,573
Sinking Fund Debentures	74,500	75,000
Total long-term debt	100,453	95,073
DEFERRED INCOME TAXES	96	575
SHAREHOLDERS' EQUITY:		
Capital stock [Notes 3 and 4]:		
Authorized:		
15,000,000 Class A non-voting shares without par value		
3,450,300 common shares without par value		
Issued and fully paid:		
7,853,335 Class A shares (1975 – 7,685,518 shares)	44,036	36,458
3,450,000 common shares	892	892
	44,928	37,350
Retained earnings	149,885	126,140
Total shareholders' equity	194,813	163,490
TOTAL	$427,000	$358,516

Approved by the Board: J. D. MUNCASTER, *Director;* A. L. SHERRING, *Director.*

Notes to the Consolidated Financial Statements

1 Significant Accounting Policies

Principles of consolidation:

The consolidated financial statements include the accounts of Canadian Tire Corporation, Limited and its subsidiaries, all of which are wholly-owned.

Effective January 6, 1976, the company acquired all of the outstanding shares of a specialized importing company for $1,693,000 of which $400,000 is payable beyond one year. The net book value of tangible assets acquired of $633,000 approximated the fair value thereof. The remaining $1,060,000 has been ascribed to goodwill and is being amortized on a straight-line basis over a period of seven years.

Inventories:

Merchandise inventories have been valued at the lower of cost or estimated net realizable value less normal profit margin, with cost being determined substantially on a first-in, first-out basis.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided under the declining-balance method at various annual rates (buildings — 5% and 10%, fixtures and equipment — 20%, and automotive equipment — 30%). Amortization of leasehold improvements is provided on a straight-line basis over the terms of the respective leases. A full year's depreciation is provided on all retail stores opened during the year, or under construction at the year-end. Depreciation of major warehouse facilities is commenced in the month the facilities are placed into service. Internal development costs, interest and realty taxes pertaining to construction in progress and land held for development are expensed as incurred.

Debenture discount and issue expense:

Debenture discount and issue expense is amortized on a straight-line basis over the terms of the debentures.

Income taxes:

The company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

Earnings per share:

The earnings per share figures are calculated using the weighted average number of shares outstanding during the year.

2 Long-term Debt

Long-term debt is comprised of the following:

	1976	1975
Medium-term promissory notes of acceptance company:		
9%, due February 17, 1980	$ 5,000,000	$ 5,000,000
9½%, due April 4, 1980	5,000,000	5,000,000
10½%, due December 16, 1980	7,500,000	7,500,000
	17,500,000	17,500,000
Mortgages and notes payable — less amounts due within one year	8,453,000	2,573,000
Sinking Fund Debentures:		
8½%, Series A	14,500,000	15,000,000
9¼%, Series B	30,000,000	30,000,000
10¾%, Series C	30,000,000	30,000,000
	74,500,000	75,000,000
Total long-term debt	$100,453,000	$95,073,000

Mortgages and notes payable:

Mortgages and notes payable have been assumed on the acquisition of 26 properties. These liabilities mature at various times between 1977 and 1999, and bear interest at various rates up to 10½%.

Sinking Fund Debentures:

The 8½% Sinking Fund Debentures, Series A (unsecured) mature on June 1, 1991, and are redeemable, in whole or in part, at a premium of 6½% to January 14, 1977, decreasing ½% annually thereafter. Under the Trust Indenture, a sinking fund must be provided to redeem $500,000 of Series A Debentures at par in each of the years 1977 to 1991 inclusive. In addition to the mandatory sinking fund payments, the company has the non-cumulative right to make optional sinking fund payments sufficient to retire in each of the years 1977 to 1991 inclusive an additional principal amount of Series A Debentures not in excess of $250,000. During 1976, the company purchased for cancellation $500,000 principal amount of Series A Debentures in compliance with the mandatory sinking fund requirements.

The 9¼% Sinking Fund Debentures, Series B (unsecured) mature on July 15, 1994, and are redeemable, in whole or in part, at a premium of 8¾% to January 14, 1977, decreasing ½% annually thereafter. Under the Trust Indenture, a sinking fund must be provided to redeem $1,500,000 of Series B Debentures at par in each of the years 1979 to 1993 inclusive.

The 10¾% Sinking Fund Debentures, Series C (unsecured) mature on August 15, 1995, and are redeemable, in whole or in part, at a premium of 10¾% to February 14, 1977, decreasing 0.65% annually thereafter. Under the Trust Indenture, a sinking fund must be provided to redeem $1,200,000 of Series C Debentures at par in each of the years 1981 to 1994 inclusive. In addition to the mandatory sinking fund payments, the company has the non-cumulative right to make optional sinking fund payments sufficient to retire in each of the years 1981 to 1994 inclusive an additional principal amount of Series C Debentures not in excess of $300,000.

The Trust Indentures impose certain restrictions on the company. To December 31, 1976, all of the conditions of the Trust Indentures have been met.

3 Capital Stock

Issue of Class A Shares:

During 1976, the company issued 167,817 Class A shares for cash in the total amount of $7,578,000. All of these shares were issued in accordance with the conditions below:

Conditions of Class A Shares:

The conditions attached to the Class A shares prohibit the issue of Class A shares unless either:

(a) such shares are being issued to, or for the benefit of, employees of the company, or employees of any subsidiary, or authorized dealers, or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time; or

(b) the authorization of the holders of Class A shares shall first have been obtained.

The holders of Class A shares are entitled to receive a preferential cumulative dividend at the rate of 4 cents per share per annum and, after payment of a dividend on each of the common shares at a similar rate, are entitled to participate, pro rata, in further dividends declared and paid in each year.

Share options:

Under the share option arrangement (see Note 4), certain senior officers engaged directly in the management of the company have been granted options to purchase Class A shares of the company. The options are exercisable at any time during a ten-year period from the date granted as follows:

Date Granted	Expiry Date	Price	Number of Shares
February 27, 1970	February 28, 1980	$20.287	14,178
February 26, 1971	February 26, 1981	24.975	20,557
February 29, 1972	February 28, 1982	35.325	18,965
February 28, 1973	February 28, 1983	54.900	17,656
February 28, 1974	February 28, 1984	40.950	20,050
January 2, 1975	January 2, 1985	34.537	46,479
January 2, 1976	January 2, 1986	41.175	38,005
January 3, 1977	January 3, 1987	38.475	31,925
			207,815

The exercise of these share options would have no material effect on the reported earnings per share.

During the year, options to purchase 12,931 shares were exercised for a total option price of $357,000.

4 Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid, or payable, by the company to the directors and senior officers of the company, as a group, during the fiscal year ended December 31, 1976 was $649,000 (1975 – $586,000). In addition, with respect to the fiscal year ended December 31, 1976, pursuant to a share purchase arrangement and a share option arrangement authorized by resolution of the directors, the company:

(a) paid to certain senior officers, engaged directly in the management of the company, amounts calculated by reference to the earnings of the company for such fiscal year which, after provision for personal income tax, provided sums sufficient in the aggregate to pay the subscription price ($137,000) of 3,212 Class A shares of the company required by this arrangement to be subscribed for by such senior officers, at the market value thereof as at January 3, 1977, namely $42.75 per share, and

(b) granted to certain senior officers, engaged directly in the management of the company, options to purchase

Notes to the Consolidated Financial Statements

31,925 Class A shares of the company at a price of $38.475 per share, being 90% of the market value thereof as at January 3, 1977, such options to be exercisable at any time up to January 3, 1987, at which time they expire.

It is presently proposed that the share purchase arrangement and share option arrangement will be continued in the future, and may be extended to certain other senior officers of the company from time to time, engaged or to be engaged, directly in the management of the company.

Also with respect to the fiscal year ended December 31, 1976, the company paid to the Trustees of the Canadian Tire Deferred Profit Sharing Plan for the benefit of senior officers, amounts determined on the same basis as for other employees of the company.

5 Interest Income

Interest income arose from the following sources:

	1976	1975
Inventory advances to dealers	$2,235,000	$1,606,000
Income debentures	129,000	352,000
Short-term investments and bank deposit receipts	1,097,000	958,000
Mortgages	254,000	81,000
Other	67,000	78,000
	$3,782,000	$3,075,000

Interest earned on charge account receivables of Canadian Tire Acceptance Limited is included in gross operating revenue in the consolidated statement of income and retained earnings.

6 Leases

As at December 31, 1976, the company is committed to minimum annual rentals (exclusive of taxes, insurance, and other occupancy charges) of properties under 66 leases with termination dates between 1977 and 2002. The minimum annual payments required in each of the next five years are as follows:

Year	Minimum Annual Rentals
1977	$3,585,000
1978	$3,299,000
1979	$3,252,000
1980	$3,085,000
1981	$3,069,000

7 Commitments

As at December 31, 1976, the company had commitments of $7,985,000 for acquisition of properties and expansion of retail store facilities.

8 Anti-inflation Legislation

The company is subject to the anti-inflation legislation enacted by the Government of Canada to provide for the restraint of profit margins, prices, employee compensation and dividends. The company has reviewed its activities on a continuous basis and, in the opinion of management, has complied with the intent of the legislation.

Under the present legislation, the company is not permitted to declare or pay dividends in excess of $6,448,000 during the twelve-month period ending October 13, 1977.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canadian Tire Corporation, Limited as at December 31, 1976 and the consolidated 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1976 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, 1977

Deloitte, Haskins & Sells
Chartered Accountants

CANADIAN TIRE ACCEPTANCE LIMITED

New headquarters of Canadian Tire Acceptance Limited in Welland, Ontario.

Board of Directors

A. E. BARRON
R. J. HOBBS
R. LAW
J. D. MUNCASTER
B. R. WILSON

Officers

B. R. WILSON, President
J. D. MUNCASTER, Vice-President
R. J. HOBBS, Vice-President
R. LAW, Secretary
F. Y. SASAKI, Treasurer

CANADIAN TIRE ACCEPTANCE LIMITED

Statement of Income and Retained Earnings

for the year ended December 31, 1976 (with 1975 figures for comparison)

	1976	1975
GROSS OPERATING REVENUE	**$14,758,300**	$10,356,602
OPERATING EXPENSES:		
Interest on borrowed funds:		
Short-term debt	**2,173,880**	1,730,560
Medium-term debt	**1,716,578**	776,193
Provision for credit losses	**4,332,807**	2,558,810
Other	**4,993,744**	4,268,403
Total operating expenses	**13,217,009**	9,333,966
INCOME BEFORE INCOME TAXES	**1,541,291**	1,022,636
Provision for income taxes	**738,356**	514,954
NET INCOME FOR THE YEAR	**802,935**	507,682
Retained earnings at beginning of the year	**1,793,064**	1,285,382
RETAINED EARNINGS AT END OF THE YEAR	**$ 2,595,999**	$ 1,793,064

The accompanying notes, on pages 19 to 21, are an integral part of these financial statements.

Auditors' Report to the Shareholders

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1976 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 December 31, 1976 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, 1977

Deloitte, Haskins & Sells
Chartered Accountants

Statement of Changes in Financial Position

for the year ended December 31, 1976 (with 1975 figures for comparison)

	1976	1975
FUNDS PROVIDED:		
Net income for the year	$ 802,935	$ 507,682
Add charges not involving an outlay of funds:		
Depreciation and amortization	139,115	80,354
Funds provided from operations	942,050	588,036
Issue of medium-term promissory notes	—	17,500,000
Issue of preference shares	2,600,000	1,800,000
Total funds provided	3,542,050	19,888,036
FUNDS APPLIED:		
Additions to property and equipment	353,162	149,020
INCREASE IN WORKING CAPITAL FOR THE YEAR	3,188,888	19,739,016
Working capital at beginning of the year	24,129,757	4,390,741
WORKING CAPITAL AT END OF THE YEAR	$27,318,645	$24,129,757

The accompanying notes, on pages 19 to 21, are an integral part of these financial statements.

Notes to the Financial Statements

1 Significant Accounting Policies

Charge account receivables: Charge account receivables are due in terms not exceeding twenty-four months and in accordance with recognized trade practice are included in current assets.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided under the declining-balance method at annual rates of 20% for office furniture and equipment and 30% for the motor vehicle. Amortization of leasehold improvements is provided on a straight-line basis over a period of five years.

Revenue recognition: Discounts on charge account receivables purchased from dealers are taken into revenue at the time the receivables are purchased. The accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

CANADIAN TIRE
ACCEPTANCE
LIMITED

Balance

ASSETS

	1976	1975
CURRENT ASSETS:		
Cash	$ 140	$ 140
Accounts receivable	4,145	10,490
Charge account receivables (less allowance for credit losses, 1976 — $1,744,917; 1975 — $1,277,270)	66,160,566	46,095,973
Due from parent company	—	466,079
Prepaid expenses	289,789	145,685
Total current assets	66,454,640	46,718,367
PROPERTY AND EQUIPMENT:		
Office furniture and equipment	745,662	407,697
Leasehold improvements	158,119	158,119
Motor vehicle	8,068	3,689
	911,849	569,505
Less accumulated depreciation and amortization	434,495	306,198
Net property and equipment	477,354	263,307
TOTAL	$66,931,994	$46,981,674

The accompanying notes, on pages 19 to 21, are an integral part of these financial statements.

Continued —

Notes to the Financial Statements

2 Short-term Promissory Notes and Bank Indebtedness

The short-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The company has available bank standby credit to cover its obligation for the repayment of authorized notes outstanding from time to time. In addition, the parent company has guaranteed any bank indebtedness which the company may incur.

3 Medium-term Promissory Notes

9%, due February 17, 1980	$ 5,000,000
9½%, due April 4, 1980	5,000,000
10½%, due December 16, 1980	7,500,000
	$17,500,000

The medium-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited.

Sheet AS AT DECEMBER 31, 1976 (with 1975 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
CURRENT LIABILITIES:		
Bank indebtedness [Note 2]	$ —	$ 275,000
Accounts payable	6,155,561	5,272,947
Income taxes payable	333,782	355,663
Short-term promissory notes [Note 2]	32,215,000	16,685,000
Due to parent company	431,652	—
Total current liabilities	39,135,995	22,588,610
MEDIUM-TERM PROMISSORY NOTES [Note 3]	17,500,000	17,500,000
SHAREHOLDERS' EQUITY:		
Capital stock [Note 4]:		
Authorized:		
1,000,000 5% non-cumulative, preference shares of a par value of $10 each, redeemable at amount paid thereon		
200,000 common shares of no par value		
Issued and fully paid:		
760,000 preference shares (1975 — 500,000)	7,600,000	5,000,000
100,000 common shares	100,000	100,000
	7,700,000	5,100,000
Retained earnings	2,595,999	1,793,064
Total shareholders' equity	10,295,999	6,893,064
TOTAL	**$66,931,994**	**$46,981,674**

Approved by the Board: B. R. WILSON, *Director;* J. D. MUNCASTER, *Director.*

4 Capital Stock

During the year, the company issued for cash to its parent company, Canadian Tire Corporation, Limited, 260,000 preference shares at the price of $10 per share.

5 Remuneration of Directors and Senior Officers

The total remuneration of directors and senior officers, as defined in The Business Corporations Act, Ontario, was $258,286 in 1976 (1975 — $225,663).

6 Anti-inflation Legislation

The company is subject to the anti-inflation legislation enacted by the Government of Canada to provide for the restraint of profit margins, prices, employee compensation and dividends. The company has reviewed its activities on a continuous basis and, in the opinion of management, has complied with the intent of the legislation.

7 Commitments

On January 4, 1977, the company entered into an agreement for telephone equipment at a cost of $110,000 to be installed in new premises to be occupied in 1977. A further obligation of approximately $96,000 is expected to be incurred in connection with the move to the new premises.

CANADIAN TIRE

10-Year Comparative Summary

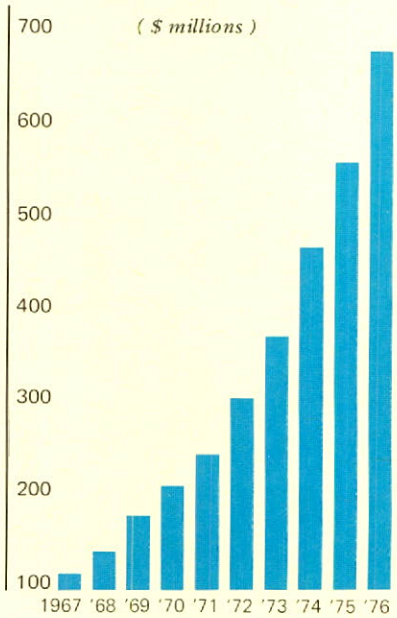
Dollar amounts are expressed in thousands (except per share figures)

Year		1976	1975
Operating Data:			
Gross operating revenue	$	**683,684**	561,032
Per cent annual increase		**21.9%**	18.8%
Income before taxes	$	**54,698**	50,119
Per cent of gross operating revenue		**8.0%**	8.9%
Income taxes	$	**26,147**	24,843
Income before extraordinary gain	$	**28,551**	25,276
Per cent annual increase		**13.0%**	18.4%
Net income including extraordinary gain	$	**28,920**	25,793
*Earnings per share before extraordinary gain	$	**2.54**	2.28
*Earnings per share including extraordinary gain	$	**2.57**	2.32
Provision for depreciation and amortization	$	**11,039**	7,324
Cash flow	$	**39,696**	33,947
*Cash flow per share	$	**3.53**	3.06
Dividends paid	$	**5,175**	4,217
Financial Position:			
Working capital	$	**112,088**	109,707
Capital expenditures	$	**45,544**	32,842
Property and equipment – net	$	**177,534**	144,256
Shareholders' equity	$	**194,813**	163,490
*Shareholders' equity per share	$	**17.32**	14.73
Return on shareholders' equity		**14.8%**	15.8%
Statistics:			
Number of Class A shareholders		**10,035**	10,060
Number of common shareholders		**1,418**	1,465
Number of Associate Stores		**303**	295
Number of gasoline stations		**58**	58

**Based on the weighted average number of shares outstanding during the year and adjusted for a 3-for-1 split of May 13, 1970.*

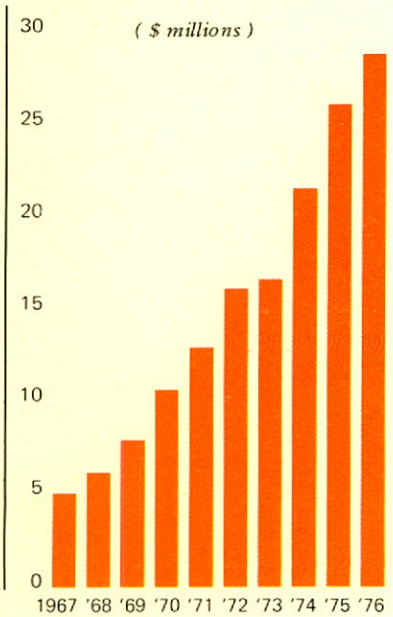
Stores at year-end	1976	1975
Ontario	**177**	176
Québec	**68**	64
Nova Scotia	**19**	19
New Brunswick	**12**	12
Manitoba	**9**	9
Saskatchewan	**7**	5
Newfoundland	**6**	6
Alberta	**3**	2
Prince Edward Island	**2**	2
Total	**303**	295

Gross Operating Revenue

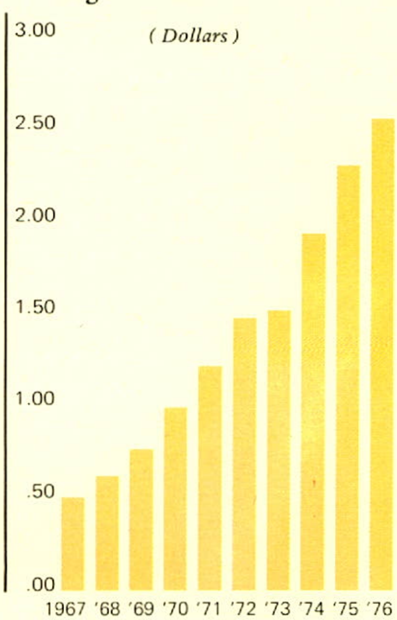


1974	1973	1972	1971	1970	1969	1968	1967
472,323	378,587	309,174	246,758	212,405	180,684	143,887	115,352
24.8%	22.5%	25.3%	16.2%	17.6%	25.6%	24.7%	18.0%
44,174	33,020	30,745	25,531	21,172	16,349	12,687	10,017
9.4%	8.7%	9.9%	10.3%	10.0%	9.0%	8.8%	8.7%
22,823	16,689	14,763	12,818	11,114	8,615	6,679	5,110
21,351	16,331	15,982	12,713	10,058	7,734	6,008	4,923
30.7%	2.2%	25.7%	26.4%	30.0%	28.7%	22.0%	34.7%
21,481	16,410	16,100	12,955	10,448	7,852	6,008	4,926
1.95	1.50	1.47	1.18	.95	.75	.60	.50
1.96	1.51	1.48	1.20	.98	.76	.60	.50
6,494	4,514	3,354	2,623	2,282	1,892	1,355	1,053
28,143	21,127	19,623	15,451	12,580	9,689	7,385	5,964
2.56	1.94	1.81	1.43	1.18	.94	.74	.60
3,292	2,944	2,499	2,166	1,928	1,170	899	761
56,877	33,707	40,083	35,969	14,911	11,163	12,867	7,217
35,008	27,332	18,101	10,678	12,608	10,064	6,946	4,663
119,779	92,402	69,893	55,394	47,742	37,506	29,602	24,011
136,418	114,466	98,482	83,774	71,489	53,144	45,622	34,143
12.43	10.49	9.06	7.74	6.72	5.15	4.57	3.44
15.7%	14.3%	16.3%	15.5%	14.6%	14.8%	13.2%	14.4%
10,467	10,250	8,626	7,064	5,223	4,021	3,274	2,229
1,528	1,514	1,268	1,188	1,047	947	865	782
287	283	269	260	254	245	234	226
54	52	49	45	40	32	29	27

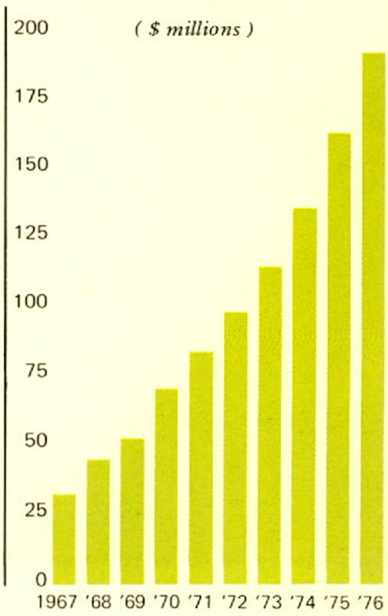
Net Income



Earnings Per Share



Shareholders' Equity



Retail capacity expanded on a broad front in 1976

19 stores are opened as capital expenditures are translated into new, enlarged and improved shopping facilities. Canadian Tire store openings are listed below, by province

Ontario
Barrie
Bracebridge
Delhi
Kingston (West)
London (Westown)*
Milton
Parry Sound
Tilbury

Québec
Dolbeau*
Matane*
St-Jérôme*
St-Léonard
Trois-Rivières*

Nova Scotia
Bridgewater
Greenwood
North Sydney

Saskatchewan
Prince Albert*
Saskatoon (West)*

Alberta
Calgary (Crowchild)* — shown at right

**Indicates new market*

Of $45.5-million total capital expenditures in 1976, $32.9-million were directed toward the continuing expansion and renovation of our retail and gasoline marketing capacity and related land transactions. To year-end, eight stores were opened in new markets, 11 relocated in larger premises and nine were substantially enlarged to broaden exposure of Canadian Tire's products and services. Construction strikes in Québec delayed 1976 completions of three additional stores — Joliette, Lévis and Terrebonne.

Four of the stores in our list of openings above (Calgary, Prince Albert, Dolbeau and Matane) brought the Company's name to the outermost fringes of our market areas in the provinces of Alberta, Saskatchewan and Québec.

In Barrie, Ontario, the Company assumed the lease of a two-storey former department store in the suburban Bayfield Mall. Sales at the renovated location — second largest of our 303 associate stores — have fulfilled initial forecasts and have established unprecedented sales penetration in a highly competitive marketplace. A second two-level retail operation, at Toronto's Keele & Dundas location, was accomplished by taking over premises previously leased to a major food chain. In addition to shopping mall locations in Barrie and Dolbeau, large units in London, Ontario, and in St-Jérôme, P.Q., were located in the Westown and Carrefour du Nord malls, respectively, as Canadian Tire continues to follow a very selective policy in relation to shopping centre locations.

Barrie's two-level replacement unit was formerly a department store.

A new, more economical design for replacement stores in smaller markets was implemented in 1976 in the construction of two Ontario units, Delhi and Tilbury. Encouraged by cost and quality factors and substantial first-year sales increases, our design group developed two further versions for slightly larger buildings. Replacement stores in Bracebridge, Ontario, and Greenwood, Nova Scotia, are based on one of these latter designs. These cost-saving construction concepts have opened up a systematic approach to smaller markets by providing operating units that are more financially viable on a long-term basis.

Conversion of our gasoline stations to self-serve units continued in 1976. Except for a few units which are due to be rebuilt, petroleum marketing facilities have been re-equipped to dispense lead-free gasoline, in keeping with consumer demand, and are having electronic equipment installed for station-level sales computation and eventual data collection purposes on an automated basis as we progress further in this field. On-going refurbishing activities were concentrated on our Pit Stop* lubrication and gas-vending areas which are taking on an exciting new look. Our total number of gasoline outlets remained unchanged at 58 at year-end.

**Registered Trade Mark*

"For his contribution to the community of business, his concern for his employees, and the sharing with them of his successes right from the very start . . ."

These words were spoken as A. J. Billes, co-founder and past-president of Canadian Tire, was presented before Governor-General Jules Léger for investiture as a Member of the Order of Canada on April 7th, 1976.

A. J. was honoured for his contributions to the Canadian retail industry and his understanding of the concepts of associate store ownership and employee profit sharing.

As the award was presented, A. J.'s thoughts were with the Canadian Tire people whom he has worked with through the years. "I felt as though that, by just being here, I was representing everyone connected with the company—all the people whose effort and devotion have not only served their own destinies but also their company's and their country's."

The people who ARE Canadian Tire join in congratulating Mr. A. J. Billes as the recipient of this most distinguished award.

From the Rockies to the Atlantic, more Canadians shopped 'our way' in 1976...

One factor that contributed to our record sales for the year was the growth in size and numbers of Canadian Tire store locations.

The combined efforts of our people... the diversity of our products and services... and our reputation for value were equally significant in achieving a gross operating revenue of $684-million in 1976 to establish us as one of Canada's leading merchandisers.

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