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Canada's
Diversified
Service
Company

VS Services
Ltd.

Annual Report
1983

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TORONTO
FEB 1 1984

Financial Highlights

Fifty-two weeks ended September 28, 1983 and September 29, 1982

(in thousands of dollars)

		1983	1982	% Increase (decrease)
Operations	Revenues from operations	\$204,093	\$174,833	16.7
	Income from operations	6,217	5,534	12.3
	Net income	4,415	4,404	.2
	Working capital	17,169	13,349	28.6
	Funds provided from operations	8,329	7,326	13.7
	Dividends paid on common shares	1,262	1,100	14.7
Common share data	Average number of shares outstanding	2,793	2,746	1.7
	Book value per share	\$ 12.99	\$ 11.42	13.7
	Earnings per share	\$ 1.57	\$ 1.60	(1.9)
	Dividends per share	\$.44	\$.40	10.0
Financial position	Total assets	\$ 59,878	\$ 52,185	14.7
	Shareholders' equity	36,578	31,740	15.2

VS Services Ltd. is a major diversified service company with 13 operating divisions and subsidiaries in Canada. Publicly traded, the company employs more than 8,000 people at over 1,800 operating units.

Versa Services and Versa Food Services operate divisions and subsidiaries engaged primarily in foodservice management to health care, business, educational and public markets. These companies also provide management of housekeeping, laundry, and purchasing services. Divisions and subsidiary companies include Diplomat Coffee System, Complete Management Services, Versabec Inc. and Major Foods Limited.

The leadership position of the company is attributable to its high standards of performance and the efforts of its many employees to provide personalized client service.

Annual Report

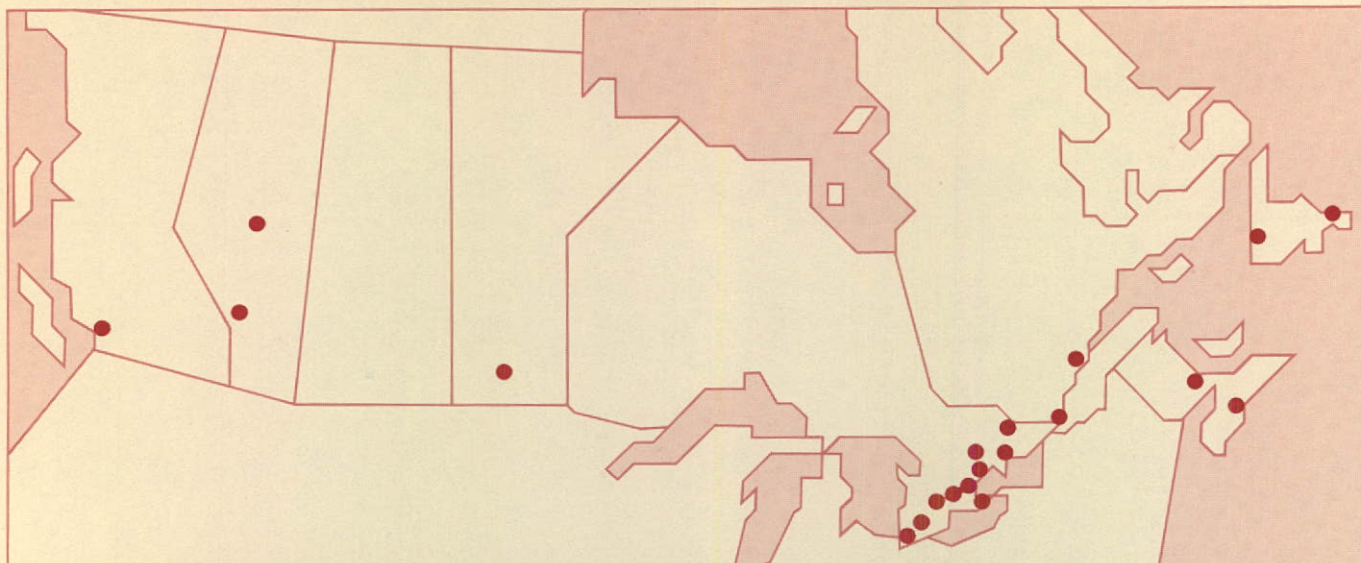
Copies of the VS Services Ltd. 1983 Annual Report may be obtained by contacting the Secretary at the Corporate Office.

Annual Meeting

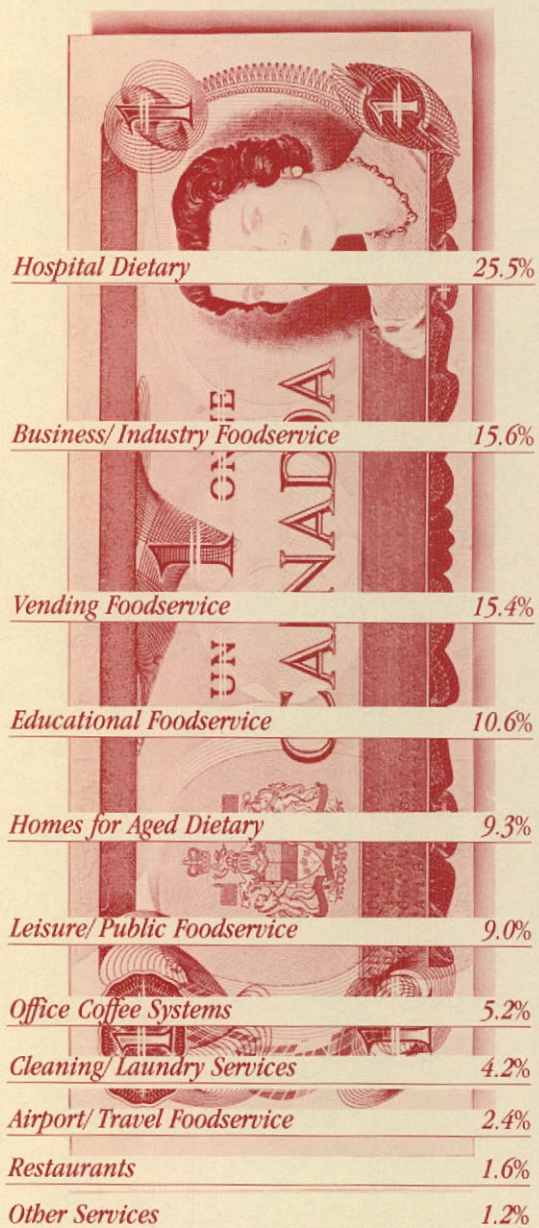
The Annual Meeting of the Company will be held on February 1, 1984 at 11:00 a.m. at VS Services Ltd. Corporate Office, Islington & Evans, Toronto, Ontario.

McGILL UNIVERSITY
1001 Sherbrooke St. W.
FEB 1 1984
J. Quebec

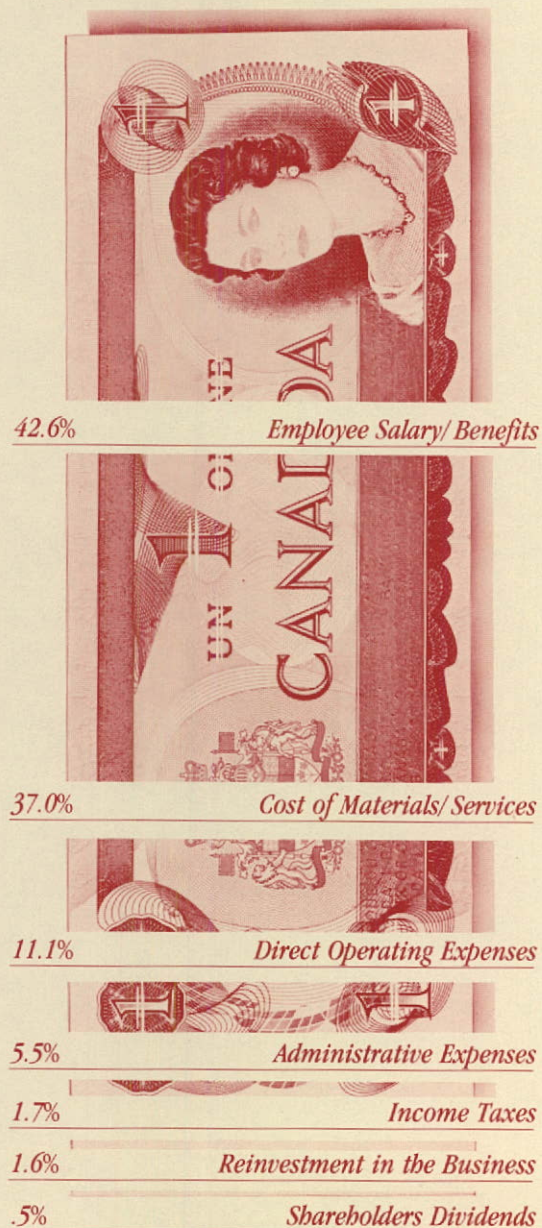
Canada's Only Nationwide Diversified Foodservice Company: Our Regional and Divisional Offices



Every Dollar We Earn: Where It Comes From



Every Dollar We Earn: Where It Goes



To Our Shareholders

During the past three years, *VS Services'* emphasis has been on growth by the provision of higher quality services. In 1983, total revenues increased by 17% to \$204,093,000, and although investment income declined in comparison to 1982, operating profits advanced. This resulted in a net profit of \$4,415,000, a slight improvement over 1982. This is the tenth consecutive year of increased profits for our company.

The past two years have been a very difficult period for industry in Canada, with the result that the number of employees at many of our accounts has declined significantly. This, of course, has had a correspondingly negative effect on revenues. However, these problems have been offset through our aggressive sales activities, as well as through acquisitions. Between 1980 and 1983, over 360 new service contracts have been negotiated, and over 770 new clients added through acquisition.

Our clients are paying less for our services, in real terms, today than they were four years ago, and yet, are receiving higher quality. Especially in the *Health Care* field, cost restraints have been significant in recent years, and *VS Services* has assisted dietary and housekeeping departments in Hospitals and Homes for the Aged to become more cost effective.

Our company will continue to diversify by launching *Co-operative Service Vending* in selected cities, and by establishing divisions to pursue opportunities in the areas of *Child Care* and *Off-Shore Services*. During 1983, acquisitions performed well and made an acceptable contribution to corporate profits.

Specialization of Our Services

Effective September, 1983, Mr. K.C. Daigle was

appointed President and Chief Operating Officer of *Versa Services*, and Mr. R.E. Boone was appointed President and Chief Operating Officer of *Versa Food Services*.

Mr. Daigle will direct service management for *Health Care, Educational, Business Dining* and *Leisure & Public Foodservices* clients. Ken joined *VS Services* in Quebec in 1955 and has held positions in Ontario, Atlantic Canada and Western Canada prior to his 1981 appointment as Executive Vice President, *VS Services*.

Mr. Boone will be responsible for automated food services across Canada and for the company's interests in affiliated and subsidiary companies. Bob joined *VS Services* in 1977 as Vice President, Finance and was elected to the Board of Directors in 1978. He became Senior Vice President, Finance and Corporate Affairs in 1980. Mr. Boone is also a Director of *Versabec Inc., Major Foods Limited, and Vancouver Enterprises Limited*.

Employee Achievement

In recent years, a great deal of effort has been directed toward improving our results by facilitating achievement and satisfaction by each individual employee in an environment conducive to creativity and initiative. Our employees have responded with sound effort and dedication. Since 1980, the total number of employees has increased by 26% while the overall business has grown by 59%. This represents a dramatic increase in productivity. Since we are so totally dependent on the contributions of our individual employees for our success, this is an important achievement. *VS Services'* employees met the challenges of 1983, and the results achieved are a reflection of their determination.

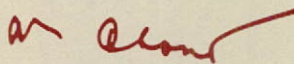
The common thread throughout our business is our continuing reliance on highly motivated and well trained employees. *VS Services* enjoys an unmatched reputation in the area of training and development of people to provide the superior quality of service which is the foundation of our company.

In order to direct the activities of over 8,000 employees at 1,800 client locations, many skills are required, but none more important than a constant attention to the development of our personnel. *VS Services* strives to promote from within the company in order to reward the people who have contributed to our growth and financial results. In addition to the recent appointments of Bob Boone and Ken Daigle, Peter McCawley was promoted to Group Vice President of *Versa Food Services*, responsible for all At-Work accounts in Atlantic Canada and Quebec. Peter has been with *VS Services* for 13 years. Russell Campbell was appointed Director of Finance, culminating 10 years of dedicated effort. Russ will also retain the position of Corporate Secretary.

In total, 82 employees were promoted from within the company at the Unit Operating Manager level and above during 1983.

The Future

Our people, with their accumulated skills, are our future. Through selective recruiting and with ongoing emphasis on training at every level, we have strengthened our company and will continue to build on this strength. Our strong financial position will allow us to continue negotiating new contracts and acquisitions, and we have every confidence that 1984 will see continued strong results, particularly if the current economic recovery is sustained. The management team appreciates the confidence that you, the shareholders, have shown in *VS Services*, and we are committed to performance levels in 1984 and beyond that will justify your support.



Dixon S. Chant
Chairman of the Board



James E. Graham
President and Chief Executive Officer

Board of Directors VS Services Ltd.

*Standing: (from left) Dr.
Jennifer M. Sturgess, Claude
Feninger, Lee F. Driscoll, Jr.,
Hon. Guy Charbonneau,
Gowan T. Guest, Robert E.
Boone*

*Seated: (from left) Dixon
S. Chant, Lt.Col. R. Guy
Godbout, Karl Duesterberg,
James E. Graham*



Corporate Profile

Our *Health Care Division* achieved record sales increases of 8% and corresponding earnings growth of 6% in 1983. This remains our largest market segment, and we continue to anticipate excellent prospects for future growth. *Versa Services' Health Care Division* is Canada's leader in providing contracted services to Health Care institutions.

Health Care Administrators have increasingly recognized our Company's dietary contributions with respect to achieving cost control objectives and maintaining optimal service standards in a highly sanitary environment. Other services provided include maintenance, housekeeping and laundry. An added benefit for the busy administrator is the opportunity to concentrate on critical areas of patient care while *Versa Services* manages the support departments in a professional manner. *Versa Services'* management, working closely with administrators, ensures sensitivity and responsiveness to community and individual needs, with emphasis on professional food preparation and dietetic services.

For many years, *Versa Services* has enjoyed the distinction of being the only company in Canada qualified to accredit dietetic interns. We now employ 130 dietitians and, through our dietetic internship programme, we are the largest employer and trainer of dietitians in the private sector.

During the past year, *Versa Services* was privileged to acquire the contract to provide dietary and housekeeping services to the Toronto East General Hospital. This was one of our important new contracts in 1983.

The *Education Division* of *Versa Services* achieved an impressive growth of over 16% in sales and 15% in profit in 1983. The Division is fulfilling its mandate to achieve leadership in its field and now operates an exciting array of innovative programmes.

At the University of Manitoba, *FOCUS*[®], a database management system, was introduced with such success that the system is being adapted to meet the client needs of other *Versa Services'* Divisions. *FOCUS*[®] analyzes consumption patterns and food costs for a specific client in order to allow a broader range of choice for the student at a predictable food cost to the institution.

Mount Allison University teamed with *Versa Services* to introduce the *VALI-DINE*[®] System to New Brunswick in 1983. A credit meal computer card which applies the cost of individual menu selections to an approved balance, *VALI-DINE*[®] results in the most appropriate student meal patterns and reduced client costs.

Continued programme development, innovation and implementation will ensure growth in this market.

7,750,000 meals are served to young, growing and mature students at locations throughout Canada each year by our Education Division.

31,500,000 patient meals per year are prepared at hospitals and homes throughout the nation served by our Health Care Division.





Divisions providing vended and cafeteria dining to the *At-Work Market*, including our affiliate *Major Foods Limited*, enjoyed a sales increase of 13% in 1983. In total, a record 135 new client contracts were negotiated during the year. Operating profits declined owing to a reduction in client employment levels. Having already responded with tighter cost controls and an uncompromisingly high standard of service, this leaner organization anticipates dramatic growth in revenues and profitability in 1984.

Versa Food Services operates Canada's only national food vending service, boasting the industry's most extensive menus. An organization of 600 people with extensive experience services 7,000 food and beverage machines from 13 local food production and distribution centres. Our 1983 client survey revealed an overall service rating of 'excellent' from over 80% of our clients, indicative of the consistently high quality of our service.

Our *Business Dining Division*, the industry leader, manages 141 restaurants and dining rooms for corporate clients. To ensure maximum satisfaction, new programmes are being created constantly. *Greenhouse*, introduced recently, is a very attractive modular

adjunct to any operation, offering salad bar, soup kettle, deli bar options and many fresh new foodservice trends.

Through innovative and stimulating programmes such as *Physfoods* — promoting healthy eating habits — and pioneering the introduction of 'pay-by-weight' salad and sandwich bars, this Division continues to provide contemporary foodservice while containing costs.

The Leisure and Public Foodservices Division enjoyed another year of exciting growth and dynamic change. Established as a separate Division in 1980, this business sector has grown dramatically. Following its success in acquiring the foodservice contract at Palais des congrès, Montreal in 1982, this account was opened in 1983 and has quickly become a market leader in convention catering. Together with the impressive performance in assuming responsibility for the foodservice at Montreal International Airport, Dorval on short notice, this Division has also won contracts for three other public restaurants and now operates effectively and creatively in this area. The Division's reputation promises another year of aggressive growth in 1984.



39,000,000 meals are served each year to administrative, clerical and industrial employees at locations throughout Canada operated by our Business, Industrial and Vending Divisions.

4,650,000 Canadian and overseas visitors are served at convention, exhibition, theme park and sports complexes in major cities operated by our Leisure and Public Foodservices Division.



A very important part of *VS Services'* sales, profit structure, and future growth potential are its other business interests. Accounting for 20% of corporate revenues, these businesses also represent diversification beyond the foodservice management core.

Diplomat® Coffee System has become Canada's leading office coffee service company. During 1983, sales increased 9%, with profits holding in spite of the recession. An aggressive direct-mail programme, innovative marketing strategies, and a dedicated sales force have been largely responsible for establishing *Diplomat®* as a reputable source of brewed coffee. During the year, *Diplomat®* introduced juices, soups, biscuits and soft drinks to their product line, thereby expanding the market for our services.

Versabec Inc. operates entirely within the Province of Quebec. Faced with a particularly challenging economy in 1983, *Versabec* responded with a successful approach to 'blue chip' quality clients, including Banque Nationale and Bell Canada, the latter with the distinction of having over 100 pieces of vending equipment in a single building. *Manu-Vie*, another important new component features an innovative foodservice concept designed by our

Planned Food Facilities International.

Major Foods Limited, headquartered in Dartmouth, Nova Scotia, is a partnership of Nova Scotia investors and *VS Services*. Although 1983 was a period of rationalization and repositioning for this Company, sales and profits improved sharply. *Major Foods* is the clear market leader in Atlantic Canada in vended foodservice, and as a result of its association with *VS Services*, it will strengthen this position even further. To illustrate, *Major Offshore* was created in 1982 to meet the unique foodservice needs of offshore oil and gas drilling rigs. This new organization will rely on local ownership and personnel, combined with *VS Services* access to world-class expertise.

Complete Management Services provides purchasing services to health care facilities, and has expanded its programmes to include nutritional counselling. This division continues to investigate other opportunities to broaden its service offering.

VS Services has demonstrated the ability to introduce new services and enter new markets. Success in managing acquisitions and the Company's sound financial position auger well for a future of robust, diversified growth.



4,100,000 high quality, gourmet meals are served to customers at a number of fine dining and banquet facilities operated by our Leisure and Public Foodservices Division.

130,000,000 cups of consistently excellent coffee are served throughout the country by *DIPLOMAT® Coffee System*.



système de café
DIPLOMAT
coffee system

DIPLOMAT

coffee
system
système
de café

FLAVOUR SEALED
SAVEUR ENFERMÉE

DIPLOMAT

CAFÉ DE QUALITÉ
SUPÉRIEURE
FINEST
QUALITY COFFEE

DIPLOMAT

coffee
system
système
de café

The single most compelling reason for clients electing to accept or retain our services is the comfort that we are able to provide the desired standard of service while controlling costs.

VS Services brings high standards to the client through our people and, while adherence to specified performance criteria are a cornerstone of our Company's strength, they are of little value without the people who are trained and organized to deliver this high standard of service.

While cost effectiveness and superior quality are paramount, an additional key factor is the good cheer, philosophies, and actions that are compatible with the values of the client organization served.

In many respects, *VS Services* is an assembly of over 1,800 business units in which our employees have deep affiliations with our clients and their employees whom they serve daily. Your Company encourages all employees to maintain a close association with their clients' organization. Innovation, within a framework

of prescribed standards and systems supported by effective training, is also fundamental to the level of excellence that has contributed so strongly to our success.

Our wide organizational and market diversity are beneficial to both our client and, clearly, to our own company as well. *VS Services* is better able to provide both career mobility to the individual and continue to offer a versatile and talented employee resource base to our many clients. In some respects, the best of many worlds may be achieved: the individual response that characterizes the differentiation of each business unit; the cross-fertilization of ideas across divisions and markets; and, the benefit of affordable programme development appropriate to specific markets.

Our success can only be achieved by the desire of our people to provide excellent service on a consistent basis to our clients. We salute all our people who bring a smile to the faces of the many they serve.



2,300 Canadian companies make 326,000 deliveries to our locations each year, bringing the finest product to our customers. We pay tribute to the dedication of our suppliers in helping us serve our many clients.

Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles consistently applied and have been audited by Clarkson Gordon, Chartered Accountants, whose report is included on this page. These statements, which necessarily include estimates and approximations, reflect information available to November 21, 1983, and we believe they set forth a fair presentation of the Company's financial position and the results of its operations.

Management maintains an accounting system, incorporating extensive internal controls, the effectiveness of which is regularly appraised by our internal auditors. An important element of this system is the establishment of an annual budget against which performance is monitored, variations are investigated and corrective action is taken where required.

The Board of Directors has an audit committee, composed entirely of outside directors, which meets with management as well as with the internal and external auditors to review the financial statements and the independent auditor's report prior to approval of the statements by the Board of Directors.



R. E. Boone, C.A.
Senior Vice President
Finance and Corporate Affairs
Chief Financial Officer



R. G. Campbell, C.G.A.
Corporate Secretary
and Director of Finance
Chief Accounting Officer

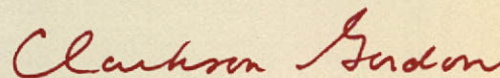
Toronto, Canada
November 21, 1983

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of VS Services Ltd. as at September 28, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the fifty-two weeks 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 September 28,

1983 and the results of its operations and the changes in its financial position for the fifty-two weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fifty-two week period.



Toronto, Canada
November 21, 1983

Clarkson Gordon
Chartered Accountants

Consolidated Statement of Income and Retained Earnings

Fifty-two weeks ended September 28, 1983 and September 29, 1982.

(In thousands of dollars)

	Note	1983	1982
Revenues from operations		\$204,093	\$174,833
Costs and expenses:			
Purchased materials consumed		75,999	67,201
Other operating, selling and administrative expenses		117,925	99,236
Depreciation		3,494	2,537
Amortization of other assets		267	211
Interest on long-term debt		106	127
Minority interest		85	(13)
Total costs and expenses		197,876	169,299
Income from operations		6,217	5,534
Investment income		1,062	1,984
Income before income taxes		7,279	7,518
Provision for income taxes	7		
Currently payable		2,796	2,927
Deferred to future years		68	187
Total provision for income taxes		2,864	3,114
Net income		\$ 4,415	\$ 4,404
Earnings per share	6	\$ 1.57	\$ 1.60
Retained earnings, beginning of year		\$ 14,667	\$ 11,363
Net income		4,415	4,404
Dividends (\$.44 per share; \$.40 in 1982)		(1,262)	(1,100)
Retained earnings, end of year		\$ 17,820	\$ 14,667

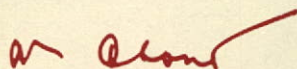
Consolidated Balance Sheet

September 28, 1983 and September 29, 1982


(In thousands of dollars)

	Note	1983	1982
Assets:			
Current assets:			
Cash and short-term investments		\$18,899	\$12,389
Receivables		12,844	13,841
Inventories		5,783	5,230
Prepayments		170	122
Total current assets		37,696	31,582
Notes receivable	10	1,814	416
Fixed assets	3	15,740	15,308
Other assets	4	4,628	4,879
Total assets		\$59,878	\$52,185
Liabilities and Shareholders' Equity:			
Current liabilities:			
Accounts payable and accrued charges		\$19,547	\$17,445
Income taxes payable		872	590
Current maturity of long-term debt	5	108	198
Total current liabilities		20,527	18,233
Long-term debt	5	753	345
Deferred income taxes		1,760	1,692
Minority interest		260	175
Commitments and contingencies	8		
Shareholders' Equity:			
Preferred stock			
authorized 300,000			
issued and outstanding 101,500	6	1,396	
Common stock			
issued 2,815,798 shares			
(1982 2,778,619 shares)	6	17,362	17,073
Retained earnings		17,820	14,667
Total shareholders' equity		36,578	31,740
Total liabilities and shareholders' equity		\$59,878	\$52,185

On behalf of the Board:



Dixon S. Chant, Director



James E. Graham, Director

The notes to the financial statements are part of this statement

Consolidated Statement of Changes in Financial Position

Fifty-two weeks ended September 28, 1983 and September 29, 1982.
(In thousands of dollars)

	1983	1982
Funds were provided from:		
Operations:		
Net income	\$ 4,415	\$ 4,404
Add (deduct) items not requiring an outlay of cash:		
Depreciation	3,494	2,537
Amortization of other assets	267	211
Deferred income taxes	68	187
Minority interest	85	(13)
Funds provided from operations	8,329	7,326
Disposal of fixed assets	121	184
Decrease (Increase) in working capital exclusive of cash and short-term investments	2,690	(2,679)
Issue of shares under the stock option plans	1,685	21
Increase in (repayment of) long-term debt	408	(687)
	13,233	4,165
Funds were used for:		
Additions to fixed and other assets	4,063	4,105
Additions (reduction) of notes receivable	1,398	(540)
Acquisitions, net of funds acquired		2,176
Dividends	1,262	1,100
	6,723	6,841
Increase (decrease) in cash and short-term investments	6,510	(2,676)
Cash and short-term investments, beginning of year	12,389	15,065
Cash and short-term investments, end of year	\$18,899	\$12,389

The notes to the financial statements are part of this statement

Notes to Consolidated Financial Statements

September 28, 1983

1. Significant accounting policies

Corporate entity — The Company has substantially all of its operations in one dominant industry segment — food management services.

Consolidation — The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany transactions have been eliminated and net income decreased by the portion of the income applicable to the minority shareholders.

Inventories — Inventories are valued at the lower of cost (first in — first out) and net realizable value.

Fixed assets — Fixed assets are recorded at cost. Depreciation and amortization are provided using the straight-line method at the following rates: vending equipment — 12.5% to 20.0%, vehicles — 33.3%, other equipment — 10.0% to 20.0%, buildings — 2.5% to 4%, leasehold improvements — life of the initial term of the lease.

Other assets — Other assets include investments in location acquisition costs and technical and systems know-how which are being amortized over their estimated useful lives not to exceed 40 years from the date of incurring the cost.

Deferred income taxes — Income taxes are provided on the tax allocation basis and the resultant deferred income taxes are due principally to claiming depreciation for tax purposes in excess of straight-line depreciation. Investment tax credits are recorded by the "flow-through" method as earned.

Earnings per share — Earnings per common share are calculated on the basis of the weighted average number of common shares outstanding during the year.

2. Acquisitions

During the year, the Company acquired assets for cash totalling \$48,000 of which \$16,000 was allocated to location acquisition costs.

3. Fixed assets

The major categories of fixed assets at September 28, 1983 and September 29, 1982 are:

(In thousands)	1983			1982
	Original Cost	Accumulated Depreciation	Net book Value	Net book Value
Land	\$ 508	\$	\$ 508	\$ 508
Vending equipment	15,840	9,505	6,335	5,756
Vehicles	648	464	184	280
Other equipment	9,931	5,060	4,871	4,716
Buildings	3,195	414	2,781	2,874
Leasehold improvements	2,148	1,087	1,061	1,174
Total	<u>\$32,270</u>	<u>\$16,530</u>	<u>\$15,740</u>	<u>\$15,308</u>

4. Other assets

These include investments in location acquisition costs of \$4,041,000 (1982 — \$4,267,000) and technical and systems know-how of \$587,000 (1982 — \$612,000). Location acquisition costs represent the excess of the cost of purchase over the fair value of net tangible assets of purchased businesses at the date of acquisition less subsequent write-offs. Technical and systems know-how represents the unamortized cost of on-going assistance provided by ARA Services, Inc., the majority shareholder.

5. Long-term debt

Long-term debt totals \$861,000 and consists of a 13.5% mortgage and a Small Business Development Bond bearing interest at 1½% above half the bank prime lending rate. This debt is secured by specific assets of Major Foods Limited, a subsidiary of the Company. (Subsequent to year-end the Small Business Development bond has been refinanced to a term loan bearing interest at prime + 1% with the same repayment terms).

Amounts requiring repayments in each of the next five years are: 1984 — \$108,000, 1985 — \$106,000, 1986 — \$74,000, 1987 — \$10,000, 1988 — \$12,000 and thereafter \$551,000.

6. Share Capital

Common shares — The Company has a stock option plan for certain employees. During 1983, options on 18,000 shares were granted, 37,179 were exercised for consideration of \$289,000 and 4,461 were cancelled. At September 28, 1983, options on 87,324 shares were outstanding (including options on 38,140 shares granted to employees who are directors and officers) at prices ranging from \$6.88 to \$17.00. These options become exercisable in various cumulative equal amounts beginning one year after each option was granted and expire five years from date of grant.

Preference Shares — In 1983 the shareholders approved a Preference Share Incentive Plan, the purpose of which is to provide an incentive to certain key employees to achieve the longer term objectives of the Company. The shares are convertible into common shares over a six-year period from the date of issue on a one-for-one basis. During 1983, 101,500 preference shares were issued for \$1,396,000, which was loaned interest-free to the purchasers of the shares.

If all the employee stock options and preference shares outstanding as at September 28, 1983 had been exercised or converted into common shares at the date of issue, earnings per share would have been \$1.52. There was no material dilutive effect on 1982 earnings per share.

For purposes of calculating this fully diluted earnings per share figure earnings applicable to common shares were increased by the dividends paid on preference shares (\$29,000) and the earnings at an after tax rate of 6.5% on cash generated from stock options exercised (\$840,000). The number of common shares outstanding was adjusted to reflect the additional shares that would have resulted on the exercise of stock options and conversion of preference shares (135,806) calculated on a weighted average basis.

7. Income taxes

The Company's effective income tax rate is made up as follows:

(Percentage)	1983	1982
Combined basic federal and provincial income tax rate	49.1%	49.3%
Corporate surtax	0.9	1.6
Tax exempt investment income	(5.7)	(5.0)
Manufacturing and processing deduction	(2.9)	(2.9)
Investment tax credit	(1.4)	(1.2)
Inventory allowance	(0.9)	(0.6)
Other	0.2	0.2
Effective rate reflected in the income statement	39.3%	41.4%

7. Income taxes (continued)

Subsidiaries have losses available for carry-forward against future income amounting to approximately \$380,000 (\$442,000 in 1982), and employment tax credits of \$140,000 (\$177,000 in 1982) which are available to offset future income tax liabilities. These tax credits and losses are subject to expiry in the following taxation years:

(In thousands)	Year	Amount
	1984	\$ 68
	1985	412
	1986	17
	1987	23

8. Commitments and contingencies

At September 28, 1983, the Company has no significant capital lease commitments. The Company has undertaken operating lease obligations extending for varying periods up to 1992 involving minimum annual rental as follows:

(In thousands)	Year ending	Amount
	September 27, 1984	\$1,102
	October 4, 1985	664
	October 3, 1986	345
	October 2, 1987	309
	October 1, 1988	225
	Thereafter	582
		<u>\$3,227</u>

An action was commenced against the Company in 1972 by Canada Square Corporation Limited claiming damages for alleged breach of contract in the amount of \$3,000,000. A court decision has held that there was an enforceable agreement. The issue of the amount of damages has not been considered, so provision for loss is not presently determinable. A loss, if any, would be treated as a prior period adjustment.

9. Pension plans

The Company contributes to several pension plans, covering substantially all eligible employees. Contributions were charged to expense and amounted to \$886,000 in 1983 (1982 — \$991,000). Based on the most recent actuarial reports of December 31, 1981 and January 1, 1982, the pension fund assets in each plan exceed the liabilities of the plan. At September 28, 1983 the book value and the market value of the assets in the various employee pension plans administered by the Company were \$8,184,000 and \$9,753,000 respectively.

10. Transactions with related parties

The Company has made loans of \$487,000 to eight officers, or persons related to officers of the Company under the Company's stock purchase or home purchase plans, of which \$413,000 is interest-free. All are repayable under agreements with terms of up to thirteen years. At September 28, 1983, \$438,000 is included in notes receivable and \$49,000 is included in current receivables.

During the year the Company has made interest-free loans amounting to \$1,396,000 to seven key employees (all of whom are officers, three of whom are directors) under the terms of the Preference Share Incentive Plan described in Note 6. The loans, which are secured by the preference shares, are repayable upon conversion to common shares unless otherwise continued by the approval of the Compensation Committee. At September 28, 1983, \$1,376,000 is outstanding and is included in notes receivable.

11. Comparative figures

Comparative figures for 1982 have been reclassified where appropriate to conform to 1983 presentation.

Ten Year Statistical Review

(In thousands of dollars except per share data)

	1983	1982
INCOME SUMMARY:		
Revenues from operations	\$204,093	\$174,833
Purchased materials consumed	75,999	67,201
Operating, selling and administrative expenses	117,925	99,236
Depreciation	3,494	2,537
Amortization of other assets	267	211
Interest on long-term debt	106	127
Minority interest on continuing operations	85	(13)
Total expenses	197,876	169,299
Income (loss) from continuing operations before income taxes	6,217	5,534
Investment income	1,062	1,984
Income taxes	(2,864)	(3,114)
Operating profits on foreign operations sold, net of income taxes		
Income (loss) before extraordinary items	4,415	4,404
Extraordinary items, net		
Net income (loss)	\$ 4,415	\$ 4,404
FINANCIAL POSITION:		
Current assets	\$ 37,696	\$ 31,582
Investment in associated company		
Notes receivable	1,814	416
Fixed assets	15,740	15,308
Other assets	4,628	4,879
Total assets	59,878	52,185
Current liabilities	20,527	18,233
Long-term debt	753	345
Deferred income taxes	1,760	1,692
Minority interest	260	175
Shareholders' equity	36,578	31,740
Total liabilities and shareholders' equity	\$ 59,878	\$ 52,185
OTHER DATA:		
Earnings per share		
before extraordinary items	\$1.57	\$1.60
net income (loss)	\$1.57	\$1.60
Dividends per common share	\$.44	\$.40

1981	1980	1979	1978	1977	1976	1975	1974
\$142,483	\$127,569	\$128,981	\$108,754	\$ 98,218	\$ 83,999	\$ 79,118	\$ 77,759
55,385	48,962	50,666	41,442	36,399	32,049	31,218	32,096
79,898	71,534	71,636	62,146	57,586	48,685	44,804	43,705
1,660	1,586	1,615	1,288	1,149	1,148	1,135	1,292
171	174	174	162	159	156	155	153
	130	310	398	434	593	734	778
137,114	122,386	124,401	105,436	95,727	82,631	78,046	78,024
5,369	5,183	4,580	3,318	2,491	1,368	1,072	(265)
2,685	1,641	992	526	49	61	36	
(3,865)	(3,318)	(2,621)	(1,793)	(1,108)	(764)	(702)	(11)
				316	279	287	241
4,189	3,506	2,951	2,051	1,748	944	693	(35)
		241		(252)	543	687	
\$ 4,189	\$ 3,506	\$ 3,192	\$ 2,051	\$ 1,496	\$ 1,487	\$ 1,380	\$ (35)
\$ 29,886	\$ 26,452	\$ 23,432	\$ 19,238	\$ 15,973	\$ 13,202	\$ 14,138	\$ 14,545
					2,095	2,083	2,059
956	1,001	1,524	1,634	1,782	410	539	731
10,129	7,872	8,100	7,185	6,738	5,623	5,624	5,845
4,191	4,420	4,594	4,259	4,421	7,553	7,574	7,848
45,162	39,745	37,650	32,316	28,914	28,883	29,958	31,028
16,071	14,210	13,726	11,455	9,893	9,108	9,994	10,542
		2,966	4,932	5,320	7,372	8,974	11,029
1,499	1,341	1,167	1,054	811	218		
					803	726	572
27,592	24,194	19,791	14,875	12,890	11,382	10,264	8,885
\$ 45,162	\$ 39,745	\$ 37,650	\$ 32,316	\$ 28,914	\$ 28,883	\$ 29,958	\$ 31,028
\$1.56	\$1.38	\$1.26	\$.97	\$.83	\$.45	\$.33	\$ (.02)
\$1.56	\$1.38	\$1.36	\$.97	\$.71	\$.71	\$.65	\$ (.02)
\$.30	\$.24	\$.18	\$.11				

Quarterly Results

(In thousands of dollars except per share data)

1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total 1983
Revenues from operations	\$49,212	\$48,722	\$51,262	\$54,897	\$204,093
Income from operations	1,354	1,427	1,660	1,776	6,217
Net income	1,001	1,005	1,130	1,279	4,415
Earnings per common share	.36	.36	.40	.45	1.57
Dividends per common share	.11	.11	.11	.11	.44
Price range per common share					
High	14.63	15.00	16.50	18.50	18.50
Low	10.88	13.75	14.50	16.25	10.88

1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total 1982
Revenues from operations	\$40,008	\$43,342	\$45,243	\$46,240	\$174,833
Income from operations	1,276	1,635	1,590	1,033	5,534
Net income	1,084	1,157	1,187	976	4,404
Earnings per common share	.40	.43	.43	.34	1.60
Dividends per common share	.10	.10	.10	.10	.40
Price range per common share					
High	9.25	10.50	10.38	11.00	11.00
Low	7.75	8.75	9.25	9.25	7.75

Principal Operating Divisions and Companies

Versa Food Services

ROBERT E. BOONE
President and Chief Operating Officer
PETER E. McCAWLEY
Group Vice President
J. BARRY ALLEN
Vice President
Diplomat Coffee System
DON H. GREEN
Vice President
Vending Division

Versabec Inc. Directors

ROSAIRE ARCHAMBAULT, SR.
Co-proprietor
E.D. Archambault Inc., Montreal
ROBERT E. BOONE
Senior Vice President
VS Services Ltd., Toronto
HON. GUY CHARBONNEAU
Chairman & Chief Executive Officer
Charbonneau, Dulude & Associés Ltée
Montreal
LT.COL. R. GUY GODBOUT
Chairman
Cogan Wire and Metal Products Ltd.
Quebec City
JAMES E. GRAHAM
President & Chief Executive Officer
VS Services Ltd., Toronto
ANDRÉ MALO
President
Versabec Inc., Montreal
PETER E. McCAWLEY
Group Vice President
Versa Food Services, Toronto
PHILLIPPE ROBERGE
Partner, Tees, Watson,
Poitevin, Javet & Roberge, Montreal
GEORGES A. TAVERNIER
Vice President
Versabec Inc., Montreal

Versa Services

KENNETH C. DAIGLE
President and Chief Operating Officer
DAVID A. DENHAM
Vice President
Leisure & Public Foodservices Division
ROBERT N. KNAPMAN
Vice President, British Columbia
FRANK J. O'HARA
Vice President, Alberta
MICHAEL P. OSCHEFSKI
Vice President
Education Division
JAMES P. SAWLER
Vice President, Atlantic Canada

Major Foods Limited Directors

GERALD A. AMIRAULT
Vice President Marketing
Major Foods Limited
Halifax, N.S.
ROBERT E. BOONE
Senior Vice President
VS Services Ltd., Toronto
RALPH S. CHANCEY
President
Standard Manufacturing Ltd.
St. John's, Newfoundland
JAMES E. GRAHAM
President & Chief Executive Officer
VS Services Ltd., Toronto
JOHN W. LINDSAY
President
J.W. Lindsay Enterprises Limited
Dartmouth, N.S.
CARLISLE NORWOOD
Vice President
East Coast Properties Limited
Dartmouth, N.S.
JAMES P. SAWLER
Chairman of the Board
Major Foods Limited
Dartmouth, N.S.

Corporate Directory

Directors

- *ROBERT E. BOONE
Senior Vice President
VS Services Ltd., Toronto
- *DIXON S. CHANT
Executive Vice President
Argus Corporation Limited, Toronto
- †HON. GUY CHARBONNEAU
Chairman & Chief Executive Officer
Charbonneau, Dulude & Associés Ltée
Montreal
- LEE F. DRISCOLL, JR.
Vice Chairman & General Counsel
ARA Services, Inc., Philadelphia
- KARL DUESTERBERG
Chairman & Chief Executive Officer
Apetito Karl Duesterberg GmbH & Co.
KG, West Germany
- *CLAUDE FENINGER
President, International Sector
ARA Services, Inc., Philadelphia
- *WILLIAM S. FISHMAN
Chairman & Chief Executive Officer
ARA Services, Inc., Philadelphia
- †*LT.COL. R. GUY GODBOUT
Chairman, Cogan Wire & Metal
Products Ltd., Quebec City
- *JAMES E. GRAHAM
President & Chief Executive Officer
VS Services Ltd., Toronto
- †GOWAN T. GUEST
Partner, Messrs. Owen, Bird, Vancouver
- †DR. JENNIFER M. STURGESS
Director, Warner-Lambert/Parke-Davis
Research Institute, Toronto

VS Services Ltd.

Officers

DIXON S. CHANT
Chairman

JAMES E. GRAHAM
President & Chief Executive Officer

ROBERT E. BOONE
Senior Vice President &
Chief Financial Officer

KENNETH C. DAIGLE
Executive Vice President

RUSSELL G. CAMPBELL
Director of Finance & Corporate Secretary

HUGH N. MacDONALD
Treasurer

Corporate Offices

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41 Ilsley Avenue
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Auditors

Clarkson Gordon
Toronto

Transfer Agent & Registrar

National Trust Company
Toronto

Exchange Listings

The common shares of VS Services Ltd. (ticker symbol VSL) are listed on the Toronto Stock Exchange and the Montreal Stock Exchange.

- *member of the Executive Committee
†member of the Audit Committee

