

VS Services
Ltd.

Annual Report
1982

Financial Highlights	<i>(In thousands except per share data)</i>	1982	1981	% Increase (decrease)
Operations				
	Revenues	\$176,817	\$145,168	21.8
	Net income	4,404	4,189	5.1
	Working capital	13,349	13,815	(3.4)
	Funds provided from operations	7,326	6,236	17.5
	Dividends paid	1,100	805	36.6
Common share data				
	Average number of shares outstanding	2,746	2,682	2.4
	Book value per share	\$11.42	\$10.28	11.1
	Earnings per share	\$ 1.60	\$ 1.56	2.6
	Dividends per share	\$.40	\$.30	33.3
Financial position				
	Total assets	\$ 52,185	\$ 45,162	15.6
	Shareholders' equity	31,740	27,592	15.0

Annual Meeting

The Annual Meeting of the Company will be held on February 2, 1983 at 11:00 a.m. at VS Services Ltd. Head Office, Islington and Evans, Toronto, Ontario.

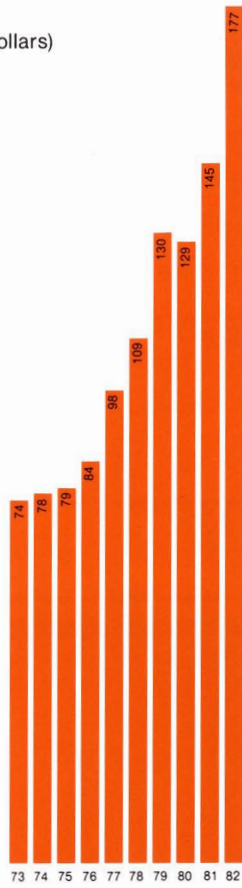
On pourra se procurer sur demande un exemplaire français du présent rapport.



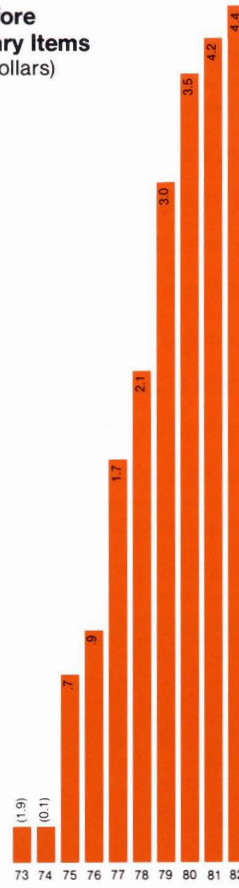
This student represents one of the millions of customers who experienced the satisfaction of Versa's service during 1982. In business, industry, education, health care, leisure and public facilities, 98.2% of the clients who began the year with us, made the important decision to retain Versa for the essential foodservices, and related services that we provide.

Growth at a Glance

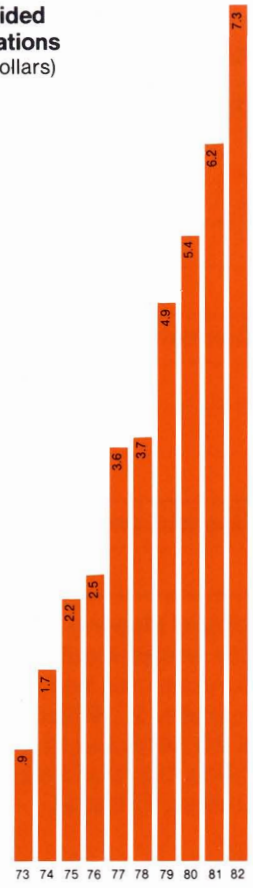
Revenues
(millions of dollars)



Income Before Extraordinary Items
(millions of dollars)

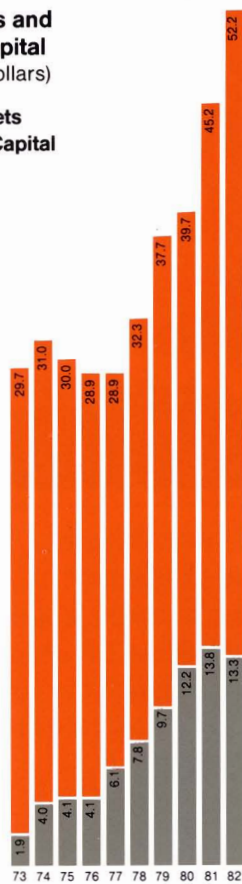


Funds Provided From Operations
(millions of dollars)

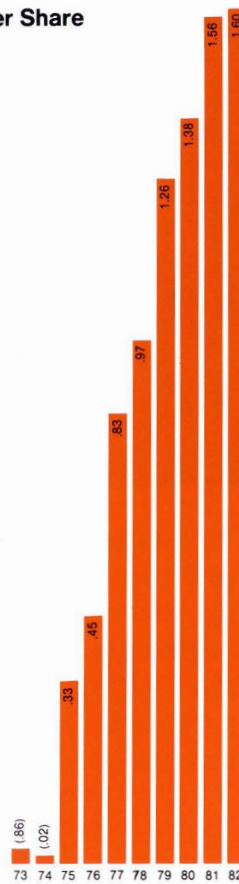


Total Assets and Working Capital
(millions of dollars)

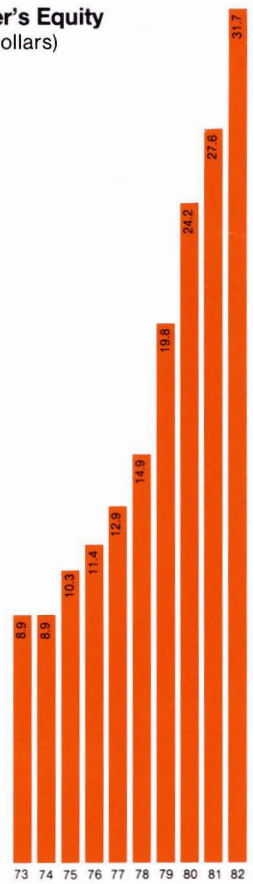
■ Total Assets
■ Working Capital



Earnings Per Share
(dollars)



Shareholder's Equity
(millions of dollars)



To Our Shareholders:



Dixon S. Chant (right), Chairman of the Board and James E. Graham (left), President and Chief Executive Officer.

In a year which has seen many businesses falter, we are happy to report our Company has prospered with the best revenue and earnings growth in history, closing the year ending September 29, 1982 with revenues of \$176,817,000, compared to \$145,168,000 in 1981.

We closed the year with record earnings of \$4,404,000, compared to \$4,189,000 in 1981, despite a decrease in profits in the at-work markets, due to lower populations in most plants and offices.

This earnings increase, the eighth consecutive year of record results in both earnings and earnings per share, is the result of the dedicated efforts by our thousands of employees, as well as the continuing vote of confidence by both existing clients and the market place at large. Ninety-eight percent of the clients served by us at the beginning of the year maintained or renewed arrangements during the year, and we successfully negotiated 112 new contracts totalling more than \$25 million. This is almost double the amount sold in any previous year and reflects our clients' awareness of the professionalism and service effectiveness of our operating divisions.

The Challenge

Management recognized early in fiscal '82, that as the economic downturn continued, stronger efforts were necessary to retain and expand our client base. We made long term investments in resources required to secure increasing market coverage. Although already successful in 1982, this investment will reap its greatest rewards in future years.

At the same time, we introduced cost-cutting measures to cope with the pressures created by the recession. We reduced our investment in vending machines at certain plants, sharpened our purchasing skills to benefit our clients, and were successful in moderating wage increases. We experienced an easing of the cost of some food items toward the end of the fiscal year.

We believe our strict adherence to cost controls, conservative fiscal policies, and emphasis on performance, coupled with an increasing client base, has well positioned your Company to weather the current economic climate.

Health Care Division

While fees in individual accounts increased less than the level of inflation, the increase in total business, through new contracts negotiated, brought our absolute dollar profit ahead of the prior year.

We were successful in securing major new health care accounts throughout Canada, and new business results in the Western provinces were particularly encouraging. As a result of our increased business base in British Columbia, we installed Robert Knapman as Vice President of Versa Services for that Province. Mr. Knapman formerly led the company's growth in Manitoba. This move will assure that our finest programs and resources are directed to Versa clients in British Columbia.

During the year, we were able to contract such important new health care clients as the Workers' Compensation Board Hospital, Vancouver; St. Joseph's Villa, Dundas, Ontario; and Mount Sinai Hospital (Housekeeping), Toronto; to name only a few.

At-Work Group

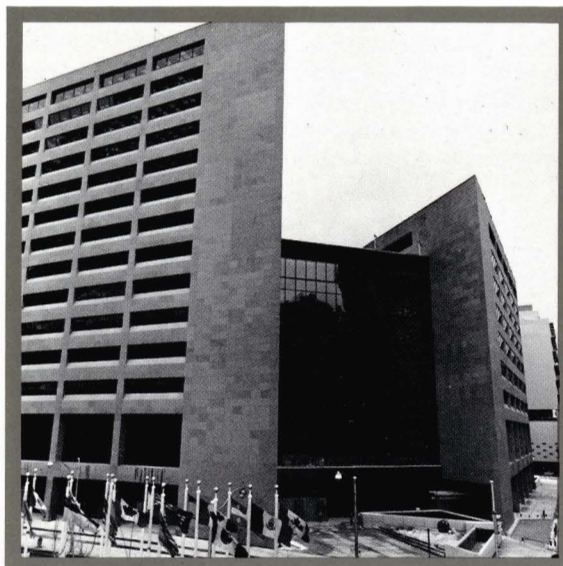
This group, consisting of the Business Dining Services, Vending, and Office Coffee System Divisions, suffered more immediately and directly from the recession than any other part of the company. As layoffs escalated, the result was reduced sales at many of our client locations for our at-work group.

Our company responded to this revenue loss, by a further improvement in quality in order to attract higher percentages of workers to the cafeterias. While successful, this did not fully offset the impact of decreases in the number of employees working at some of our clients' locations.

The blend of fee business (on which we generally receive a lower margin, but at reduced risk to Versa) and the remaining business wherein we operate on a straight commercial basis, provides balance and stability in difficult periods, such as the present.

Our efforts in this market also led to many new contracts, including: The new Bell Canada Toronto Headquarters, Trinity Square; La Presse in Montreal; and A.C. Nielsen Co. of Canada, in Markham, Ontario.

(Right) Bell Canada, Trinity Square, Toronto, Ontario.
(Far right) Montreal Convention Centre, Montreal, Quebec.



Education Division

During the year, our Company continued the thrust toward specialization in service to our clients with the creation of an Educational Services Division.

Versa has historically played a large role in the education field, due to high standards and our coast to coast coverage. We intend to achieve the greater degree of specialization under the leadership of Mr. Michael Oschefski, who has been appointed Vice President of this new division. Mr. Oschefski formerly headed Ontario Business and Industry and Ontario Educational operations.

We also introduced our "Focus" program at the University of Manitoba. Focus is an on-line computer system for providing Versa Foodservice Managers with the tools to better forecast demand, control food costs, and eliminate waste. Versa Services is the only company in Canada to operate this system.

Leisure and Public Foodservices

The turnaround in this Division was one of the very brightest spots of 1982. After the baseball strike in 1981, and the disappointing performances by several of the teams served by your Company, 1982 saw exciting improvements.

At the C.N.E. Stadium, the Toronto clubs became serious contenders and produced some excellent sports spectacles, while the Ottawa Rough Riders, playing out of Lansdowne Park, had another year of exciting, competitive performance.

The introduction of draft and bottled beer at these two stadia, on short notice, required considerable extra effort and commitment by our employees.

We are pleased to report that the media as well as government agencies, have credited Versa with a smooth and professional start-up and ongoing operation of this new service.

This Division also obtained significant new contracts, including Dorval (Montreal) International Airport, the second largest airport in Canada, and the new Montreal Convention Centre, both of which were negotiated by, and will be operated by, Versabec, Inc.

In recognition of the challenges and opportunities facing the company in this area, our management created a national division specializing in leisure and public operations, and appointed David A. Denham as Vice President of this division. Mr. Denham, who joined Versa in 1981, was formerly in leisure foodservice management in the U.K.

WHAT DO A HOSPITAL, UNIVERSITY, BANK AND AEROSPACE COMPANY HAVE IN COMMON?



WHEN THEY NEEDED A SPECIALIST, THEY CALLED VERSA

JOSEPH BRANT HOSPITAL. Since 1961, Versa National Services has been meeting the unique dietary needs of this Burlington, Ontario hospital, as well as providing employee cafeteria services for its demanding health care professionals. More than 2 million meals have been served with pride to the patients of Joseph Brant.

UNIVERSITY OF MANITOBA. From 8:00 in the morning until 11:00 in the evening, the University of Manitoba relies on Versa Food Services to provide breakfast, lunch, dinner, hot and cold beverages and snacks to over 22,000 students. Versa Food Services also provide residence dining for two colleges and catering services for conferences and convention groups.

THE BANK OF MONTREAL. Canadian Trust Bank demands first quality dining and nutrition for its employees and Versa Food Services provides it at many of the Bank's locations across Canada. In addition, Versa answers one of the Bank of Montreal's concerns for employee satisfaction.

MCDONNELL DOUGLAS CANADA LTD. Supplying thousands of hearty appetites at one of Canada's large aircraft manufacturing companies requires a leader in the foodservice industry. Versa does it with services ranging from more than 50 vending machines spread throughout the 1.8 million sq. ft. plant, to custom-made mobile wagons, to a full service employee cafeteria. In all, it adds up to 12 million meals since McDonald's.

YOUR SERVICE NEEDS ARE OUR BUSINESS. Wherever services you need - solutions for a remote oil platform, design assistance for a new employee cafeteria, housekeeping and landscaping for a meeting room - Versa Services probably has a way to do it more efficiently. From St. John's to Victoria, we meet the needs of more than 125 hospitals, 600 foodservice customers and 10,000 office coffee customers through our Diplomat Coffee System Division. And Versa Services meets the demand for foodservice at trade, aviation, convention centres, retail outlets and customer camps. If you are ready to add a new facility or would like to learn how Versa Services can improve your present operation, talk to us today.

Please call: Richard S. Schweitzer, Vice-President of Sales and Marketing at (416) 225-1331.

A DIVISION OF VS SERVICES LTD.

versa
services

New Corporate and Divisional Identification

As a reflection of the pride we take in our Company, and to help identify our services quickly and positively, we have introduced new corporate and divisional designations.

The Company's foodservice management and housekeeping management divisions are now identified as **Versa Services**. In Quebec, the company name is **Versabec, Inc.** (previously La Société VS Inc.). Diplomat Coffee System, Aroma Coffee Services (Winnipeg), Complete Management Services, and Vancouver Enterprises Ltd., will continue to operate under their own names.

We believe the emphasis on **Versa** will facilitate quick and easy identification of our companies. The Versa logo will be exhibited on all our publications, trucks, vending machines, uniforms and other suitable locations. One use of the logo is represented on the cover of this report. Another use is seen in the advertisement on this page. This ad is part of the national print advertising campaign launched this year.

Other Highlights

To protect our leadership position, and expand it, our Company has

- Continued to manage a strong balance sheet, with almost no long-term debt.
- Retained our positive cash position, enabling us to take advantage of such further opportunities for acquisitions as may present themselves.
- Continued our direction toward specialized divisions to serve our various markets. This provides our clients with the benefits of experience, expertise and professionalism in each market.
- Elected Dr. Jennifer M. Sturgess as a Director of VS Services. Dr. Sturgess, as Director of the Warner-Lambert/Parke-Davis Research Institute, and member of the Executive Committee of Warner-Lambert Canada Inc., brings a strong health care background to VS.
- Continued our program of acquisition, completing the purchase of Vancouver Enterprises Ltd., and the Alberta and British Columbia operations of Parnell Foods (1981) Ltd. These moves have secured a strong position for your Company in Western Canada.

- Completed the acquisition in January 1982, of 51% of the outstanding shares of Major Foods Limited, the leading east coast foodservice company.

Jim Sawler, the founder of Major Foods in Atlantic Canada, continues as President of the Company he built into the largest vending company in the region. Mr. Sawler has also assumed direction of our Versa business in the region. Peter McCawley, formerly General Manager of Corporate Services, moved to Major as a Vice President early in the fiscal year, and helped guide that company to a profit improvement.

Prognosis for Fiscal 1983

The provision of a fair return to shareholders is a priority for your management. We have experienced difficulties locating acquisitions capable of yielding a return of investment similar to our basic business. 1983, like 1982, will be a year with much potential for the careful acquirer. Our acquisitions have broadened our coast-to-coast coverage. We now have a sound base to move further ahead when the economy improves.

One of the strengths of our company throughout has been the high quality and efforts of its employees. Over the years, our people have demonstrated a strong sense of commitment and evident quality of team play. These qualities have aided us in good times, and bad, to produce the best results, and best service possible. We want to acknowledge the significant contribution of all the men and women of VS Services.

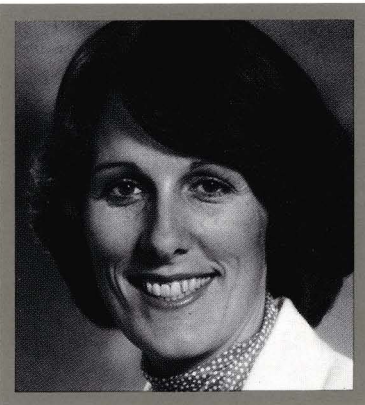
The Board and Management look forward to meeting as many shareholders as possible at our Annual Meeting.



Dixon S. Chant,
Chairman of the Board



James E. Graham,
President and Chief Executive Officer



Dr. Jennifer M. Sturgess, Director.

The focus of the 1982 Annual Report is the satisfied customer in each of our markets. Our clients and customers are the reason for Versa's very existence, as well as our continued success.

For the benefit of our shareholders, prospective clients, and interested parties, we present more than an Annual Report. In the following section, we illustrate how we serve, and how well we serve, the customer in each of our eight major markets. The material is used by Versa sales personnel in their efforts to attract new clients across Canada.



“**W**hat I like is the choice. It's not the old if it's Monday it must be ham or cheese sandwich routine. I can have a soup and a sandwich one day. The next day I can have a salad and a steak pie heated in the microwave. I'll tell you, it sure beats brown bagging it.”

Nationwide vended foodservice

Versa is the only company to provide vended foodservice nationwide. From Vancouver to St. John's, we service over 500 major clients, with over 7,500 machines, from 21 divisional offices.

Versa focuses on providing high quality service along with prepared food because we are in the foodservice business and vending machines are often the most effective and economical way to deliver our food products.

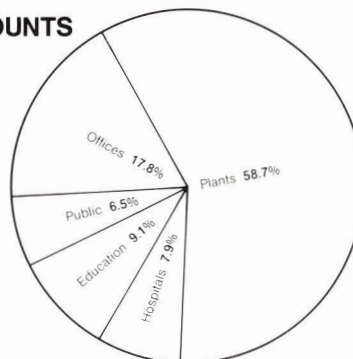
The employee benefits

Coin-operated dispensers have been around for centuries but vended foodservice did not become popular until competition for good employees made personnel departments aware that its benefits were so highly valued by employees. On-premises foodservice, while not as costly as many other traditional benefits, can increase a company's productivity by contributing a higher level of self-satisfaction to employees' work hours.

On-site foodservice minimizes wasted time before, after and during the busy lunch period. It eliminates the cost and time involved in travelling to restaurants. Employees receive good value for their money by using vended service and they have a clean, friendly environment in which to meet.

Today, most larger, progressive companies provide their employees with vended foodservice; indeed, it has become as commonplace as two weeks vacation or paid medical insurance. In fact, Versa serves eight of the ten largest companies in Canada.

TYPES OF ACCOUNTS SERVED



The service begins and continues

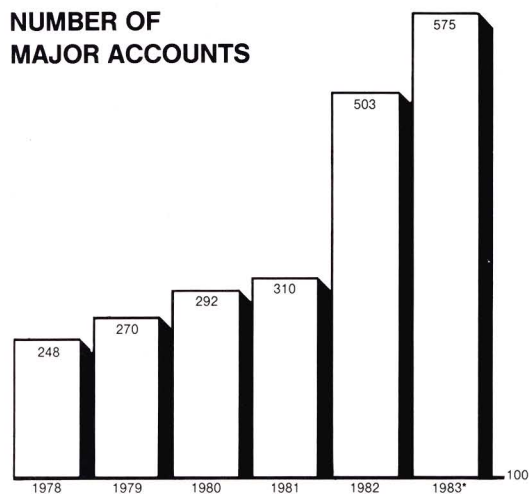
When Versa is invited to discuss providing vended foodservice for a client, an on-site survey is conducted to determine the qualitative and quantitative factors about the account. If we believe we can help, a proposal is presented to the client outlining in detail the particular equipment, product selection, route supervisory framework, and delivery schedules that are most appropriate.

Upon acceptance of the contract, the required machines are ordered from Versa's Vending Service Centre and installed in a neatly banked appearance to enhance the dining area. The Service Centre annually ships hundreds of machines to the various divisions across Canada.



Each piece of equipment that comes in is entirely refitted to Versa's rigid specifications. The centre stocks 3,200 different repair parts, and employs six equipment technicians. Each machine leaves the centre in perfect working order, with our uniform graphics and finish. Selecting the best equipment and servicing it with our regular preventative maintenance programme helps ensure trouble-free operation.

NUMBER OF MAJOR ACCOUNTS



*estimate based on first quarter of fiscal 1983.

10,000 baked goods daily

Product research and development for all food preparation facilities across Canada is provided by a centralized facility located in Toronto. One of the largest and most modern of its kind, the Food Production Centre includes the only on-premises bakery of any vended foodservice company in Canada. Each day, the Toronto Food Production Centre bakes 10,000 individual items, packages 3,000 sandwiches, and provides hot entrees and casserole dishes for 1,000 meals.

The benefits of variety

Variety is of key importance to our clients' employees, since people who eat in the same place every day wish to have a broad selection of items.

Versa has dealt with this challenge by offering a 190-item, two-week rotating cycle menu which offers the most popular choices plus a few unique selections.

Providing value

The desire to serve the very best quality while considering the desire to the consumer for meals at low prices has led to our own food production centres, where we can cook to our own freshness and quality specifications. For each particular cost level, we can purchase the highest quality goods available.



Vended foodservice fills a market need - convenience, reliability, and low costs. The emphasis on employee benefits favours a company like Versa that has organized modern food production centres, a dedicated service organization, and systems that deliver the maximum quality at moderate prices. In the past, our average length of service to clients is 18 years; in the future we plan to increase that record.



I eat at my company's cafeteria every day and I expect food that's fresh, well prepared and well presented. My lunch time is precious, so I appreciate fast and courteous service; I want to know that my presence is appreciated, not a bother. As a valued and hard-working employee, I think I deserve all that from the cafeteria staff."

In the competition for good employees, providing satisfaction and a pleasant work environment have become increasingly important. Now, more than ever, each company benefit must be productive, appropriate and cost effective. No benefit receives greater participation and has higher visibility than foodservice.

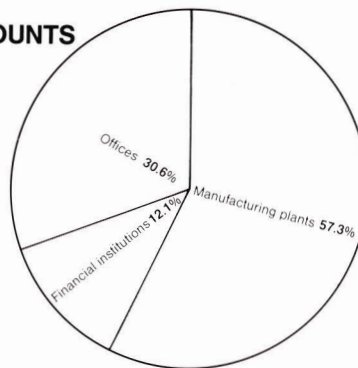
Versa dining services has been providing benefits to people in business and industry for over 30 years. In 1957, the company with the largest single employee location in Canada, General Motors in Oshawa, selected Versa. Today, more of Canada's major corporations use Versa to fulfill their foodservice needs than any other foodservice company. From banking to mining, data processing to steelmaking, accounting to shipbuilding, Versa creates solutions to satisfy the foodservice needs of every industry.

Trusting a specialist

Experience has proven that certain services are best provided by specialists. Legal, maintenance, management consulting and advertising are prime examples of this philosophy and the same holds true for foodservice. Progressive companies recognize that the procedures required for the efficient and effective operation of a dining facility are best realized by a professional foodservice operator.

When there are only 10-15 minutes available for coffee breaks or just 30 minutes for lunch, traffic must flow constantly. When budgets are tightened, the levels of subsidy costs must be in line with other expenses. When the productivity of workers is of great concern, balanced nutrition must improve their output.

TYPES OF ACCOUNTS SERVED



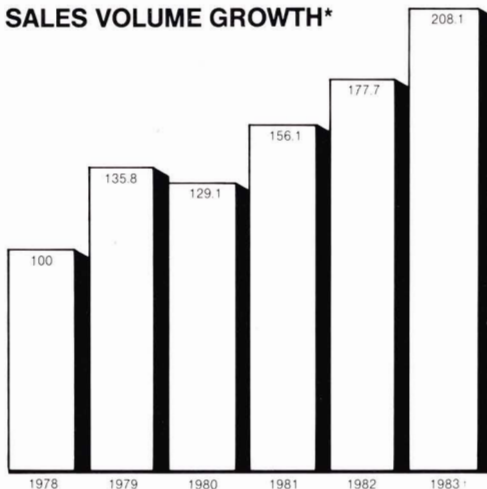
Increasing participation

Satisfying the customer begins by starting with fresh ingredients, preparing them to maintain nutrients and enhance taste, and serving them in an appetizing fashion. Like dining out in a restaurant, atmosphere also must play an important role. Versa helps increase cafeteria usage with fashionable uniforms, framed food posters, silk flower arrangements, menu designs and merchandising programmes.

Adventures in Dining are special days that tie in with not only the traditional feast occasions such as Christmas and Thanksgiving but themes such as Hooray for Hollywood, Strawberry Festival and Western Days. Menus, costumes, music and decorations turn a simple luncheon into an event that our customers can look forward to.



SALES VOLUME GROWTH*



* based on 1978 equal to 100.

† estimate based on first quarter of fiscal 1983

On average, employee participation levels increase by 5-15%, and in some cases, by as much as 30-40%, when Versa begins service at new client locations.

A balanced diet

Nutrition starts with the food we serve. Versa has developed more than 800 recipes that are part of the standard operating procedures of each employee cafeteria. The recipe cards are the creation of Versa's Executive Dietitian's Department. This department is supported by our 130 dietitians, the largest such staff in Canada. In fact, Versa is the only recognized company where dietitians can serve their internship and receive full accreditation by the Canadian Dietetic Association.

The Versa *Physfoods* programme is designed to make employees more aware of the nutritional contents of food and the value of a properly balanced diet. Through a seven-part series of employee newsletters and colourful wall graphics, the personnel of Versa clients receive a concise education on the benefits of protein, vitamins and fibers and the dangers of sugar, salt and alcohol.

Solid support

The size and diversity of Versa allows us to place entire support departments in headquarters and regional offices, at the disposal of each on-site manager. Personnel recruitment, job training, equipment maintenance, bulk purchasing, interior design, menu selection and accounting systems are all in place as central resources to be called on daily or as required. The result is the targeted control of quality, production and costs that are the very reason for the foodservice contractor's existence.

Today, Versa's standards of excellence and effective cost controls benefit more cafeterias and executive dining rooms than any other management firm. Our average length of service to a client is 17 years; our annual customer retention rate is 98.2%; and in the last three years, we have been asked to begin servicing more business and industrial facilities than any other foodservice company in Canada.





I couldn't wait to get away from home and go to university. But until I got here I was worried that the food wouldn't be nearly as good as at home. Well, don't tell her I said so, but while my mom is a great cook, John, the chef here, may be even a little better."

Learning along with students has taught Versa Services that current changes in the university, college and school markets dictate a need to be especially innovative and cost effective to satisfy contemporary student tastes. To meet this challenge, Versa operates a specialized division to better serve Canada's educational facilities and maintain a position of leadership.

We've done our homework

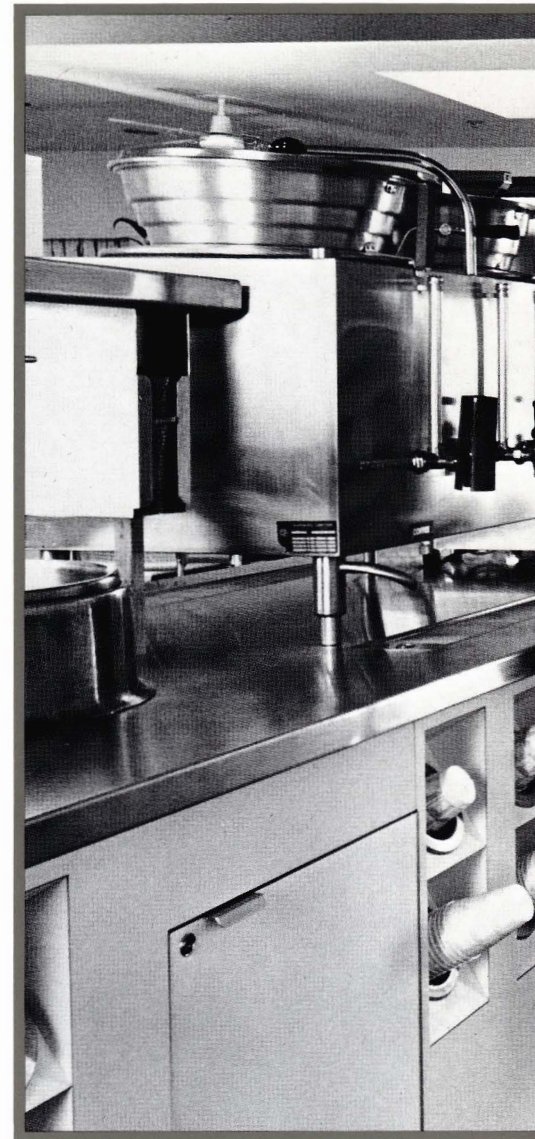
Versa Services is committed to providing students with not only a quality product but one that is merchandised in sufficient variety to satisfy most every taste. In some facilities, a unique "Pay by Weight" salad bar and a "Build Your Own" deli sandwich bar are offered.

Students create their own sandwich or salad from a variety of fillings and toppings. Having completed their selections, they take them to the check-out where they are electronically weighed and paid for by the gram or ounce. Versa has recently expanded this programme to include fruit bars, cheese bars and dessert bars.

Coupled with daily specials and promotions, the self-serve format offers the student increased choice. Menus are reviewed at regular intervals by our Executive Dietitian for variety, value and presentation.

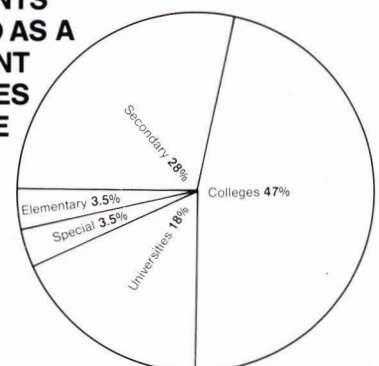
Nutrition plays an increasingly important role in the educational facilities served by Versa. Our *Physfoods* programme is used in college and university accounts as an adult awareness programme in nutrition. *Physfoods* "lessons" are communicated through colourful posters, tent cards, food labels, questionnaires and fact sheets. The *Rainbow* programme, used in elementary and secondary schools, colour codes the four major food groups and has proven over the years to educate our youth in better eating habits. Both nutrition plans are unique to Versa and are supported by on-site dietitians during implementation and follow-up.

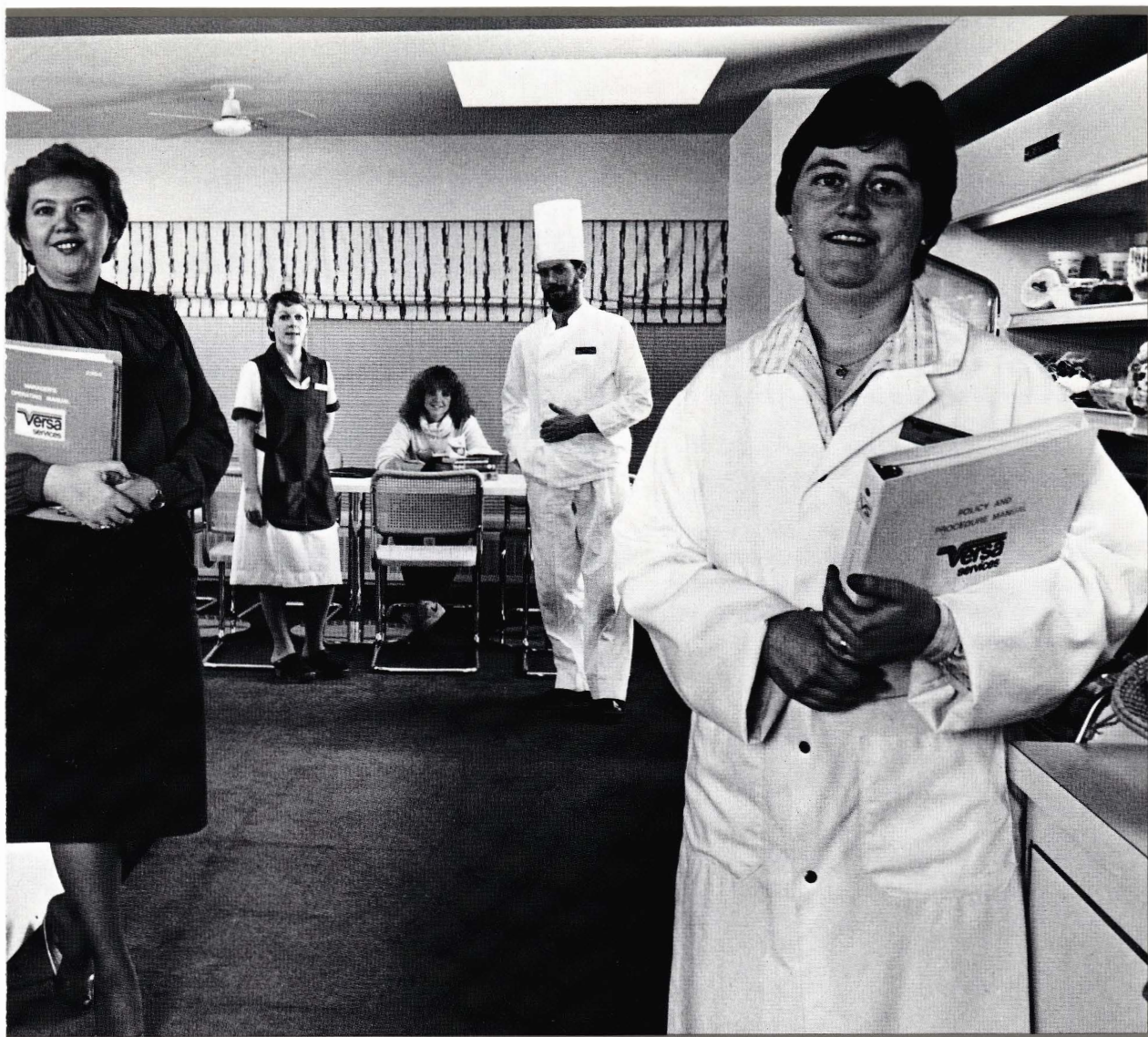
Quality and freshness are guaranteed as a result of Versa's control systems. Each vendor must be approved by our Purchasing Department as an authorized supplier and is visited by a Versa representative to have their facilities scrutinized. All meats must be federally inspected and similar specifications are applied to all products prior to purchasing.



The responsibility for product ordering lies with each on-site Foodservice Director to ensure freshness. Versa does not centrally order and distribute supplies. Perishables like fruit, vegetables, bread, milk and ice cream are received daily. Meats and grocery items are delivered two or three times per week.

TYPE OF ACCOUNTS SERVED AS A PER CENT OF SALES VOLUME





Adding a touch of class

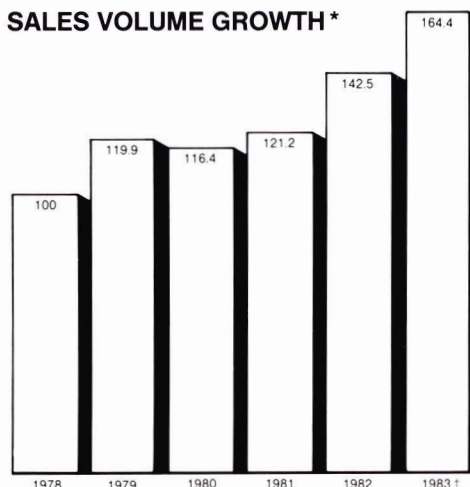
Fresh and wholesome food is only part of the pleasure of dining. Environment and decor are also prime influences on the enjoyment of a meal.

Students find that Versa's friendly and courteous staff, coupled with our attractive additions to our clients' facilities, make eating in their cafeteria or dining hall a pleasure. The Versa standards programme, evident in all operations, includes crisp, new uniforms; framed food posters; silk flower arrangements; menu board design; merchandising; and attractive food presentation.

The Versa *Idea Exchange Centre* is a publication that consists of success stories from our various facilities and other relevant information from across the country. Its purpose is to keep fresh ideas moving among our Foodservice Directors.

"Focus" is an on-line computer system that provides Versa managers with the tool to better forecast demand, control food costs, eliminate waste, and provide maximum variety.

SALES VOLUME GROWTH*



* based on 1978 equal to 100.

† estimate based on first quarter of fiscal 1983.

Looks good on the books

Making foodservice work for our clients is accomplished by installing the most cost-effective operation. Educational institutions invest hundreds of thousands of dollars in a foodservice facility with the objective of having maximum use by the student body. With declining enrolment being experienced by some school systems, quality in both product and personnel are essential to ensure the institution enjoys participation levels that will offset fixed expenses associated with the operation. With Versa's expertise, the job gets done and the return on investment is realized.

Versa does not "take over" the foodservice operation; it provides the specialized management to operate the facility consistent with the philosophy of the institution. This is accomplished under a variety of agreements unique to each of the more than 100 schools that Versa serves across Canada.

Versa surveys the operation, presents our proposal for foodservices, introduces the full-time, on-site Foodservice Director, and incorporates the proposal on a timing schedule mutually agreeable to both parties. When a formal agreement has been reached, orientation and staff training result in a cash, resident or combination foodservice that the client, students and staff of the institution can be proud of.



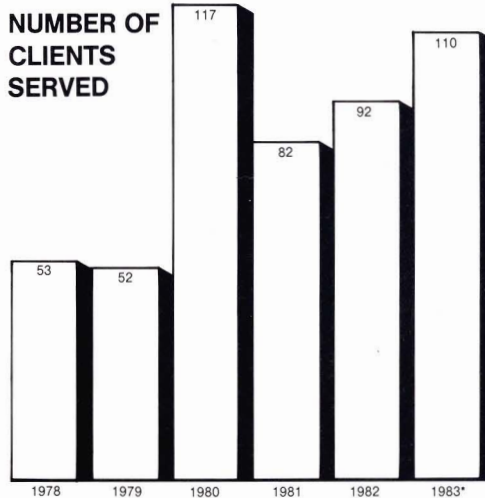


“**E**ven though this is our third venture into designing a food-service operation, we recognize that we can’t do it alone. The needs are so much different from a conventional assignment. PFFI made it work the first two times and that’s why we’re putting our trust in them again.”

A foodservice facility is one of the most specialized types of design projects. To achieve the optimum levels of functionality, efficiency and aesthetic appeal requires a planning team with first-hand knowledge and experience. In 1968, that specialized need was answered in Canada with the formation of Planned Food Facilities International (PFFI). Today, PFFI is a leader in innovative foodservice planning.

The best of our abilities

With every assignment, the single goal of PFFI is to appropriately balance design excellence with space, labour and equipment utilization. In today's economy, we know that a keen awareness of costs is required to optimize capital investment. Flexibility to overcome obsolescence and allow for change and expansion is also desirable.



* estimate based on first quarter of fiscal 1983.

The best laid plans

The PFFI system begins with a complete analysis of each client's objectives and opportunities by our consultants. Initial design concepts, themes and traffic plans are discussed to reveal the individual goals of the client's food operation. Decor, layout and equipment alternatives are reviewed and a feasibility study is developed.

Following our clients' preliminary approval, we then proceed with formal layouts tailored to provide the exact solution to their needs. And, when all plans are finalized, we will either continue with the full responsibility for project management or, if desired, work with another construction and finishing team.



PFFI has designed foodservice facilities for hotels and restaurants, hospitals and nursing homes, industrial and commercial operations, schools and colleges, arenas and stadiums, golf clubs and recreation parks. Our services are used directly by clients, by architects, consulting engineers and internal planning departments who know and seek the advantages of our specialized expertise.

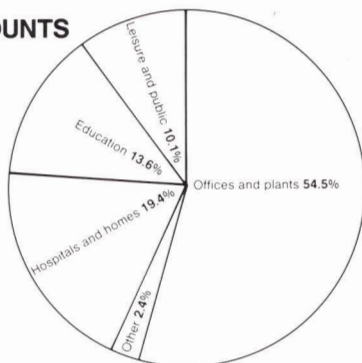
The Greenhouse

If applicable, we include an already proven design concept into the plan. *The Greenhouse*, one of the most popular systems, is a totally integrated foodservice environment that stimulates morale and productivity.



The Greenhouse combines the aesthetic values of natural wood finishes and hanging plants, the efficiencies of vending and self-serve, and the economies of modular equipment and ease of installation. From a menu of flexible size and style variations, Versa clients can select a plan that serves up to 720 people an hour with the innovative food island concept.

TYPES OF ACCOUNTS SERVED



We give you our best

Our business is centered around design but, because of the diversified abilities and experience of our staff, we offer the widest range of services available from any single source incorporating:

- feasibility studies
- concepts
- design criteria
- space/area allocation
- traffic flow patterns
- environmental design
- operation planning
- budget preparation
- cost control
- floor plans
- services interface drawings
- interior design
- equipment/furniture specifications
- tender documents
- job-site co-ordination
- dietary control
- product research
- purchasing procedures
- merchandising systems

In the best of company

The best way we can show our clients what we can do for them in the future is to tell them what we've done for others in the past.

BUSINESS AND INDUSTRY CLIENTS.

General Motors Corporation -
Oshawa, Ontario
Stelco - Nanticoke, Ontario
Royal Trust - Toronto, Ontario.

**SCHOOLS, COLLEGES AND
UNIVERSITY CLIENTS.**

St. Lawrence College - Kingston, Ontario
Dalhousie University - Halifax, Nova Scotia
University of Manitoba - Winnipeg, Manitoba

**HOSPITALS AND HEALTH
CARE CLIENTS.**

South Muskoka Hospital -
Bracebridge, Ontario
Belmont House - Toronto, Ontario
Copernicus Lodge - Toronto, Ontario

HOTEL AND RESTAURANT CLIENTS.

Heritage Restaurant - Limeridge Mall,
Hamilton, Ontario
Heritage Restaurant - Kitchener, Ontario
T.G.I. Friday - Toronto, Ontario

SPECIAL PROJECT CLIENTS.

African Lion Safari and Game Farm -
Rockton, Ontario
Lansdowne Park Stadium -
Ottawa, Ontario
CNE Stadium - Toronto, Ontario

These are a few samples of the many projects, both past, and ongoing.

When our clients want the best new foodservice facility, or are about to remodel an existing one, they do what many companies in Canada are doing. They rely on Planned Food Facilities International. They are assured that their operation will have the built-in flexibility to provide long range efficiencies. They are assured that the job is done right the first time. They rely on PFFI for tomorrow's sake.





Ten years ago, Versa Services brewed up a good idea. We acquired Diplomat, a Burlington, Ontario company, and began to build our concept of office coffee systems throughout Canada. The theory was simple. Why go out for hot drinks when you can have a coffee shop right in your office by installing the Diplomat System?

The Diplomat Coffee System is a convenient and economical way for businesses to have first quality, fresh brewed coffee. The service provides a customer's employees with the most appropriate brewing device and a constant supply of all products. People enjoy fresh coffee, up to 24 hours a day, right where they work.

We bring in the equipment

The equipment available includes automatic brewers, drip coffee makers and coin-operated units. When the machine is a quality coffee brewer, properly suited to its job, you get a much higher quality of coffee with the rich, satisfying flavour you deserve and expect.

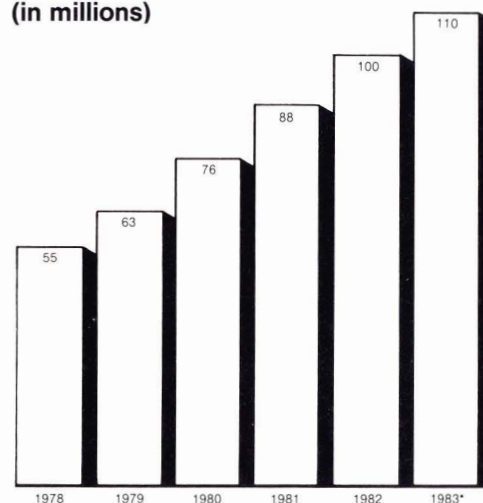
Diplomat provides the coffee brewer best suited to the needs of the customer on a loan basis and assures ongoing equipment maintenance. With reliable service and little chance of downtime at our client's coffee station, there's always a fresh, hot cup ready. There are never any rental, service or repair charges on the equipment. Diplomat customers pay only for the supplies they use.

Our customers just enjoy the coffee

As part of the Diplomat programme, all clients are telephoned on a predetermined frequency to check on their supplies and arrange for delivery. On each service call, freshly cleaned pots are brought in to replace existing ones. If there's ever an unexpected out-of-product situation, one telephone call arranges an emergency delivery from one of our 35 trucks.

From our small beginnings, Diplomat has grown to perk up over 10,000 businesses and over 100,000,000 cups of coffee every year to the cream of the corporate crop.

NUMBER OF CUPS SOLD
(in millions)



* estimate based on first quarter of fiscal 1983.



Boy, do I like baseball. My dad even caught a foul ball for me last time we were here. It's not just the game that's great, it's the eats. My dad says it isn't baseball without a hot dog. I wish he said it wasn't baseball without at least two of them."

Until recently, Canadian leisure facilities often chose to manage their own foodservice operations. Today, there is a major shift in this industry. Many convention centres, stadiums and arenas are following the examples of U.S. and U.K. facilities and assigning the responsibility to a professional foodservice contractor. In Canada, the leisure and recreational market often turns to Versa.

A load off your mind

The common perplexing problem faced by sports complexes, exhibition halls, convention centres, recreational parks and public restaurants is peak customer loads. First is the problem of seasonality where a business may operate for as little as two months a year. Second is the problem of short demands of activity which can occupy as little as two hours a day.

In 1976, the Montreal Olympics required the feeding of 10,000 athletes and coaches for just a two week period. The international acclaim that Versa received for accomplishing the task was based on, not only readiness and speed, but the ability to satisfy an enormous variety of ethnic tastes with an accent on high nutrition.

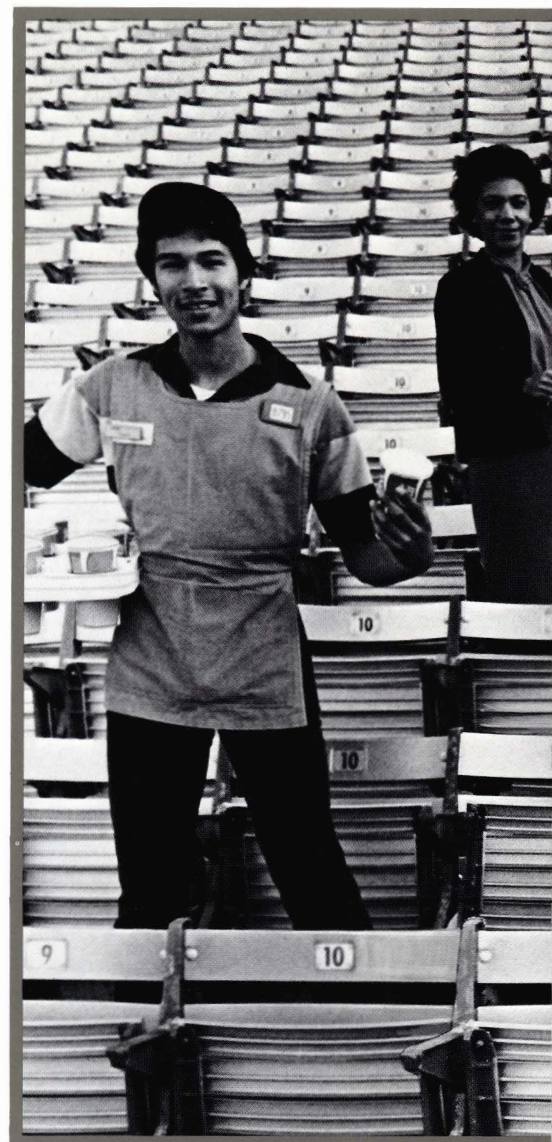
Spreading the load

An exhibition centre is traditionally busiest during the winter months; a baseball stadium has its peak in the summer. For either facility, the direct employment of a first-rate foodservice management staff is an impractical economic burden. Unless full-time, year 'round employment is offered, qualified personnel are extremely difficult to attract.

Versa solves the problem by spreading its management team across the different segments of the industry and supporting the workforce of individual clients when the need is greatest. Management presence and involvement in baseball stadium activities is shifted quickly to supervision of the exhibition halls as soon as the season ends. The benefits of size, diversity and flexibility would be unavailable to the customer under self-operation.

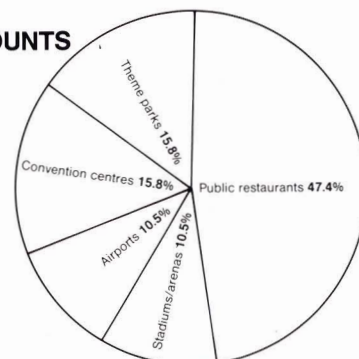
Specialists in special events

The banquet requirements of a large facility such as the Montreal Convention Centre are extremely different from operating over 110 service points, for 50,000+ fans, at a Grey cup game in



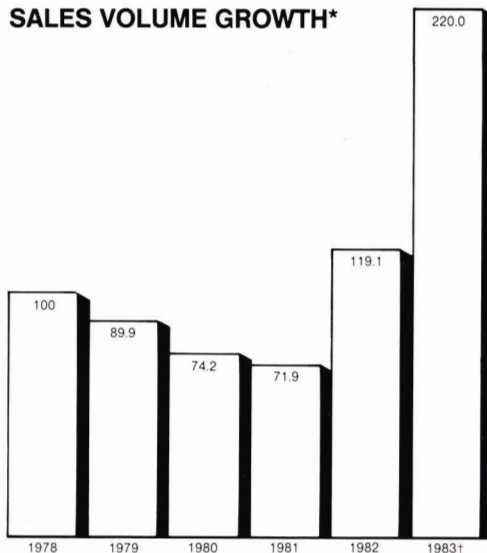
Toronto's CNE Stadium. The pioneer theme meals served at Upper Canada Village, in Morrisburg, Ontario, vary greatly from the haute cuisine at the renowned Act III restaurant, in St. John's Newfoundland. Yet in each of these operations, there is a common need for the management expertise and experience of Versa in human relations, purchasing, customer traffic flow, food merchandising, cash management and revenue control.

**TYPES
OF ACCOUNTS
SERVED**





SALES VOLUME GROWTH*



* based on 1978 equal to 100.

† estimate based on first quarter of fiscal 1983.

Part-time is a full-time responsibility

Part-time staffing can be a challenge all on its own for leisure facilities because this business is very susceptible to high staff turnover. Yet quality in the labour force is extremely important. Many of the consumer purchases at a recreational site are of an impulse nature; presentation and salesmanship can greatly influence an increase in volume.

Versa personnel departments are trained to recognize the courtesy, enthusiasm and diligence that are the raw ingredients required for successful execution of part-time service jobs. Manuals specific to each job function are created by Versa for the training of youths. At a large facility, such as CNE Stadium, new employees participate in an audio visual programme to learn service and selling skills.

**Higher revenues
through satisfied customers**

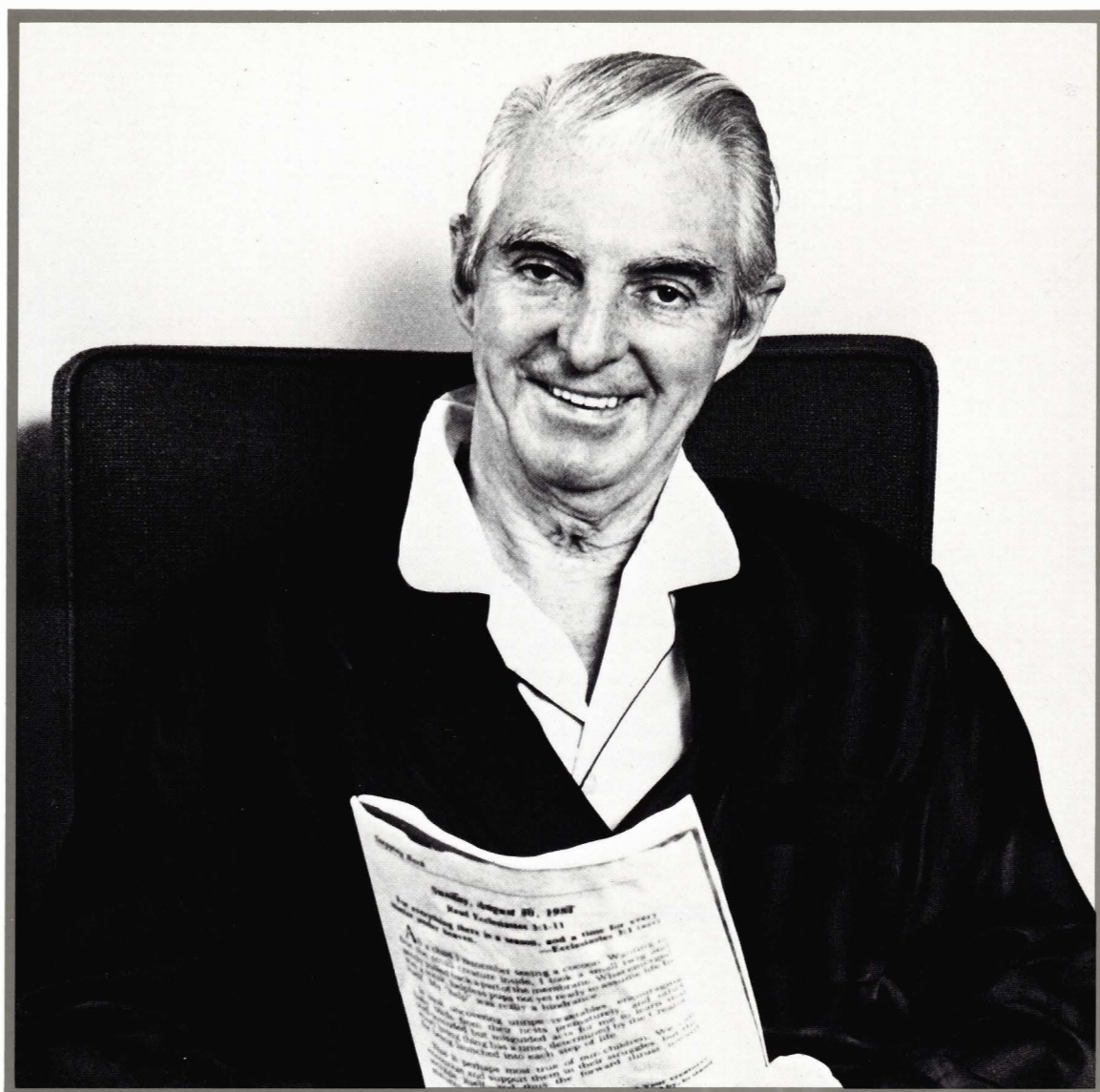
All of our systems, procedures and merchandising techniques are designed to provide higher levels of satisfaction for leisure customers and higher revenues for both Versa and our clients. A satisfied customer is more likely to return and generate increased attendance, increased sales, and a better financial return.

The trend to Versa

With our changing socio-economic structure, more leisure time is now available to Canadians. We are seeing a substantial increase in the number of athletic franchises and theme parks to fill that time. A large number of the new facilities are relying on Versa for foodservice.

Versa's leisure division tripled in sales volume over the last three years. It now employs over 1,500 people who served more than 10,000,000 Canadians and visitors in 1982.





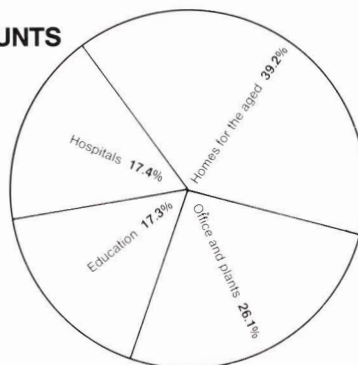
“**I** don't really think about how clean the place is and I suppose that's a plus. If it was ever dirty, I'd sure as heck notice and be the first to complain. As far as I'm concerned, everything 'round here is always spic and span, day in and day out.”

Versa's housekeeping and laundry operations began when an existing health care client said to us, "If only we could have the same quality and cost controls in our other service departments that Versa gives us in dietary."

A research project showed those sentiments to be shared by not only the hospitals, clinics and nursing homes, but the commercial, industrial, and educational accounts that we provided with foodservice. And so, in 1967, we gave official birth to Versa's housekeeping, laundry and linen division.

We began by undertaking a total analysis of the existing standards for housekeeping and laundry. Then, we reviewed the procedures, systems, frequencies and support that had made our foodservice operations so successful and began to cross-reference. The results were a new set of operating procedures that have raised performance levels and effected major economies for the many clients that now rely on Versa.

TYPES OF ACCOUNTS SERVED



The systems are in place

Infection control, high levels of sanitation and cost restraints are issues of great concern to every health care facility. Versa provides solutions, not only to hospitals and homes for the aged, but to plants, offices and schools.



Versa issues weekly control forms and graphs of quality levels in each staff member's area of responsibility. Our now proven systems ensure operating consistency through the selection and deployment of labour, product use and purchasing, administrative expertise, and accurate reporting. A customized departmental policy and procedure manual is prepared for each health care client's facility to maintain the highest levels of asepsis according to individual accreditation standards.



The principle tool for cost control is Versa's standardized *Weekly Operating Report*. This financial summary, completed by the Versa manager assigned to each facility, shows the total cost of labour, fringe benefits, supplies and equipment depreciation as compared to the projected operating budget. Weekly reports are subsequently reviewed by five levels of management to ensure that each client location's financial objectives are being met.

Making a clean job of it

Reporting and reducing costs is one thing. Performing to high standards is quite another. It's the prime reason why Versa's housekeeping and laundry division has built such a successful reputation across Canada.

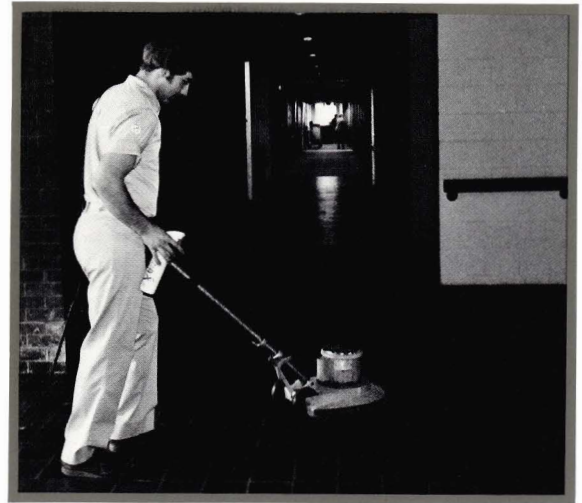
The wealth of human resources available begins with the District Manager who directly assists Versa's on-site department head. Every two weeks, the District Manager spends a full day at the client's facility to review previously made plans and objectives, set new goals, and re-evaluate systems and costs. A visitation report is presented and discussed personally with the client before the day is out. Supporting the District Manager is a General Manager who visits each location on a quarterly basis for a thoroughly detailed inspection.

At Versa's regional offices, personnel, industrial relations, purchasing, accounting and auditing departments provide further support when required. For instance, industrial relations gives centralized support to labour costs and fringe benefits. They ensure that communication with unions is professionally handled and provide consultation based on the experience of more than 90 collective agreements.

The choice is easy

Working with Versa is an easy choice. Various contracts are available to match each client's way of doing business, varying from a simple management fee to an arrangement where Versa provides a total service and assumes all financial responsibility for the operation.

No matter which contractual arrangement our clients choose, they know they're getting service to suit their exact requirements. They know they're working with people who possess the knowledge and experience, the management ability, the service standards, and the interpersonal skills that allow them to generate results in housekeeping, laundry and linen services.





Believe me, the myths about food in institutions had me worried. What a pleasant surprise when I found out the meals here are so tasty . . . the things I like done the way I like them. I feel very pampered. It's making my stay a lot more comfortable than I ever expected."

In any service business, the reason for being a leader is people. The Versa philosophy is "the best people . . . the best service" and it's especially evident in the company's nutritional services division. The personnel chosen to manage and operate Versa foodservices at hospitals and homes for the aged are, quite simply, the most qualified people in Canada.

Setting the standard

With a reputation for training and development and an unrivalled opportunity for diversified experience and advancement, Versa is able to attract and keep the best people.

Each Versa dietitian is a B.Sc. graduate in Home Economics who has completed an internship approved by the Canadian Dietetic Association. Continuing education, as established by the by-laws of each provincial association, is strictly followed to ensure the dietitian is practicing current nutritional therapy.

Person to person

We understand the need of patients and residents to receive personal attention regarding their diets. The levels of satisfaction they receive from each meal are most important. The ongoing feedback helps us write new menus that recognize local taste preferences.

Versa strives to make even the most challenging diet more savoury to our patients and residents through the creative use of allowed seasonings. Versa dietitians actively counsel each patient or resident, explain why certain foods were specified by the doctor, and clarify any concerns they may have. If necessary, written diet instructions and guidelines, based on Versa diet manuals, are provided to ensure understanding and continuance at home.

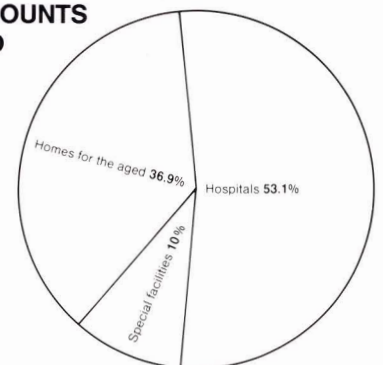
Based on experience

Each foodservice manager must have direct industry experience. To increase their nutritional knowledge, employees are enrolled in the Canadian Hospital Association's Food Service Supervisor's course before receiving full responsibility for a health care operation.

Versa has developed methods of accurately determining the amount of



**TYPES
OF ACCOUNTS
SERVED**

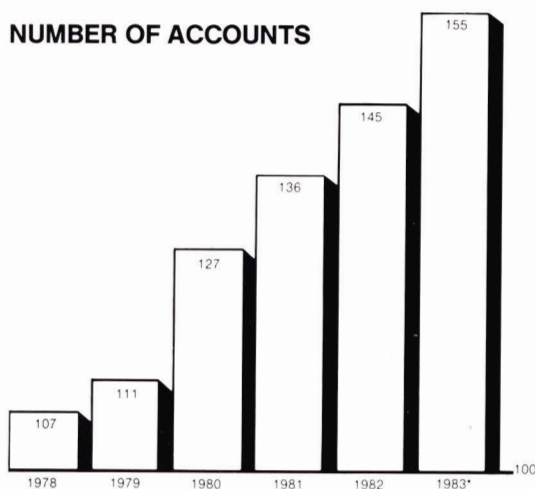


labour and required skills necessary for any specific operation. From selection, orientation, training and ongoing motivational techniques, we have established a proven record of achieving maximum output from employees. Every client is encouraged to be involved in the selection process of their key people and participate in the performance reviews



of managers and dietitians, to ensure that our people are fully meeting expectations.

NUMBER OF ACCOUNTS



* estimate based on first quarter of fiscal 1983.

Never too old for school

All managers attend the seminars that comprise the national training programme. Then, through the *Train the Trainer* programme, the information is imparted to local employees. At monthly training workshops, managers, supervisors, and management trainees learn of new food production technology and merchandising techniques. The high attendance, though on a voluntary basis, indicates the keen desire for improved learning amongst Versa personnel. Versa managers also actively use the resource libraries that are situated in regional offices.

The team approach

The on-site manager reports directly to the administrator of the hospital or home. The on-site manager is fully supported by a District Manager. The District Manager makes regular visits to each location to ensure that every goal is being achieved. A written report and personal meeting with the client accompanies each visit.

Experts from over 20 different support departments provide further back-up to each local facility. Versa's purchasing, industrial relations, research and standards, operations accounting, and recruitment and training departments would be prohibitively expensive for a single foodservice location.

All Versa people receive specialized training in every aspect of production - from menu planning, to presentation, to service techniques. Their pride and personal concern is reflected in every meal they prepare and serve.

Only those who qualify

Only dedicated, service-oriented individuals are selected for Versa operations. It's the largest staff of dietitians, professional managers and supervisors in the Canadian service management industry that provides service for over 150 different hospitals and homes for the aged.



Financial Information

Responsibility for Financial Statements

To the Shareholders of VS Services Ltd:

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 page 44. These statements, which necessarily include estimates and approximations, reflect information available to November 22, 1982, 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 auditors' 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
Toronto, Canada*



R.G. Campbell, C.G.A.
*Controller and Secretary
Chief Accounting
Officer*

November 22, 1982

Contents

Consolidated Statement of Income and Retained Earnings	38
Consolidated Balance Sheet	39
Consolidated Statement of Changes in Financial Position	40
Notes to Consolidated Financial Statements	41
Auditors' Report	44
Ten Year Statistical Review	45

Consolidated Statement of Income and Retained Earnings

Fifty-two weeks ended September 29, 1982
and September 30, 1981

<i>(In thousands of dollars)</i>		Note	1982	1981
Revenues from operations			\$174,833	\$142,483
Investment income			1,984	2,685
Total revenues			176,817	145,168
Costs and expenses:				
Purchased materials consumed			67,749	55,385
Operating, selling and administrative expenses			98,688	79,898
Depreciation			2,537	1,660
Amortization of other assets			211	171
Interest on long-term debt			127	
Total costs and expenses			169,312	137,114
Income before income taxes			7,505	8,054
Provision for income taxes:		3		
Currently payable			2,927	3,707
Deferred to future years			187	158
Total provision for income taxes			3,114	3,865
Income before minority interest			4,391	4,189
Minority interest			13	
Net income			\$ 4,404	\$ 4,189
Earnings per share			\$ 1.60	\$ 1.56
Retained earnings, beginning of year			\$ 11,363	\$ 7,979
Net income			4,404	4,189
Dividends (40¢ per share; 30¢ in 1981)			(1,100)	(805)
Retained earnings, end of year			\$ 14,667	\$ 11,363

The notes to the financial statements are part of this statement

Consolidated Balance Sheet

September 29, 1982 and September 30, 1981

(In thousands of dollars)

	Note	1982	1981
Assets:			
Current assets:			
Cash and short-term investments		\$ 12,389	\$ 15,065
Receivables	10	13,841	11,049
Inventories		5,230	3,697
Prepayments		122	75
Total current assets		31,582	29,886
Notes receivable	10	416	956
Fixed assets	4 & 6	15,308	10,129
Other assets	5	4,879	4,191
Total assets		\$ 52,185	\$ 45,162
Liabilities and Shareholders' Equity:			
Current liabilities:			
Accounts payable and accrued charges		\$ 17,445	\$ 12,331
Income taxes payable		590	3,740
Current maturities of long-term debt	6	198	
Total current liabilities		18,233	16,071
Long-term debt	6	345	
Deferred income taxes		1,692	1,499
Minority interest		175	
Commitments and contingencies	8		
Shareholders' Equity:			
Common stock - without nominal or par value			
Issued 2,778,619 shares (1981 - 2,684,466)	7	17,073	16,229
Retained earnings		14,667	11,363
Total shareholders' equity		31,740	27,592
		\$ 52,185	\$ 45,162

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 29, 1982
and September 30, 1981

(In thousands of dollars)

Note

1982

1981

Funds were provided from:

Operations:

Net income

\$ 4,404 \$ 4,189

Add expenses not requiring an outlay
of cash:

Depreciation

2,537 1,660

Amortization of other assets

211 171

Deferred income taxes

187 158

Minority interest

(13)

Reduction of other assets

58

Funds provided from operations

7,326 6,236

Reduction of notes receivable

540 45

Disposal of fixed assets

184 163

Issue of shares under the stock option plan

21 14

8,071 6,458

Funds were used for:

Additions to fixed assets

4,105 4,080

Acquisitions, net of funds acquired

2 2,176

Increase in working capital, exclusive of
cash and short-term investments

2,679 148

Dividends

1,100 805

Repayment of long-term debt

687

10,747 5,033

(Decrease) increase in cash and short-term
investments

(2,676) 1,425

Cash and short-term investments, beginning
of year

15,065 13,640

Cash and short-term investments, end of year

\$ 12,389 \$ 15,065

The notes to the financial statements are part of this statement

Notes to Consolidated Financial Statements

September 29, 1982

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 increased by the portion of the loss applicable to the minority shareholders. The results of operations of all subsidiaries are included only from the dates of their respective acquisitions.

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%, vehicles — 20% to 30%, other equipment — 10% to 20%, 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 which recognizes such credits in the year in which they are claimed for tax purposes by a reduction of income tax expense.

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

2. Acquisitions

As at January 8, 1982, the Company purchased 51% of the shares of Major Foods Limited in exchange for 40,918 shares of common stock. Major Foods provides cafeteria and vending services to businesses and public institutions in New Brunswick and Nova Scotia.

During the year, the Company also made the following acquisitions: the business assets of Complete Management Services Ltd., a company that provides central purchasing services for homes for the aged in Ontario; the business assets of Chatham Automatic Food Services Ltd., a company providing vending food services in Ontario; the assets of Aroma Coffee Services, a company providing office coffee service in Manitoba; all the outstanding shares of Vancouver Enterprises Ltd., a full line vending company operating in the Vancouver area; and the Alberta and British Columbia cafeteria and vending food service operations of Parnell Foods (1981) Limited. These businesses were purchased for cash and common shares totalling \$2,242,000 and 50,128 shares respectively.

The Company's share of the fair value of the net assets acquired as at the dates of acquisition follows:

(In thousands)	Major Foods Limited	Other
Cash	\$ 43	\$ 23
Other current assets	1,080	337
Fixed assets	2,107	1,469
	3,230	1,829
Current liabilities	1,815	71
Deferred income taxes		6
Long-term debt	1,032	
	2,847	77
Excess of assets over liabilities	383	1,752
Minority interest (49%)	(188)	
Adjustment of real estate to market value	219	
	\$ 414	\$1,752

Total consideration given on these acquisitions amounted to \$3,065,000 representing an excess over the fair value of net assets acquired of \$899,000 which has been allocated to location acquisition costs.

3. Income Taxes

The company's effective income tax rate is made up as follows:
(percentage)

	1982	1981
Combined basic federal and provincial income tax rate	49.3%	49.0%
Corporate surtax	1.6	1.6
Tax-exempt investment income	(5.0)	
Manufacturing and processing deduction	(2.9)	(3.3)
Investment tax credit	(1.2)	(.7)
Inventory allowance	(.6)	(.5)
Other	.2	1.9
Effective rate reflected in the income statement	41.4%	48.0 %

A subsidiary, Major Foods Limited, has losses available for carry-forward against future income amounting to approximately \$442,000. In addition, Major Foods Limited has investment and employment tax credits of \$177,000, which are available to offset future income tax liabilities. The benefit of these losses and credits has not been reflected in the consolidated financial statements. These tax credits and losses are subject to expiry in the following taxation years:

(In thousands)	Year	Amount
	1983	\$ 42
	1984	185
	1985	73
	1986	296
	1987	23
		\$ 619

4. Fixed Assets

The major categories of fixed assets at September 29, 1982 and September 30, 1981 are:

	1982			1981
(In thousands)	Cost	Accumulated Depreciation	Net Book value	Net Book value
Land	\$ 508	\$	\$ 508	398
Vending Equipment	13,711	7,955	5,756	3,433
Other Equipment	9,644	4,648	4,996	2,999
Buildings	3,193	319	2,874	2,377
Leasehold Improvements	1,941	767	1,174	922
Total	\$28,997	\$13,689	\$15,308	\$10,129

5. Other Assets

These include investments in location acquisition costs of \$4,267,000 (1981 \$3,555,000) and technical and systems know-how of \$612,000 (1981 \$636,000). 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.

6. Long-Term Debt

	<i>Amount</i> (In thousands)
Small Business Development bond, secured by a pledge of certain assets of Major Foods Limited, bearing interest at 1 $\frac{7}{8}$ % above $\frac{1}{2}$ of the bank prime lending rate, repayable in monthly instalments of \$8,150	\$ 359
Bank term loan, secured by a pledge of certain assets of Major Foods Limited, bearing interest at 1 $\frac{1}{4}$ % above the bank prime lending rate, repayable in monthly instalments of \$8,000	176
Mortgage, with land and building at Moncton, New Brunswick pledged as collateral, bearing interest at 10%, repayable in annual instalments of \$4,000	8
	543
Less the portion due within one year	198
	<u>\$ 345</u>

Repayments over the next four years are as follows:
(In thousands)

<i>Year</i>	<i>Amount</i>
1983	\$ 198
1984	183
1985	99
1986	63

7. Common Stock

Changes in issued common stock:
(In thousands except share data)

	<i>Shares</i>	<i>Value</i>
Balance, beginning of year	2,684,466	\$16,229
Issue of shares on acquisitions	91,046	823
Exercise of stock options	3,107	21
Balance, end of year	<u>2,778,619</u>	<u>\$17,073</u>

The Company has a stock option plan for certain employees. During 1982, options on 57,000 shares were granted, 3,107 were exercised, and 10,514 were cancelled. At September 29, 1982, options on 110,563 shares were outstanding (including options on 72,541 shares granted to employees who are directors and officers) at prices ranging from \$4.63 to \$9.00. 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. There is no material dilutive effect as a result of the outstanding options.

8. Commitments and Contingencies

(a) At September 29, 1982, the Company had 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:

<i>Year ending</i>	<i>Amount</i>
September 28, 1983	\$1,103
October 3, 1984	968
October 2, 1985	772
October 1, 1986	445
September 30, 1987	286
Thereafter	792
	<u>\$4,366</u>

(b) 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, upheld on appeal, that there was an enforceable agreement has been rendered in favour of the plaintiff. The issue of the amount of damages has not been considered. Provision for loss is not presently determinable. Any loss 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 \$991,000 in 1982 and \$766,000 in 1981. Based on the most recent actuarial reports as of December 31, 1981 and January 1, 1982, the pension fund assets in each plan exceed the liabilities of the plan.

10. Transactions with Related Parties

During the year, short-term loans were made to the majority shareholder, ARA Services, Inc. Interest was charged on all loans at prevailing market rates in Canada at the time of the transactions. As at September 29, 1982, there were no loans outstanding.

The Company has made loans of \$374,000 to six officers, or persons related to officers, of the Company (two of whom are also directors) under the Company's stock purchase or home purchase plans. \$334,000 are interest free and all are repayable under agreements with terms of up to fourteen years. At September 29, 1982, \$346,000 is included in notes receivable and \$28,000 is included in current receivables.

The Company sold its German subsidiary in 1977 for which part of the proceeds was a note receivable which is personally guaranteed by Karl Duesterberg, a director of the Company. The note bears interest at 6.5% per annum, and its final instalment of \$501,000 is payable on September 30, 1983 (included in current receivables).

11. Comparative Figures

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

Auditors' Report

To the Shareholders of VS Services Ltd:

We have examined the consolidated balance sheet of VS Services Ltd as at September 29, 1982 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 29, 1982 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.

CLARKSON GORDON
Chartered Accountants

Toronto, Canada
November 22, 1982

Ten Year Statistical Review

(In thousands except
per share data)

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Income Summary										
Revenues from operations	\$174,833	\$142,483	\$127,569	\$128,981	\$108,754	\$ 98,218	\$ 83,999	\$ 79,118	\$ 77,759	\$ 73,702
Investment income	1,984	2,685	1,641	992	526	49	61	36		
Total revenues	176,817	145,168	129,210	129,973	109,280	98,267	84,060	79,154	77,759	73,702
Purchase materials consumed	67,749	55,385	48,962	50,666	41,442	36,399	32,049	31,218	32,096	30,165
Operating, selling and administrative expenses	98,688	79,898	71,534	71,636	62,146	57,586	48,685	44,804	43,705	42,937
Depreciation	2,537	1,660	1,586	1,615	1,288	1,149	1,148	1,135	1,292	1,383
Amortization of other assets	211	171	174	174	162	159	156	155	153	153
Interest on long-term debt	127		130	310	398	434	593	734	778	642
Income taxes	3,114	3,865	3,318	2,621	1,793	1,108	764	702	11	
Total expenses	172,426	140,979	125,704	127,022	107,229	96,835	83,395	78,748	78,035	75,280
Income (Loss) from continuing operations	4,391	4,189	3,506	2,951	2,051	1,432	665	406	(276)	(1,578)
Minority interest on continuing operations	(13)									
Operating profits (loss) on foreign operations sold, net of income tax						316	279	287	241	(292)
Income (Loss) before extraordinary items	4,404	4,189	3,506	2,951	2,051	1,748	944	693	(35)	(1,870)
Extraordinary items, net				241		(252)	543	687		(755)
Net Income (Loss)	\$ 4,404	\$ 4,189	\$ 3,506	\$ 3,192	\$ 2,051	\$ 1,496	\$ 1,487	\$ 1,380	\$ (35)	\$ (2,625)
Financial Position										
Current assets	\$ 31,582	\$ 29,886	\$ 26,452	\$ 23,432	\$ 19,238	\$ 15,973	\$ 13,202	\$ 14,138	\$ 14,545	\$ 12,309
Investment in associated company							2,095	2,083	2,059	2,033
Notes receivable	416	956	1,001	1,524	1,634	1,782	410	539	731	
Fixed assets	15,308	10,129	7,872	8,100	7,185	6,738	5,623	5,624	5,845	7,313
Other assets	4,879	4,191	4,420	4,594	4,259	4,421	7,553	7,574	7,848	8,032
Total assets	52,185	45,162	39,745	37,650	32,316	28,914	28,883	29,958	31,028	29,687
Current liabilities	18,233	16,071	14,210	13,726	11,455	9,893	9,108	9,994	10,542	10,365
Long-term debt	345			2,966	4,932	5,320	7,372	8,974	11,029	9,889
Deferred income taxes	1,692	1,499	1,341	1,167	1,054	811	218			
Minority interest	175						803	726	572	513
Shareholders' equity	31,740	27,592	24,194	19,791	14,875	12,890	11,382	10,264	8,885	8,920
Total liabilities and shareholders' equity	52,185	45,162	39,745	37,650	32,316	28,914	28,883	29,958	31,028	29,687
Other Data										
Earnings per share										
— Before extraordinary items	\$1.60	\$1.56	\$1.38	\$1.26	\$.97	\$.83	\$.45	\$.33	\$ (.02)	\$ (.86)
— Net Income (Loss)	1.60	1.56	1.38	1.36	.97	.71	.71	.65	(.02)	(1.24)
Dividends per share	.40	.30	.24	.18	.11					

Corporate Information

Corporate Offices

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M8Z 5Y7
(416) 255-1331

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8180 Montview Avenue
Montreal, Quebec
H4P 2L7
(514) 341-7770

Major Foods Limited
41 Ilsley Avenue
Dartmouth, Nova Scotia
B3B 1K9
(902) 469-4304

Auditors

Clarkson Gordon
Toronto, Ontario

Exchange Listing

Toronto Stock Exchange
Montreal Stock Exchange

Registrar and Transfer Agent

Crown Trust Company
Toronto, Ontario

VS Services Ltd

Directors

*Robert E. Boone
Senior Vice President
VS Services Ltd.,
Toronto

*Dixon S. Chant
Executive Vice President
Argus Corporation Limited,
Toronto

*William S. Fishman
Chairman and Chief
Executive Officer
ARA Services, Inc.,
Philadelphia

†*R. Guy Godbout
Chairman
Cogan Wire and Metal
Products Ltd.,
Quebec City

*James E. Graham
President and Chief
Executive Officer
VS Services Ltd.,
Toronto

*Claude Feninger
President, International
Sector
ARA Services, Inc.,
Philadelphia

†Gowan T. Guest
Partner
Messrs. Alexander, Guest,
Holburn & Beaudin,
Vancouver

†Hon. Guy Charbonneau
Chairman and Chief
Executive Officer
Charbonneau, Dulude &
Associés Limitée,
Montreal

Lee F. Driscoll, Jr.
Vice Chairman and General
Counsel
ARA Services, Inc.,
Philadelphia

Karl Duesterberg
Chairman and Chief
Executive Officer
Apetito Karl Duesterberg
GmbH & Co. KG.,
West Germany

Hon. Victor deB. Oland, O.C.
Former Chairman,
Lindwood Holdings Limited,
Halifax

†Dr. Jennifer M. Sturgess
Director,
Warner-Lambert/Parke-
Davis Research Institute,
Toronto

*Member of the Executive
Committee

†Member of the Audit Committee

Officers

Dixon S. Chant
Chairman

James E. Graham
President and Chief Executive
Officer

Robert E. Boone
Senior Vice President
Finance and Corporate Affairs

Edward D. Cieszkowski
Executive Vice President and
Chief Operating Officer
The Versa Group

Kenneth C. Daigle
Executive Vice President and
Chief Operating Officer
Versa Services

André Malo
Vice President
Quebec

Michael S. Schweitzer
Corporate Vice President
Marketing and Sales

Barry Allen
Vice President, Diplomat

David Denham
Vice President
The Versa Group

Don Green
Vice President
The Versa Group

Robert Knapman
Vice President
Versa Services

Frank O'Hara
Vice President
Versa Services

Michael P. Oschefski
Vice President
Versa Services

James P. Sawler
Vice President
Versa Services

Russell G. Campbell
Corporate Secretary and
Controller

James E. Lawrence
Treasurer

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 and Chief Executive
Officer
Charbonneau, Dulude &
Associés Limitée,
Montreal

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Chairman
Cogan Wire and Metal
Products Ltd.,
Quebec City

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President and Chief Executive
Officer
VS Services Ltd., Toronto

André Malo
President
Versabec Inc., Montreal

Phillippe Roberge
Partner, McLean, Marler, Tees,
Watson, Poitevin, Javet
& Roberge,
Montreal

Georges A. Tavernier
Vice President
Versabec Inc., Montreal

Officers

Hon. Guy Charbonneau
Chairman

André Malo
President

Robert E. Boone
Vice President, Finance and
Secretary

James E. Graham
Vice President

Georges A. Tavernier
Vice President

Major Foods Limited

Directors

*G.A. Amirault
Business Consultant,
Halifax, N.S.

*R.E. Boone
Senior Vice-President
VS Services Ltd., Toronto

*E.D. Cieszkowski
Executive Vice President
VS Services Ltd., Toronto

J.E. Graham
President and Chief Executive
Officer
VS Services Ltd., Toronto

J.W. Lindsay
President
J.W. Lindsay Enterprises
Limited
Dartmouth, N.S.

Carlisle Norwood
Chairman of the Board
Major Foods Limited,
Dartmouth, N.S.

*James P. Sawler
President
Major Foods Limited,
Dartmouth, N.S.

*Member of the Executive Operating
Committee

Officers

Carlisle Norwood
Chairman of the Board

J.E. Graham
Vice Chairman and Chief
Executive Officer

James P. Sawler
President

Peter McCawley
Vice President

Hugh N. MacDonald
Controller

Margaret A. Trainor
Secretary

