Dylex Limited Annual Report 1980

Highlights

Years ended January following	1980	1979	1980	1979
	thousands of dollars except per share and ratio data		Percentage change	
Operating summary				
Net sales	**$ 459,237**	$ 371,592	**23.6**	12.8
Net earnings before extraordinary item	**$ 12,050**	$ 9,045	**33.2**	(26.3)
Per share before extraordinary item				
Earnings				
1st quarter	**$ (0.05)**	$ 0.09		
2nd quarter	**0.10**	0.02		
3rd quarter	**0.87**	0.79		
4th quarter	**1.11**	0.63		
Total	**$ 2.03**	$ 1.53	**32.7**	(26.1)
Dividends	**$ 0.40**	$ 0.40	**—**	23.1
Financial position				
Working capital	**$ 56,948**	$ 45,840	**24.2**	9.0
Current ratio (current assets ÷ current liabilities)	**1.97:1**	1.87:1	**5.3**	2.7
Asset turnover (sales ÷ average assets)	**2.4**	2.2	**9.1**	(4.3)
Inventory turnover (sales ÷ average inventory at estimated retail)	**3.7**	3.0	**23.3**	(9.7)
Return on equity (net earnings ÷ average equity)	**15.6%**	13.1%	**19.1**	(35.8)
Shareholders' equity	**$ 81,979**	$ 72,299	**13.4**	10.7

Contents

Annual Meeting

The Annual Shareholders Meeting will be held at 11:30 a.m. Tuesday, June 9, 1981 in the Toronto II Room, Westin Hotel (formerly Hotel Toronto) 145 Richmond Street West, Toronto, Canada.

Report to Shareholders

Consolidated sales for the year ended January 31, 1981, increased 23.6 percent from $371.6 million to $459.2 million. Earnings increased 33.2 percent from $9.0 million to $12.1 million. On a per share basis net earnings were $2.03 compared with $1.53 (before extraordinary item) in the previous year.

Your company's success in earnings was matched by a substantial improvement in the balance sheet. Working capital increased from $45.8 to $56.9 million. At the year-end cash and short-term deposits were $35.3 million compared with bank indebtedness of $3.6 million in 1979. We enter the current fiscal year in a stronger financial position than at any time in the company's history.

Year in review

For the past several years, Canadians have been faced with a series of unsettling economic and political events: price and wage controls, persistent inflation and recurrent record high interest rates. These, combined with instability in major segments of the economy such as the auto industry, have further undermined consumer confidence. The constant wrangling among various levels of government and bitter accusations between political parties on topics such as the constitution, fiscal responsibility and energy policy have only added to the uncertainty.

During 1980 most retailers, including Dylex, lived in the shadow of the downturn of 1979. The events of 1979 coupled with the insecurity generated by the 1980 economic environment were not encouraging. The pressure created by this set of circumstances offered your management a unique challenge – an opportunity to maintain progress despite consumer doubts. The results for the year demonstrate dramatically that we succeeded in responding to the challenge and we are determined to continue to do so.

The improvement in 1980 was most obvious in our women's wear divisions. The initial pricing and selection of garments were carefully monitored to ensure that goods were both competitive and attractive to our customers. Regular merchandise was complemented with special promotional goods which stimulated the interest of customers. By buying selected goods on a frequent basis we maintained a constant flow of fresh merchandise into the stores and traffic was significantly improved. Sales volumes increased and normal margin levels were maintained, despite lower initial prices. By selling more goods at regular prices and turning merchandise over faster, our stores ended the season with lower levels of inventory available for clearance sales.

Men's wear sales gains were most encouraging. Despite soft demand, our national chains, Tip Top and Big Steel Man, were able to increase their share of the market. The turnaround in Big Steel Man helped to maintain men's wear profit levels.

The retail divisions took a number of steps to control inventory levels. Despite an increase in retail sales of 18.3 percent, year-end inventory levels were 11.7 percent lower than the previous year. By factoring in the effect of inflation the improvement becomes even more dramatic. At year-end manufacturing inventory levels at our Canadian plants were lower than the previous year.

In our 1979 report we indicated our intention to acquire a 70 percent interest in Tobias Kotzin Company, a Los Angeles based manufacturer of clothes for young men. The purchase agreements, which were approved by Kotzin shareholders in May, allowed us to acquire the company with a minimum commitment of capital. The acquisition has provided us with management expertise and presence in the United States without affecting our ability to finance ongoing operations or possible expansion projects.

Borrowing costs continued to be a factor affecting profit levels in 1980. High initial rates dropped rapidly during the late spring only to be followed by even higher rates during the fall and winter.

Our borrowings take two forms – short-term financing for inventory and long-term debt or lease financing. During the year we were able to partially blunt the effect of high interest rates by carrying less inventory. We were also able to cushion the impact of rate fluctuations by continuing our efforts to improve the mix of fixed and floating lease and loan agreements.

A number of steps were taken to strengthen the financial position of your company. We negotiated the sale of our credit card receivable portfolio to a major Canadian bank for its private label credit operation. The transaction, which closed at the year-end, freed up approximately $15.4 million in funds invested in accounts receivable. Some of the funds were used immediately to pay off part of our higher cost long-term debt.

The sale of our credit card operation to the bank will not have any effect upon our continued use of credit as a valuable marketing tool. Credit customers will not notice any significant difference when they use their card in any of our stores.

The impact of these changes contributed to a dramatic increase in year-end cash balances which were invested in high interest yielding treasury bills and short-term deposits with major chartered banks.

Dylex normally must borrow substantial sums during the year in order to finance ongoing operations. As a result of the improvements in liquidity our loan requirements for 1981 will be reduced substantially. In today's money markets the impact on interest costs and final earnings should be dramatic. In the longer term the strengthened cash position will give us more flexibility in reviewing expansion opportunities in both Canada and the United States.

The years ahead

The basic economic indicators for 1981 are not encouraging. Current forecasts call for virtually zero growth in the Canadian economy and in real terms family earnings will likely decline marginally. Inflation will further erode spending power since a high portion of disposable income is used for energy and food purchases. Prices for these items are predicted to rise faster than other goods and services. Although the percentage of consumer expenditures spent on apparel seems to be dropping slightly, clothing is still a relative bargain for the consumer and there will be a substantial market to satisfy.

The benefits arising from the operating strategies of the women's wear divisions should prove valuable in the years ahead. Their emphasis is clearly on the needs of their customers. By meeting those needs, by providing fashionable merchandise at the price points customers are willing and able to pay, we fully expect to continue improving sales. Volume is a key to profitability. We have the expertise and the resources available to build the necessary volume and further increase our already large market share.

Our men's wear divisions are in a strong position to meet the challenges ahead. Using an aggressive marketing campaign, Big Steel Man, which features good quality suits at low prices, will further solidify its position as a chain that meets the needs of younger men. Tip Top will continue to demonstrate its ability to satisfy, and indeed dominate, a broad cross section of the men's wear market.

Inventory levels and turnover have been a recurring problem in the men's wear divisions. The lead times are generally longer than those found in women's wear and commitments for merchandise are normally large. Steps are now being taken to buy closer to demand. As a general policy a portion of all planned purchases are not being made until we are into the season. As a result we will be in an excellent position to supply our stores with fresh merchandise providing a better balance between goods and improving store appearance. This approach will generate more customer traffic and should also increase the enthusiasm of our salesmen for the goods they sell.

As announced earlier, we have sold the Family Fair operation to Bi-Way Stores Limited, a company in which we hold a 50 percent interest. By utilizing the skills which made Bi-Way a highly successful operation we expect that its management will be able to develop the former Family Fair stores into strong performers as Bi-Way units. Using the superior locations of these stores, Bi-Way will also achieve broader market penetration.

Dylex has a strong presence in Canadian garment manufacturing, particularly in men's wear. However there are certain problems facing the industry, such as the relatively short production runs dictated by the size of our markets, which make cost control difficult. We believe the entrepreneurial ability of our manufacturing managers has been demonstrated by the implementation of new techniques and streamlining of operations in a continuing effort to reduce production costs. The new phenomenon of retailers buying with shorter lead times will have a further impact on manufacturing and this will be another challenge our management will have to overcome. Our management and production skills as well as our capital resources will provide us with an important advantage in meeting the challenges ahead.

Company goals

Our shareholders are interested in the future prospects of Dylex and the direction that management is taking the company. We seek each year to review our long-term goals and provide regular commentary on our progress in achieving these targets.

–Our retail divisions carefully monitored margins in 1980 in order to stock their stores with goods at attractive prices for their customers. The sales gain of 18.3 percent is indicative of their success and will contribute to Dylex reaching the previously stated target of $500 million in 1981, a year ahead of our target.

–Store level productivity is the key to improved earnings, especially in times of escalating costs, and we will continue to strive to achieve substantial sales increases. In 1980 our retail divisions were able to increase sales per square foot by over 13 percent.

–Previously we had established a goal for pre-tax operating earnings at the divisional level of 10 percent on sales. Because of our pricing policies we must place more emphasis on attaining even higher sales volumes on a per square foot basis at the store level. In 1980 we achieved an overall 6.5 percent return on sales up from the prior year.

–Our return on equity was 15.6 percent, reflecting progress in our efforts to achieve a 20 percent return; an important goal for your company.

–Our ability to attract and retain key employees will continue to be a crucial factor for future success. The fact that we were able to place most of the people employed in our credit card operation after it was sold is an indication of our continuing concern for people at Dylex.

Dividend policy

The dividend rate on Common and Class "A" shares was unchanged in 1980. The quarterly dividend rate will be reviewed periodically in accordance with the Board's policy of adjusting the dividend rate in relation to earnings growth in order to provide shareholders with direct participation in their company's success.

Appreciation

Management can develop strategies and establish policies to give direction to a company's operations. It is the employees who carry them out that determine the ultimate success or failure of a company. The people at Dylex are to be commended for their diligence and hard work during the past year. The improvement in earnings is tangible evidence of their efforts. On behalf of the Board of Directors and management we thank them for their dedication.

Wilfred Posluns
President

Toronto, Ontario
April 3, 1981

The Dylex Approach to Retail Success

The merchandise in Fairweather and Suzy Shier stores is selected for its appeal to the younger shopper. These attractive, inviting stores have an air of excitement and a distinctive appearance.

Identifying a group of consumers who can be served in a unique and competitively advantageous way forms the basis for a strong market strategy. Dylex attributes much of its success to being sensitive to changing consumer preferences, demands and expectations and matching them with a retail market program which will meet their needs better than any competitor.

The retail outlet should provide an atmosphere that is appropriate for the particular market segment. The word appropriate needs to be emphasized because the right atmosphere for some customers, or for some merchandise, may not be right for others. The middle aged upper income shopper, for example, may feel as uncomfortable in a bustling fashion store catering to the young as a teenager might feel in a sophisticated fashion salon. The retailer should provide an atmosphere in which the customer will "feel at home", one which they can identify, and which is consistent with their life style. Appropriate atmosphere, then, is part of the "product" that the retailer sells.

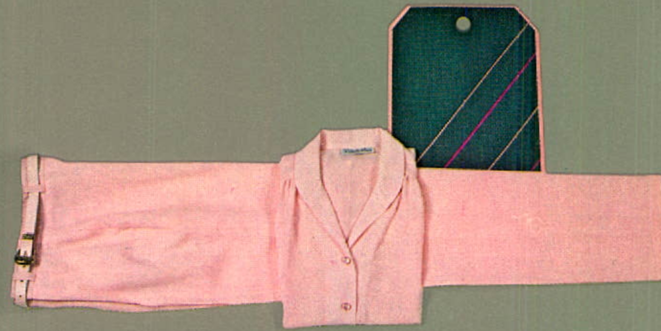
Shoppers' expectations regarding merchandise are probably the most complex factor in retailing. A customer expects to find not only a variety of different types of merchandise within a retail store but also an assortment of colours, brands, styles and sizes for each individual merchandise line. Assortment expectations are important for two reasons. First, the consumer may be searching for a particular brand or style or colour of a product and will consider the store with the widest assortment to be the most likely to carry the specific product he wants. Alternatively the consumer may have no specific product characteristics in mind but want to shop and compare among brands and colours. Again, the store with the widest assortment may appear the most attractive to this consumer.

Shoppers often have in mind a general range of prices which they are willing to pay for the product and select stores in which they can expect goods that are priced within this range. For some lines of merchandise the consumers' price expectations are extremely important in determining which stores will be visited.

Frequently customers will look to the retailer to provide detailed information about product appropriateness, characteristics or usage. While advertising and other forms of promotion can inform customers about the selection, prices and even the personality or image of a retail store they cannot make the sale. Personal selling may be required to fill in the gaps.

Consumers also have expectations regarding the amount and kind of personal attention they require. This may range from a limited conversation with the staff to extended assistance in comparing product characteristics. In either case, the friendliness and helpfulness of store personnel is an important factor in the selection of a retail store.

It is important to remember that customer expectations can vary a great deal. A retailer cannot expect to appeal to all type of customers with a single store. To do so would require a retail store with a "split personality" incapable of fully satisfying any consumer.



Market segmentation

Many retailers make the mistake of viewing market opportunities as consisting of all people in a given area. Accordingly they direct their merchandising at the so called "average" consumer who is a composite of many statistical characteristics and who has few, if any, counterparts in real life.

The idea underlying market segmentation is that it may be easier and far more profitable to strive for 20 percent of the potential business in a segment that comprises only 25 percent of a more broadly defined market than it is to strive for five percent of the total market.

A market segment can be defined as consisting of those customers who share a common set of expectations regarding retail stores and consequently tend to respond more favourably to a particular combination of factors consisting not only of merchandise but also of services, atmosphere and other features.

Dylex covers the market

While it is true that no single retailer can effectively appeal to several market segments using a standard approach, a company can serve different markets simultaneously by designing a variety of different retail outlets. Through careful market identification and segmentation, Dylex's retailing divisions blanket the broad middle ground of the market place. Most Canadian men and women can satisfy their clothing requirements and fashion needs for leisure or business in one of our major divisions.

In Ontario the coverage is even more complete. In addition to serving the junior women's market through Fairweather and Suzy Shier, and the more sophisticated working women through Town and Country and Braemar, we are opening outlets such as B.H.Emporium to appeal to the younger shopper who is beginning to develop her fashion interests. When Rubys is considered, we can meet all fashion needs, including footwear, of Canadian women.

While Big Steel Man provides casual clothing and suits for the younger man, Tip Top has established a reputation with a cross section of Canadian men as a reliable place to shop. In the Toronto area, the Harry Rosen division sells to a select group who are willing to pay more for the extras in style, service and quality.

The company's interest in Bi-Way has enhanced our coverage of another group of shoppers. The chain is a mainstay for many budget conscious consumers. The stores sell everything from babies' wear to rugged work clothes. For a number of years Thrifty's has been a popular spot for Canadian teenagers and young adults to shop. The chain completes retail coverage that spans the ranges of age, income and fashion.

In many ways the company's market coverage in a particular shopping centre is similar to that achieved by a large department store. Dylex adds an important dimension. When the company acquires an interest in a chain it invites the entrepreneurs who built the operation to continue to run the division with a high degree of autonomy. Dylex thereby combines the capital resources of a large organization with the market sensitivity, skills and knowledge of the owner/manager in serving the public.

Braemar and Town and Country stores meet the needs of the more sophisticated working woman. The merchandise selection at both chains is noted for quality and fashion.

Tip Top serves the 35 to 45 year old middle income man for whom wearability and value are key considerations in the selection of clothing. Harry Rosen provides high fashion and personalized service to the executive and professional market.

Women's wear

Fairweather and Suzy Shier have forged strong acceptance among women in the junior market while Braemar and Town and Country have established their presence in the more sophisticated market.

Although many Fairweather and Suzy Shier customers are between 25 and 35, both chains have designed their retail marketing programs to appeal to the younger shopper. Typically their customers are single and working full time or, as with many of the younger ones, have part-time jobs while they are continuing to go to school. Although income levels tend to be lower for these women, disposable income is frequently comparable to older groups because many are still living at home or do not have heavy financial commitments. The younger woman is generally in the process of building her wardrobe, and as a result she will be spending a greater percentage of her income on clothes. Price is an important consideration since the customer is looking at the number of items she can afford. With the lack of brand recognition resulting from a proliferation of manufacturers, the reputation of the retailer has taken on greater significance. For this younger age group, shopping is fun and fashion consciousness is high.

Through the co-ordinated use of interior display, lighting and music, Fairweather and Suzy Shier have created attractive, inviting stores, with an air of excitement to appeal to this younger shopper. The studied use of materials, textures and colours in their decor and fixturing have made the stores sufficiently different to stand out from their competitors. Store decoration is constantly evolving to maintain a fresh appearance and the "current look" necessary to continue to attract the younger shopper.

Fairweather puts a great deal of effort into its window displays, a key factor in attracting shoppers' interest and providing valuable fashion information to customers.

Because it has larger stores, Fairweather can provide its customers with a full offering of junior merchandise–sportswear, coats, dresses, and accessories. By focussing on popular price levels and fashion items the division has been able to develop a clarity of merchandise. Price points within a given category of merchandise are limited, but a broad range of styles and colours are available. The chain has changed its promotional emphasis in recent seasons to provide customers with extra value from specially bought sale items and promotional merchandise. "Off price" promotions have been reduced to provide a more consistent pricing structure.

The Daniel Hechter line of clothing provides the Fairweather customer with a broad range of designer fashions while maintaining popular prices.

The selection of merchandise in the smaller Suzy Shier outlets is narrower than in Fairweather and the merchandise and price points have been directed to the younger shopper. Market research conducted to identify Suzy Shier customers and their needs has provided management with the merchandising knowledge to focus on the market.

Fairweather maintains a high consumer profile through the extensive use of advertising in selected broadcast and print media. Newspaper ads generally feature


NINO CERRUTI
PARIS - DIFFUSION
Club International
TIP TOP
pierre cardin
boutique
TIP TOP


30

traffic-building special values, while commercials on popular youth-oriented radio stations promote store image.

Suzy Shier recently adopted a more aggressive approach to media advertising and in-store promotion in order to emphasize the attractive values to customers.

This year the Fairweather division opened the first B.H.Emporium outlets in the Toronto area–smaller stores designed specifically for the younger end of the market. The division has created a unique, busy atmosphere in a store with low price points that provide good value to the customer.

The profile of a Braemar or Town and Country customer is of a slightly older, more sophisticated shopper. Income levels and responsibilities have changed for these women and, as a result, shopping patterns are different.

These mature shoppers have established their basic wardrobe and items purchased are intended to complement existing clothes and maintain a contemporary fashion image. Quality plays an important role in the buying process since they are, in many instances, concerned about buying clothes that are appropriate for work. The customer may have many roles–career woman, homemaker, hostess–during her busy day, so her time is a valuable commodity and convenient shopping is important.

The appearance, merchandise, promotional events, sales policies and personnel all say something about the character of a store. The theme should be consistent with each aspect reinforcing the others. Both Braemar and Town and Country operate smaller sized stores so care is taken in selecting colour, styles and fabrics to provide a good range of fashionable clothing within the limited merchandising space.

With the inflationary pressure on incomes, prices are important and Braemar, for example, has been making greater use of promotional merchandise to provide good value to its customers. Both divisions have a bonus for their customers–free alterations-as a convenience to the budget and the busy schedule of the working woman.

Men's wear

The men's wear divisions of Dylex, consisting of Big Steel Man, Tip Top and Harry Rosen, serve different market segments. Big Steel Man was established a few years ago to fill a void in the marketplace. Although some retailers served the younger man, there were no national chains catering to this age group. The Big Steel Man customer is typically 18 to 25 and single. As a student or a recent entrant into the work force, he is just beginning to build a wardrobe with a limited selection of suits. Clothing purchases thus account for a significant portion of his disposable income. With his available income, price is an important consideration.

Many in this age group are interested in fashion, and as a result of peer pressure, are conscious of their appearance. The chain offers a good choice of fashion-oriented merchandise. In keeping with the age group, emphasis is placed on smaller sizes and a youthful cut.

Price and fashion are key ingredients in Big Steel Man. A selection of casual clothing and suits is offered to the 18 to 25 year old customer.

Thrifty's, which provides a broad assortment of jeans and sportswear for the youth and young adult market, is placing more emphasis on designer labels.

Heavy promotion on radio and in newspapers, emphasizing low prices and good value, has firmly established the chain in the men's wear business and is building sales volume. Through special volume purchases and low initial prices it is able to offer excellent value to its customers.

Personal service is an important factor in developing a reputation in men's wear; accordingly, Big Steel Man has placed special emphasis on selecting and developing sales personnel who have the product knowledge necessary to satisfy customers.

Although Tip Top appeals to a much broader age segment–from 18 to 60-plus–the prime market for the division is the 35 to 45 year old man. Shopping habits for this broad middle of the market–middle income, middle fashion–vary. Since men in this segment are not eager shoppers and do not usually go into stores to see what is new, display windows can play an important role in attracting customers when they are in a shopping centre for another purpose.

When men do go looking for clothes there is a distinct difference in the approach taken by the younger and older shopper. Typically the younger man will shop alone, preferring to use his own judgement when it comes to style and value. The older man prefers to have his wife along for advice. Both, however, appreciate knowledgeable salesmen and good service.

The larger ticket prices of many of the articles and a general lack of detailed product knowledge leads to the customer placing greater reliance on the salesman and the reputation of the store.

Tip Top stores are found in convenient downtown or shopping centre locations across Canada. The stores are also attractive for women who are shopping for shirts or other furnishings as a gift. Laid out to emphasize the selection of merchandise available, there is no mistaking that the shopper is dealing with a men's store that will have clothes in the size, style and colour in which he is interested. In recent years, greater emphasis has been placed on sportswear, reflecting the importance that leisure activity now plays in their customers' lifestyles.

Since Tip Top is dealing with the broad middle range of the market, price points are carefully controlled. Quality and value are key considerations in the selection of merchandise for sale. The signs, decor, fixtures and lighting highlight the affordability and quality of the goods offered. In recent years, the price of men's suits has been moving upwards, but working closely with an in-house suit manufacturer, Tip Top has been able to maintain quality standards and competitive prices.

The chain makes frequent use of limited-time "off price" sales and special pre-season promotions on regular merchandise to generate traffic in its stores. Specials are supported by extensive advertising programs that also provide valuable fashion information to the customer.

Through careful selection of staff, subsequent training and ongoing product and fashion information programs, the chain develops and retains expert sales people.


Lee
Lee RIDERS
Boot Cut


Lee

BiWay
Deluxe
Mixed Nuts
350g
50% CASHEWS
WESTPORT
FOR TRANSISTOR RADIOS

Harry Rosen deals with a more selective market segment–upper income, 35 to 45 or older, executives and professionals. In this market, quality and service are more important than price and the customers are more clearly defined by socio-economic standards.

Harry Rosen selects the best in domestic and foreign suppliers in order to meet the particular needs of its customers. The quality and fashion found in the merchandise is complemented by the decor in the stores.

Personal service is a cornerstone of the business, and salesmen take an active interest in the wardrobe of their customers, offering personal touches such as phoning customers when appropriate new merchandise is spotted in arriving shipments. Tailors are on hand to expertly alter garments for a perfect fit.

Price is a major consideration for Bi-Way customers. Everyday clothing such as shirts, pants and sweaters and household needs are provided to value conscious customers.

Family wear

The family wear divisions cover two distinct markets–family clothing and youth casual apparel.

Price is a major consideration for Bi-Way customers, and the chain endeavours to provide good quality merchandise at value prices by careful buying at low margins. Since control of costs is one of the keys to marketing and profitability, the stores are frequently located in strip malls and store front locations where rents are low, fixtures are spartan and store operating costs are minimal. All efforts are directed toward moving merchandise to the customer as quickly and as cheaply as possible.

The merchandise reflects the basic needs of the typical family–everyday clothing such as shirts, pants, sweaters; seasonal items such as winter coats; as well as toiletries and household needs. Many popular brands are regularly found at discount prices.

Because customers know what they want and appreciate the low prices, service levels are kept to a minimum. Store employees are basically there to keep the merchandise sorted and the stores clean.

Thrifty's sells jeans and other sportswear to the youth and young adult markets. However, the chain appeals primarily to the teenage group.

Thrifty's has always provided its customers with a broad assortment of styles and sizes, but the inventory has been expanded to include cords and designer jeans as well as accessories, reflecting the move to a more varied range of clothing styles by young people.

As a result of changes in consumer attitudes and an increase in competition in many popular brand names, Thrifty's has become more price sensitive. They have introduced their own private brands and designer jeans as part of a program to protect their current market position.

The staff in a Thrifty's store is young and can readily relate to the fashion needs of their peers. Employee skills are being upgraded and the quality of service raised by sales training programs. By offering information on fashion trends and suggestions on colours and coordinates, the chain's market share can be improved.

Review of Operations

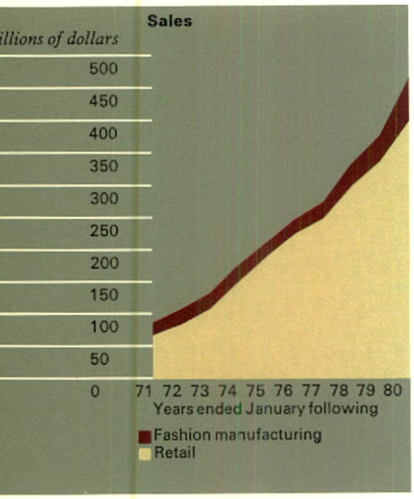
The following table summarizes the divisions of Dylex Limited discussed in the review of operations.

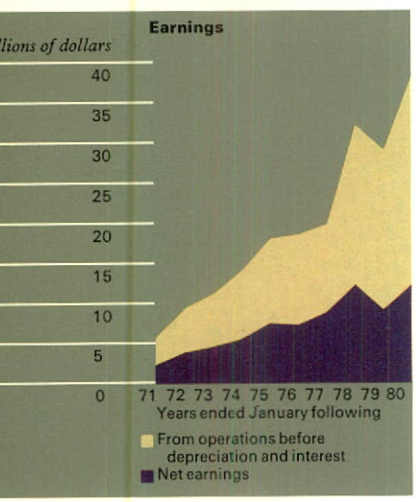
Retailing

Women's	Men's	Family
Consolidated		
Fairweather Suzy Shier (50.1%) Braemar B.H.Emporium	Tip Top Big Steel Man Harry Rosen (51%) Canadian Clothiers* Target Apparel* (75%) (*Integrated manufacturing)	Thrifty's (50.01%) Family Fair
Unconsolidated		
Town and Country (50%) Rubys (50%)		Bi-Way (50%)

Manufacturing

Consolidated
Manchester Children's Wear
National Knitting
NuMode Dress (75%)
Paulman International (75%)
Tobias Kotzin (70%)
Unconsolidated
Forsyth Group (33⅓%)
Manchester Manufacturing Inc. (42%)
Shane Knit (50%)





Combined Results

Under existing accounting rules a company cannot report as part of the consolidated statements the operating results of investments in which it has a significant influence but owns 50 percent or less of the shares. In order to highlight the total impact Dylex has on the Canadian market the following supplementary data incorporates the results of both the consolidated and non-consolidated operations. The profits for the non-consolidated operations such as Town and Country and Bi-Way are reported in the audited statements as investment income.

Segmented results

Sales of the consolidated retail divisions increased 18.3 percent from $334.2 million to $395.5 million. Operating earnings before interest and corporate charges were up 30.2 percent to $23.9 million. The consolidated fashion manufacturing divisions increased net sales 70.4 percent to $63.7 million. Manufacturing increases were primarily a result of the acquisition of Tobias Kotzin. Operating earnings for fashion manufacturing increased from $4.3 million to $6.1 million or 42.7 percent.

Canadian women's wear market

The following sales figures were developed from retail store sales and women's wear sales made by department stores as published each month by Statistics Canada. They are included to provide background material on the women's wear market and a measure against which the Dylex women's wear divisions can be compared. During the year

Segmented results–consolidated operations

	Retail		Manufacturing		Total	
	1980	1979	**1980**	1979	**1980**	1979
	thousands of dollars					
Sales	**$ 395,515**	$ 334,195	**$ 67,921**	$ 44,068	**$ 463,436**	$ 378,263
Intergroup	—	—	**4,199**	6,671	**4,199**	6,671
Net sales	**$ 395,515**	$ 334,195	**$ 63,722**	$ 37,397	**$ 459,237**	$ 371,592
Operating earnings	**$ 23,917**	$ 18,371	**$ 6,108**	$ 4,280	**$ 30,025**	$ 22,651
Increase in sales	**18.3%**	11.6%	**70.4%**	24.6%	**23.6%**	12.8%
Return on sales	**6.0%**	5.5%	**9.0%***	9.7%*	**6.5%**	6.1%

*before intergroup elimination

women's clothing prices rose at a faster rate than prices generally. Over the years however increases in the price of women's clothes have tended to be lower than those of other items.

	1980	1979
	millions of dollars	
Canadian women's wear sales	**$ 2,406**	$ 2,165
Increase in sales	**11.1%**	10.8%
Consumer price index for women's clothing (1971=100)	**180.5**	164.3
Increase in average consumer price index for women's clothing	**13.3%**	10.3%

Dylex women's wear

Consolidated women's wear sales increased 27.9 percent from $111.1 million to $142.0 million. Combined retail sales were $188.4 million, an increase of 23 percent. Operating earnings before interest and corporate charges were $16.3 million or 8.6 percent on sales compared with $5.6 million or 3.6 percent in 1979. Overall productivity increased 16.3 percent from $141 per square foot to $164 per square foot. Dylex's share of the market increased from 7.1 percent to 7.8 percent.

	1980	1979
	thousands of dollars	
Consolidated sales	**$ 142,021**	$ 111,057
Associate sales	**46,381**	42,131
Combined sales	**$ 188,402**	$ 153,188
Operating earnings	**$ 16,251**	$ 5,585
Increase in combined sales	**23.0%**	9.1%
Return on sales	**8.6%**	3.6%
Sales per square foot (combined sales)	**$ 164**	$ 141
Increase (decrease) in sales per square foot	**16.3%**	(4.7%)
Market share–combined sales	**7.8%**	7.1%

Fairweather sales were up 22.4 percent, reflecting a positive response from consumers to an aggressive marketing program which featured an emphasis on value and selection. Sales per square foot were up as a result of greater productivity in existing outlets. A selective store opening program contributed to the improvement.

Initial mark-ons were deliberately lowered to provide customers with more attractive price points. The approach proved successful in generating sales, and faster inventory turnover. Final margins were higher than the previous year. Selling and administrative costs were carefully monitored and controlled during the year. Divisional earnings rebounded sharply.

Sales at Suzy Shier increased 47.0 percent during the year. The efforts of management to research the needs and desires of their customers resulted in product selection that was well received. This year the division changed its marketing program. Greater emphasis was placed upon advertising and special promotions to provide customers with extra value. The 33.7 percent increase in sales per square foot and improvements in gross margin contributed to a dramatic increase in profit margins.

During the year Braemar made a number of minor changes in its merchandise and pricing policies as part of a program to better meet the needs of the chain's target market. The efforts at fine tuning operations resulted in a 33.3 percent increase in sales and an impressive increase in profit.

Town and Country emphasized margin improvements and cost control at the expense of sales; as a result sales per square foot were down slightly. This conservative strategy led to an increase in profits over the previous year.

Overall sales for Rubys increased 17.0 percent reflecting the full year's operation of the stores opened the previous year and flat sales per square foot. Profits improved during the year as a result of greater stability in the market.

The following chart summarizes the geographical distribution of the women's wear outlets over the past five years.

Women's wear stores

	1976	1977	1978	1979	**1980**	Annual Change 1976-80
British Columbia	10	12	17	22	**23**	23.2%
Prairies	13	15	20	29	**34**	27.2%
Ontario	121	133	170	192	**199**	13.2%
Quebec	27	27	29	28	**28**	0.9%
Maritimes	14	21	30	34	**38**	28.4%
Total	185	208	266	305	**322**	14.4%
Store openings	19	23	58	42	**22**	—
Store closings	—	—	—	3	**5**	—

Canadian men's wear market

Canadian men's wear sales include retail store sales and men's wear sales by department stores as reported by Statistics Canada.

	1980	1979
	millions of dollars	
Canadian men's wear sales	**$ 1,787**	$ 1,697
Increase in sales	**5.3%**	9.2%
Consumer price index for men's clothing (1971=100)	**180.2**	175.9
Increase in average consumer price index for men's clothing	**10.8%**	8.5%

Dylex men's wear

Men's wear sales increased 17.8 percent from $126.9 million to $149.5 million. Operating earnings before interest and corporate charges were $8.6 million or 5.7 percent on sales compared with $8.4 million or 6.6 percent in 1979. Overall productivity improved to $187 per square foot from $160 per square foot the previous year and market share increased from 7.5 percent to 8.4 percent.

	1980	1979
	thousands of dollars	
Combined and consolidated sales	**$ 149,504**	$ 126,927
Operating earnings	**$ 8,589**	$ 8,407
Increase in sales	**17.8%**	13.9%
Return on sales	**5.7%**	6.6%
Sales per square foot	**$ 187**	$ 160
Increase (decrease) in sales per square foot	**16.9%**	3.9%
Market share–combined sales	**8.4%**	7.5%

Tip Top sales were up 13.9 percent during the year as the result of modest increase in space and improved overall productivity. Although the men's wear market was soft, particularly early in the year, the division was able to maintain its market position through an aggressive promotional program.

Lower intial margins and extensive mark-downs designed to generate sales adversely affected profits during the spring season. The division's efforts to maintain consumer interest paid off during the fall season. Gross margins improved significantly and supported by careful cost control, resulted in the most profitable fall season in the history of the division.

Big Steel Man established itself as an important force in the men's wear market with a 52.2 percent increase in sales. Sales per square foot were up substantially as a result of an aggressive promotional effort featuring good quality, fashionable suits at low prices. Although initial margins were lower, inventory levels were carefully monitored and mark-downs reduced substantially resulting in an overall improvement in gross margins. Other operating costs were controlled and further contributed to sharply higher earnings.

Harry Rosen continued efforts to emphasize the quality image of its stores. Productivity increases and the full year's operation of the Eaton Centre store opened in 1979 generated a 14.9 percent increase in sales. Improvements in gross margins during the fall season were partially offset by higher operating costs.

Overall men's wear profits were affected by inventory problems experienced during the year by the integrated manufacturing division.

Men's wear stores

	1976	1977	1978	1979	1980	Annual change 1976-80
British Columbia	21	27	28	30	**32**	11.1%
Prairies	37	39	41	47	**53**	9.4%
Ontario	79	87	97	104	**108**	8.1%
Quebec	30	31	33	30	**29**	(0.8%)
Maritimes	17	20	25	27	**29**	14.3%
Total	184	204	224	238	**251**	8.1%
Store openings	20	21	25	17	**17**	—
Store closings	—	1	5	3	**4**	—

Family wear

Consolidated family wear sales increased 8.1 percent from $96.2 million to $104.0 million. Combined sales increased 19.3 percent from $171.6 million to $204.8 million. Operating earnings before interest and corporate charges were $12.4 million or 6.1 percent on sales compared with $12.5 million or 7.3 percent in the previous year. Sales per square foot increased from $192 to $206.

	1980	1979
	thousands of dollars	
Consolidated sales	**$ 103,990**	$ 96,211
Associate sales	**100,806**	75,388
Combined sales	**$ 204,796**	$ 171,599
Operating earnings	**$ 12,408**	$ 12,532
Increase in combined sales	**19.3%**	45.6%
Return on sales	**6.1%**	7.3%
Sales per square foot (combined operations)	**$ 206**	$ 192

Family Fair increased sales 14.5 percent during the year reflecting a modest improvement in sales per square foot and the full year's operation of outlets opened in 1979. Margins, which were lower throughout the year as a result of competitive pressures, were eroded during the fourth quarter by the clearout of merchandise in anticipation of the sale of the division to Bi-Way Stores Limited.

Although the sale of the Family Fair operations did not legally take place until 1981 the impact of the change began in 1980. For part of the fall season Bi-Way management was actively involved in the operation of Family Fair. One outlet was converted into a Bi-Way store as an experiment to test the impact of the anticipated change in operations. The improvement in sales productivity was immediate, impressive and encouraging.

Thrifty's sales increased 4.0 percent. The chain continues to face a highly competitive market for jeans. Many basic styles and brands are being used by discounters as loss leaders. The company is taking a number of steps to protect its existing market share and to develop new markets. These include the introduction of its own exclusive designer labels and the diversification of product lines. Sales personnel are being upgraded using recently developed training programs to generate multiple sales from the expanded inventory selection. Improvements in margins were offset by higher selling and head office costs.

Combined family wear earnings included the results of Bi-Way. The company continued its high volume low price approach to generate improved earnings. Sales were up 33.7 percent as a result of a modest improvement in productivity and new store openings.

Bi-Way and Family Fair stores

	1976	1977	1978*	1979	1980	Annual change 1976-80
Total (Ontario)	30	32	63	75	**84**	29.4%
Store openings	—	2	32	12	**10**	—
Store closings	3	—	1	—	**1**	—

*acquired 50 percent interest in Bi-Way Stores Limited

Thrifty's stores

	1976	1977	1978	1979	1980	Annual change 1976-80
British Columbia	6	13	13	14	**16**	27.8%
Prairies	23	25	26	29	**33**	9.4%
Ontario	41	47	53	55	**56**	8.1%
Quebec	—	—	—	—	—	—
Maritimes	8	11	14	15	**17**	20.7%
Total	78	96	106	113	**122**	11.8%
Store openings	17	18	11	8	**10**	—
Store closings	2	—	1	1	**1**	—

Manufacturing

Consolidated manufacturing sales increased 70.4 percent from $37.4 million to $63.7 million. Profit levels of the previously consolidated operation were down reflecting increased competitive pressures created by the cautious stance taken by Canadian retailers during the year. Many retailers delayed making normal pre-season purchase commitments and thus prevented manufacturers from scheduling longer, more efficient runs. The addition of Tobias Kotzin raised consolidated earnings before interest and corporate charges to $6.1 million from $4.3 million a year earlier. The contribution of Tobias Kotzin to earnings was approximately 16 cents per share.

After several years of impressive sales gains Manchester Children's Wear had a slight decline in sales. Competitive pressures adversely affected margins during the year and resulted in a decline in earnings.

Sales at National Knitting increased 18.3 percent. Production difficulties, which hampered the division's ability to improve sales further, and problems with inventory levels resulted in a decline in earnings. Changes have been made in the production process to increase output.

NuMode Dress had a 10.7 percent increase in sales and continued to maintain profits at a high level. Posluns Sportswear experienced many of the problems of Manchester Children's Wear and had a slight decline in sales and earnings.

The newly acquired Tobias Kotzin is the largest contributor of sales and earnings to the consolidated results. On a comparative basis with the prior year's record results the operation's sales and earnings were down, reflecting a slow down in the U.S. economy in 1980 which adversely affected most manufacturers. In 1980 Kotzin partially offset the impact of the recession by leasing one of its plants to an outside manufacturer and recovering overhead costs.

Late in the year the company made changes in the manufacturing divisions which will have an impact on future operations. A new company, Paulman International was formed to manufacture men's suits for the trade. The garments were previously made by Canadian Clothiers, a division which is closely associated with Tip Top and is reported with the men's wear divisions as an integrated manufacturer. In addition, Target Apparel, a joint venture in which Dylex owns 75 percent, will manufacture suits for Big Steel Man as well as the general retail trade.

Dylex has a partial interest in a number of other manufacturing operations which are not reflected in the consolidated operating results. In 1980 the Forsyth group had a 6.5 percent increase in sales with a 4.0 percent improvement in pre-tax earnings. The U.S. based Manchester Manufacturing Inc. curtailed its sales to the trade and concentrated on filling orders for Sears, a major shareholder in the company. Depressed market conditions resulted in a decline in both sale and earnings. Shane Knit continued to make substantial progress in improving both sales and earnings. In total these companies had sales of $75.7 million compared with $74.4 million in 1979.

Where possible the manufacturers produce garments in their own plants. During peak periods, piece goods at various stages of production are sent to small independent contractors for finishing. Any outside production is carefully inspected to ensure that quality standards are maintained. Some groups such as Forsyth import garments in order to complete their product line.

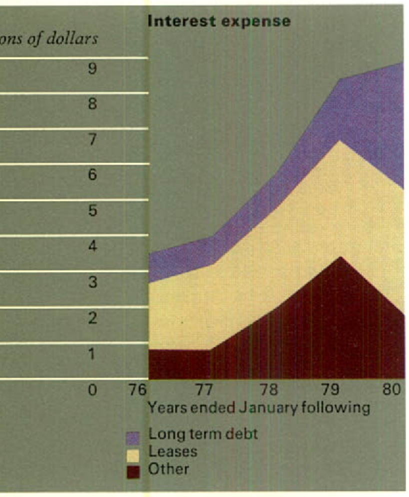
The manufacturing divisions have been in the forefront of innovation and technological change in order to remain competitive with low cost imports. Traditional approaches are constantly under review to find a better, more competitive way of making garments that satisfy Canadian needs at affordable prices.

The key factor in determining profitability of manufacturing is volume. The higher the volume the lower the unit cost and the more profitable the operation. The divisions' continued ability to generate higher volume sales in the face of rigorous competition is the best indicator of the groups' responsiveness to the changing fashions.

Corporate

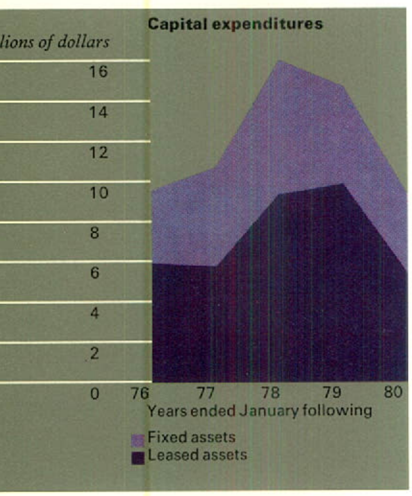
Interest

Interest costs	1980	1979	Change
	thousands of dollars		
Long-term debt	**$ 3,431**	$ 1,619	111.9%
Capital lease obligations	**3,484**	3,253	7.1%
Other interest	**1,793**	3,373	(46.8%)
	$ 8,708	8,245	5.6%



Interest expense increased from $8.2 million to $8.7 million or 5.6 percent. A number of factors contributed to the higher financial costs. Long-term debt increased $12.2 million as a result of the acquisition and ongoing financing requirements of the Tobias Kotzin operation. Net lease obligations under capital lease increased slightly reflecting a modest expansion program during the year. Interest costs were also adversely affected by rising rates. Bank prime fluctuated wildly from a high of 17 percent in spring 1980; it declined to 12.25 percent during the summer; and then escalated during the fall, our peak borrowing time, reaching a record high of 18.25 percent. Overall prime was about 1.75 percent higher than last year. Since approximately 55 percent of the long-term debt and lease financing agreements have floating rates, fluctuations in interest rates are important.

During the year the company utilized several tools in an effort to minimize the impact of historically high interest rates. Inventory levels were rigorously controlled throughout the year. Loan requirements were further reduced by increases in accounts payable. During the year rate increases were moderated by extensive use of bankers acceptances, bank guaranteed commercial financing which normally costs less than direct bank loans.



Taxes

The average tax rate increased from 40.9 percent to 45 percent. The change reflects a rapid increase in retail operations relative to manufacturing. Retail earnings attract a higher tax rate. In addition, tax rates increased as a result of the introduction of a federal corporate surtax on earnings and budget changes in several provinces.

Investment income

Investment income increased from $3.4 million to $4.5 million. Earnings for most of the investments were higher than during the prior year. Sales for the non-consolidated retail operations increased 25.2 percent from $117.5 million to $147.2 million. The manufacturing companies' sales increased 1.6 percent to $75.7 million.

	1980	1979
Sales		
Retail	**$ 147,187**	$ 117,519
Fashion manufacturing	**75,652**	74,428
	$ 222,839	$ 191,947
Net earnings	**$ 9,724**	$ 7,550
Dylex share	**$ 4,453**	$ 3,366

Balance sheet

Cash and short-term deposits

Year-end cash and short-term deposit balances were $35.3 million compared with bank indebtedness of $3.6 million the previous year. At the year-end $34.6 million was invested in Government of Canada treasury bills, deposit certificates with major Canadian banks and other high interest bearing securities.

The improvement in cash resulted from the sale of the credit receivables at the year end, lower inventory balances and higher accounts payable balances.

Cash balances in subsidiaries and investments are periodically reviewed to determine amounts that can be transferred to Dylex without impairing ongoing operations. During the year dividends of $0.7 million were received from investments.

Cash flow analysis

	1980	1979
Cash provided by:		
Cash from operations	$ 20,885	$ 16,209
Decrease in current assets other than cash (net)	17,860	—
Increase in current liabilities (net)	9,942	—
Increase in long-term debt (net)	7,987	742
Increase in obligations under capital lease (net)	—	3,074
Other	517	829
	57,191	20,854
Cash used for:		
Increase in current assets other than cash	—	4,705
Decrease in current liabilities	—	489
Leased assets under capital lease	5,466	9,807
Fixed assets	3,913	4,910
Acquisitions	3,059	—
Decrease in obligations under capital lease	2,473	—
Dividends		
Dylex shareholders	2,370	2,370
Minority interest	1,000	—
	18,281	22,281
Increase (decrease) in cash	$ 38,910	$ (1,427)

The strong year end balances will result in significantly lower borrowing requirements during 1981.

Accounts receivable

Accounts receivable declined from $29.6 million in 1979 to $14.8 million in 1980.

	1980	1979
	thousands of dollars	
Retail	$ 3,686	$ 19,970
Fashion manufacturing	8,373	4,795
Other	2,715	4,825
	$ 14,774	$ 29,590

During the year Dylex sold its consumer credit accounts to a major Canadian bank's private label operation for $15.4 million. Although approximately $3.2 million of these accounts were subject to recourse, adequate provision has been made for possible losses arising from problem accounts.

Although Dylex has sold its consumer credit operation it will continue to provide divisional credit cards through the bank's private label facilities. The company will thus enjoy the advantages of its own credit cards without tying up resources that can be used more profitably elsewhere.

Retail accounts receivable include amounts due on bank credit card purchases and layaways. The increase in manufacturing receivables resulted primarily from the acquisition of Tobias Kotzin. At the year-end manufacturing accounts receivable turnover was slightly slower than the previous year reflecting customers' greater use of suppliers' credit.

Other receivables include such items as advances to contractors for the construction of store facilities to be leased in 1981, insurance claims outstanding, and amounts due from associate companies.

Inventories

Inventories decreased 5.1 percent from $67.5 million to $64.1 million.

	1980	1979
	thousands of dollars	
Retail	$ 51,372	$ 58,181
Fashion manufacturing	12,684	9,311
	$ 64,056	$ 67,492
Increase (decrease) in inventory		
retail	(11.7%)	7.2%
fashion manufacturing	36.2%	24.2%
Turnover		
retail	3.8	2.9
fashion manufacturing	3.7*	3.5
overall	3.7	3.0

*opening balance adjusted for Tobias Kotzin

Retail inventories decreased from $58.2 million to $51.4 million or 11.7 percent. Careful buying and control of inventory levels particularly by Tip Top were major factors contributing to lower inventory levels. Family Fair inventories were deliberately reduced in anticipation of the sale of the division to Bi-Way. Suzy Shier had abnormally low opening inventories as a result of their defensive strategies in last year's soft markets. By year-end they had returned to normal levels. Manufacturing inventories increased from $9.3 million to $12.7 million primarily as a result of the acquisition of Tobias Kotzin. The year-end balances reflect finished goods and work in process for spring delivery against orders and raw materials for 1981 production.

Investment in associate companies

Investments include the original cost of the companies in which Dylex owns 50 percent or less. Each year the accounts are adjusted to account for our share of the investment's earnings less any dividends received.

The following is a summary of the financial position of the associate companies.

	1980	1979
	thousands of dollars	
Current assets	**$ 68,788**	$ 68,561
Current liabilities	**32,604**	42,421
Working capital	**36,184**	26,140
Fixed assets	**11,821**	9,261
Other assets net of liabilities	**(8,705)**	(4,667)
	$ 39,300	$ 30,734
Retained earnings	**$ 36,791**	$ 28,225
Capital stock	**2,509**	2,509
	$ 39,300	$ 30,734

Fixed assets

Fixed assets increased to $25.1 million with the acquisition of Tobias Kotzin in addition to the normal expenditures on new manufacturing equipment, renovations to retail stores, company owned plants and offices as well as the acquisition of additional in-store point-of-sale equipment.

	1980	1979
	thousands of dollars	
Land	**$ 1,730**	$ 1,370
Building	**9,070**	7,302
Equipment and leasehold improvements	**34,562**	32,085
	45,362	40,757
Accumulated depreciation	**20,308**	17,998
	$ 25,054	$ 22,759

Leased assets

Dylex leases most of the store equipment and fixtures required to open a new outlet. A typical Fairweather store may cost more than $300,000 and the smaller Tip Top and Suzy Shier stores may exceed $150,000.

In accordance with the accounting requirements of the Canadian Institute of Chartered Accountants, leases are considered to be capital if the lease term covers 75 percent of the economic life, the present value of lease payments exceed 90 percent of the original cost of the assets, or the contract contains a bargain purchase option. Store equipment and fixture leases signed over the past few years qualify under the rules and have been capitalized. Leases for retail locations do not meet the requirements and have been expensed.

Store equipment and fixtures covered by equipment leases are set up at cost. The amortization has been charged to expense at the same rates that would be used if the assets were owned by the company.

Liabilities include an estimate of the amount that would be outstanding at the year end if the company had financed the assets through a loan rather than by leases. The amount is determined by estimating the present value of the future lease payments at the interest rates used in determining the rental payments in the lease agreement.

Leased assets under capital lease increased $5.5 million in 1980 compared with $9.8 million the previous year reflecting the general slow down in the construction of new shopping centres and a cautious approach to expansion by the retail divisions. Although approximately 50 percent of the leases signed during 1980 contain floating rates tied to commercial paper rates, the agreements contain provisions that permit the company to fix rates at specified future dates. The company expects to exercise the options at an advantageous time.

The following is a summary of the capital leases outstanding:

	1980	1979
	thousands of dollars	
Assets		
Capital leases	**$ 55,681**	$ 50,215
Accumulated depreciation	**21,392**	15,813
	$ 34,289	$ 34,402
Liabilities		
Minimum lease payments	**$ 42,286**	$ 42,224
less amounts representing imputed interest at rates varying from 8.7% to 12.7%	**9,226**	8,116
Present value of obligations under capital leases	**33,060**	34,108
Due within one year	**7,414**	5,988
Long term obligations under capital leases	**$ 25,646**	$ 28,120

Long term debt

Long term debt increased from $15.5 million to $23.5 million. The increase is the result of the addition of $12.2 million in debt either assumed in the acquisition of Tobias Kotzin or required to finance the operation. Some of the higher cost long-term debt was retired during the year, primarily the notes payable by the finance subsidiary.

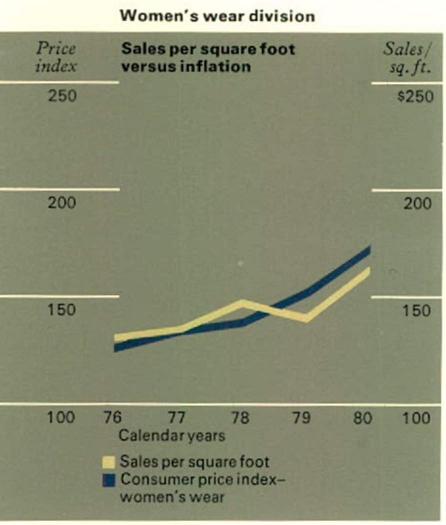
Equity

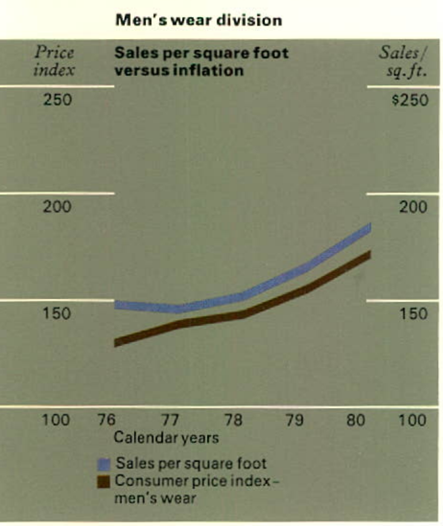
The debt equity ratio decreased slightly at the year end from 60.4 percent to 60.0 percent despite large increases in debt associated with the consolidation of Tobias Kotzin. Although lease financing for 1981 is expected to increase, a substantial reduction in the debt equity ratio is anticipated.

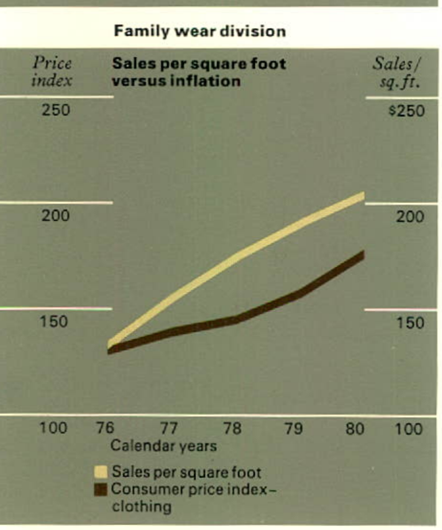
	1980	1979
	thousands of dollars	
Long term debt	**$ 23,529**	$ 15,542
Obligations under capital leases	**25,646**	28,120
	$ 49,175	$ 43,662
Shareholders' equity	**$ 81,979**	$ 72,299
Debt/equity	**60.0%**	60.4%
Share outstanding	**5,926**	5,926
Book value per share	**$ 13.83**	$ 12.20

James F. Kay, Wilfred Posluns, Irving Posluns and Jack Posluns directly or indirectly own 76.0 percent of the voting and 25.6 percent of the Class "A" shares of the company.

There were 1,440 shareholders at the year-end compared with 1,812 the previous year. During the year 27,745 Common shares and 716,187 Class "A" shares were traded.







Minority interest

Minority interest reflects our partners' share of the consolidated subsidiaries–Thrifty's, Suzy Shier, Harry Rosen, Tobias Kotzin and Paulman International. During the year a dividend of $1.0 million was paid to minority shareholders of Thrifty's.

Dividends

Dividends were unchanged at 40 cents per share. The dividend rate will be reviewed periodically in keeping with the company's established policy of increasing dividends in direct relationship to the growth in earnings.

Inflation

For several years now the Canadian Institute of Chartered Accountants has been trying to resolve the problems associated with the affect of inflation on financial reporting. At such time as the accounting bodies agree on new rules, Dylex will provide the required information. In the interim the following discussion provides some insight into the affect of inflation upon the company.

Inflation has both an indirect and direct impact on the profitability of the company. If customers are unhappy with the prices charged by a retailer they will shop elsewhere. If prices are generally too high shoppers may delay purchases until their expectations change, as women did in 1979. With today's operating costs volume is key to profitability and any failure to increase sales productivity would have a detrimental effect on profits.

Dylex has been able to sustain sales growth over a period of time. Comparison of sales per square foot over the past few years with increases in the consumer price provides a useful measure of the company's success in achieving real sales growth.

The impact of inflation on the value of inventories can influence reported profits as well as the valuations shown in the balance sheet. Dylex inventory normally turns over every three to four months. Since a significant portion of the inventory is financed by supplier credit the possibility of holding gains or losses is limited. The high inventory turnover also means that the company is achieving a reasonable match of revenues and costs.

Consideration of inflation in regards to fixed assets is more complex. Construction costs of new stores continue to escalate as both labour and material costs rise. We have reacted to these cost increases by altering store designs, using greater standardization in store features and introducing improved cost control methods. To date, we have been able to equip our new stores at modest increases in cost from the $35 to $40 per square foot paid five years ago, a period of rapid expansion for the company. The replacement value of most stores is thus only slightly higher than those reported on the balance sheet. The estimated impact of any pro forma revaluation of fixed asset and capitalized leases on earnings is negligible.

Dylex Limited

Ten Year Financial Review

Years ended January following	1980	1979	1978
	thousands of dollars except per share and ratio data		
Consolidated operating results			
Sales			
Retail	$ **395,515**	334,195	299,488
Fashion manufacturing	**67,921**	44,068	34,835
Inter-group	**(4,199)**	(6,671)	(4,811)
Net sales	$ **459,237**	371,592	329,512
Net earnings before extraordinary items	$ **12,050**	9,045	12,272
Earnings per share			
before extraordinary items (note 1)			
1st Quarter	$ **(0.05)**	0.09	0.23
2nd Quarter	**0.10**	0.02	0.15
3rd Quarter	**0.87**	0.79	0.80
4th Quarter	**1.11**	0.63	0.89
Total	$ **2.03**	1.53	2.07
Financial analysis			
Working capital (note 1)	$ **56,948**	45,840	42,073
Working capital ratio	**2.0**	1.9	1.8
Book value per share	$ **13.83**	12.20	11.02
Asset turnover	**2.4**	2.2	2.3
Inventory turnover (note 2)	**3.7**	3.0	3.1
Shareholders' equity (note 1)	$ **81,979**	72,299	65,297
Return on equity – percent	**15.6**	13.1	20.4
Shareholders information			
Number of shareholders	**1,440**	1,812	1,936
Average shares outstanding (*'000*)	**5,926**	5,926	6,925
Dividends on class "A" shares	$ **0.40**	0.40	0.325
Toronto Stock Exchange Quotation			
Class "A" shares			
–high	$ **16**	16¼	14¾
–low	$ **9**	9	8
Retail information			
(Consolidated and associate operations) (note 3)			
Consolidated	$ **395,515**	334,195	299,488
Associate	**147,187**	117,519	70,240
Total	$ **542,702**	451,714	369,728
Sales by market			
Women's	$ **188,402**	153,188	140,462
Men's	**149,504**	126,927	111,411
Family	**204,796**	171,599	117,855
Total	$ **542,702**	451,714	369,728
Number of stores	**672**	634	569
Store space at year end (*'000 sq. ft.*)	**2,992**	2,865	2,592
Average store space during year (*'000 sq. ft.*)	**2,916**	2,735	2,347
Sales per square foot (note 4)			
Women's	$ **164**	141	148
Men's	$ **187**	160	154
Family	$ **206**	192	164
Total retail	$ **185**	163	155

Notes

1. Goodwill on acquisitions prior to 1974 has been written off. Finance subsidiary excluded in 1971. Earnings have been adjusted for the disposal of the Home Products Group at the end of 1972. Results for 1978 and subsequent years reflect the capitalization of leased assets (prior years figures have not been adjusted).

1977	1976	1975	1974	1973	1972	1971
249,446	223,197	187,625	148,298	107,446	82,768	66,253
25,416	24,700	23,941	25,488	27,124	23,688	20,481
(3,577)	(3,662)	(3,355)	(2,495)	(2,016)	(1,241)	(1,582)
271,285	244,235	208,211	171,291	132,554	105,215	85,152
8,541	7,274	7,424	5,242	4,466	3,781	2,333
0.17	0.18	0.15	0.13	0.10	0.07	—
0.12	0.16	0.15	0.12	0.10	0.07	—
0.56	0.50	0.52	0.32	0.27	0.22	—
0.62	0.41	0.45	0.33	0.30	0.29	—
1.47	1.25	1.27	0.90	0.77	0.65	0.40
37,943	29,982	26,916	22,556	17,848	12,001	11,432
2.2	1.9	1.8	1.8	1.6	1.4	1.7
9.29	8.04	7.01	5.95	5.19	4.00	3.37
2.8	2.8	2.7	2.5	2.1	—	—
3.1	3.2	2.9	2.7	2.4	—	—
55,059	46,839	40,876	34,654	30,228	23,264	19,476
16.8	16.6	19.7	16.2	16.7	—	—
2,279	2,592	2,683	2,869	2,743	2,693	2,680
5,826	5,826	5,826	5,826	5,826	5,803	5,786
0.225	0.225	0.20	0.14	0.12	0.075	0.005
8½	8¼	8⅞	7⅜	12¾	11⅞	4.62
6⅜	5⅝	4.30	3.00	5⅝	4.25	1.80
249,446	223,197	187,625	148,298	107,446	82,768	66,253
25,431	22,361	18,663	16,750	12,710	7,055	4,876
274,877	245,558	206,288	165,048	120,156	89,823	71,129
111,755	103,174	89,824	70,223	47,346	36,184	28,794
93,233	80,306	65,658	55,500	44,177	36,826	29,450
69,889	62,078	50,806	39,325	28,633	16,813	12,885
274,877	245,558	206,288	165,048	120,156	89,823	71,129
466	408	361	292	246	168	142
2,091	1,900	1,789	1,612	1,385	933	820
1,986	1,833	1,705	1,501	1,145	855	796
135	132	128	121	113	109	92
148	150	141	127	124	127	105
121	106	85	73	70	68	55
135	130	117	106	101	103	88

2. Sales divided by average inventory at estimated selling price. Retail and manufacturing inventories were adjusted by theoretical gross margins to arrive at estimated sales value.

3. All retail information reflects the results of both subsidiaries which are consolidated and associates (Town and Country, Bi-Way and Rubys) which are not consolidated.

4. Based on average square footage in use excluding outside wholesale sales and sales of integrated manufacturing divisions.

Dylex Limited

Consolidated Statement of Earnings

	January 31, 1981	February 2, 1980
	thousands of dollars	
Sales		
Retail	$ 395,515	$ 334,195
Fashion manufacturing	63,722	37,397
Net sales	459,237	371,592
Customer service income	3,174	3,170
	$ 462,411	$ 374,762
Earnings from operations before the following charges	$ 37,835	$ 28,821
Depreciation and amortization	10,154	8,498
Amortization of goodwill	136	136
Interest on long-term debt	3,431	1,619
Interest on capital lease obligations	3,484	3,253
Other interest	1,793	3,373
	18,998	16,879
Earnings before income taxes	18,837	11,942
Income taxes	8,477	4,890
	10,360	7,052
Income from investments (note 5)	4,453	3,366
Minority interest in subsidiaries' earnings	(2,763)	(1,373)
Net earnings before extraordinary item	12,050	9,045
Gain on sale of interest in retail division	—	327
Net earnings	$ 12,050	$ 9,372
Earnings per share		
Before extraordinary item	$ 2.03	$ 1.53
For the year	$ 2.03	$ 1.58

Consolidated Statement of Retained Earnings

	January 31, 1981	February 2, 1980
	thousands of dollars	
Balance, beginning of year	$ 46,904	$ 39,880
Net earnings	12,050	9,372
Transfer from appraisal excess	22	22
	58,976	49,274
Dividends		
Common shares (40¢ per share)	329	329
Class "A" shares (40¢ per share)	2,041	2,041
	2,370	2,370
Balance, end of year	$ 56,606	$ 46,904

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

Dylex Limited

(Incorporated under the laws of Canada)		January 31, 1981		February 2, 1980
		thousands of dollars		
Current assets				
Cash and short-term deposits	$	35,273	$	—
Accounts receivable (note 3)		14,774		29,590
Inventories (note 4)		64,056		67,492
Prepaid expenses		1,150		878
Notes and other investments due within one year (note 11)		546		426
		115,799		98,386
Current liabilities				
Bank indebtedness		—		3,637
Accounts payable		43,549		31,683
Income and other taxes payable		6,511		1,576
Notes payable		—		7,979
Long-term debt due within one year (note 8)		1,377		1,683
Obligations under capital leases due within one year (note 9)		7,414		5,988
		58,851		52,546
Working capital		56,948		45,840
Other assets				
Investments in associate companies (note 5)		22,853		19,278
Notes and other investments (note 11)		2,224		2,589
Fixed assets (note 6)		25,054		22,759
Leased assets under capital leases (note 7)		34,289		34,402
Goodwill at cost less amortization		848		872
Assets employed	$	142,216	$	125,740
Financed by–				
Other liabilities				
Long-term debt (note 8)	$	23,529	$	15,542
Obligations under capital leases (note 9)		25,646		28,120
Deferred income taxes		1,413		1,894
Minority interests		9,649		7,885
		60,237		53,441
Shareholders' equity				
Capital stock (note 10)				
Common shares		1,721		1,730
Class "A" shares		22,062		22,053
Excess of appraised value of fixed assets over cost		1,590		1,612
Retained earnings		56,606		46,904
		81,979		72,299
Capital employed	$	142,216	$	125,740

See accompanying notes to consolidated financial statements.

Approved on behalf of the board

J. F. Kay, Director

W. Posluns, Director

Consolidated Statement of Changes in Financial Position

	January 31, 1981	February 2, 1980
	thousands of dollars	
Working capital provided by:		
Net earnings before extraordinary item	$ 12,050	$ 9,045
Depreciation and amortization	4,711	3,827
Amortization of leased assets under capital leases	5,579	4,807
Income from investments (net of dividends received)	(3,737)	(3,366)
Increase (decrease) in deferred income taxes	(481)	523
Minority interest in subsidiaries' earnings	2,763	1,373
Working capital from operations	20,885	16,209
Increase in long-term debt (net)	7,987	742
Decrease in investments	415	399
Disposal of fixed assets	102	103
Increase in obligations under capital leases (net)	—	3,074
Gain on sale of interest in retail division	—	327
	29,389	20,854
Working capital used for:		
Leased assets under capital leases	5,466	9,807
Fixed assets	3,913	4,910
Acquisition, less working capital acquired (note 2)	3,059	—
Decrease in obligations under capital leases (net)	2,473	—
Dividends	2,370	2,370
Dividend to minority interest	1,000	—
	18,281	17,087
Increase in working capital	$ 11,108	$ 3,767
Analysis of changes in working capital		
Cash and short-term deposits	$ 38,910	$ (1,427)
Accounts receivable	(14,816)	(380)
Inventories	(3,436)	5,701
Accounts payable	(11,866)	(235)
Income and other taxes payable	(4,935)	4,977
Notes payable	7,979	(2,545)
Other (net)	(728)	(2,324)
Increase in working capital	$ 11,108	$ 3,767

See accompanying notes to consolidated financial statements.

Auditors' Report

To the Shareholders of Dylex Limited

We have examined the Consolidated Statement of Financial Position of Dylex Limited as at January 31, 1981 and the Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Company as at January 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wm. Eisenberg & Co.
Chartered Accountants

Toronto, Canada
March 13, 1981

Notes to Consolidated Financial Statements
As at January 31, 1981

1. Accounting policies

Principles of consolidation

The Consolidated Financial Statements include the accounts of all divisions and subsidiaries of Dylex Limited as well as the Company's share of the assets, liabilities, sales and expenses of its unincorporated joint ventures (Nu Mode Dress and Target Apparel). All significant inter-company transactions have been eliminated.

Where 50% or less of the outstanding common shares of associate companies are held, the investment is initially recorded at cost and adjusted annually to reflect the Company's share of earnings and dividends.

Inventories

Retail inventories are valued, using the retail inventory method, at the lower of cost and net realizable value, less normal profit margins. Manufacturing inventories are priced at the lower of cost (principally on a first-in, first-out basis) and net realizable value.

Fixed assets

Fixed assets are recorded at cost, except for the Company's property at 637 Lake Shore Boulevard West, Toronto, which is at 1967 appraised value. The appraisal excess is being transferred to retained earnings at the rate used for the depreciation of buildings.

Depreciation is designed to amortize the fixed assets on a straight-line basis over their estimated useful lives at the following rates:

Buildings	2½%
Building renovations	20%
Equipment and leasehold improvements	10-20%
Automotive	25%

When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the Consolidated Statement of Earnings.

Leases

Certain long-term lease transactions relating to the financing of store and other equipment are accounted for as capital leases. Assets recorded under capital leases are amortized on a straight-line basis using rates that are consistent with similar company owned assets. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

All other leases, including those relating to store premises, are classified as operating leases and are expensed in accordance with the terms of the lease agreement.

Foreign currency translation

The accounts of the foreign subsidiary are translated into Canadian dollars as follows:

a) current assets and current liabilities at exchange rates in effect at year end

b) other assets and liabilities at historical rates

c) revenue and expense at average rates, except depreciation and amortization which are translated at rates used to translate the related assets

Both realized and unrealized exchange gains and losses are included in earnings.

Goodwill

The excess of purchase price over the fair market value of the net assets of subsidiaries and associates is being amortized on a straight-line basis over a period not exceeding forty years. Goodwill on acquisitions prior to March 31, 1974 was written off to retained earnings.

Pension plan

The Dylex pension plan is a unit benefit career average plan which, based on actuarial reviews, has no unfunded liability for either past or future service benefits. All current costs are expensed as incurred.

Store opening costs

All costs associated with the opening of new stores are expensed as incurred.

2. Acquisition

During the year the Company acquired 70% of the shares of Tobias Kotzin Company, a new company formed as a result of a merger of a U.S. based manufacturer also called Tobias Kotzin Company and a newly formed U.S. subsidiary of Dylex Limited. The assets and liabilities of the new subsidiary are included in the accompanying Consolidated Statement of Financial Position as at January 31, 1981 and the results of operations are reflected in the Consolidated Statement of Earnings from May 13, 1980, the effective date of acquisition.

This transaction has been accounted for by the purchase method and details are as follows:

	thousands of dollars
Total net assets of Tobias Kotzin Company	$ 21,700
Less amounts paid in cash to outside shareholders as a condition of the merger	16,024
Long-term debt assumed	5,676
Working capital acquired	2,617
Fixed assets acquired	$ 3,059

3. Accounts receivable

	1981	1980
	thousands of dollars	
Retail	**$ 3,686**	$ 19,970
Fashion manufacturing	**8,373**	4,795
Other	**2,715**	4,825
	$ 14,774	$ 29,590

During the year the Company sold its consumer credit accounts amounting to $15,387,000 to a major Canadian bank which will provide the Company with continuing consumer credit facilities. Of the above mentioned amount approximately $3,200,000 was subject to recourse.

4. Inventories

	1981	1980
	thousands of dollars	
Retail	$ 51,372	$ 58,181
Fashion manufacturing	12,684	9,311
	$ 64,056	$ 67,492

5. Investments in associate companies

	Percentage ownership
Bi-Way Stores Limited	50%
Brody's Town & Country (1967) Limited	50%
Drug World Limited	50%
Shane Knit Limited	50%
The Shoe Shoppe Limited	50%
Manchester Manufacturing Inc.	42%
Forsyth Trading Company Limited and subsidiaries	33⅓%

6. Fixed assets

	1981	1980
	thousands of dollars	
Land	$ 1,730	$ 1,370
Buildings	9,070	7,302
Equipment and leasehold improvements	34,562	32,085
	45,362	40,757
Accumulated depreciation	20,308	17,998
	$ 25,054	$ 22,759

7. Leased assets under capital leases

	1981	1980
	thousands of dollars	
Capital leases	$ 55,681	$ 50,215
Accumulated amortization	21,392	15,813
	$ 34,289	$ 34,402

8. Long-term debt

	1981	1980
	thousands of dollars	
Notes payable		
Prime less 1%, due May 5, 1983	$ 4,000	$ 4,000
10% loan, due July 21, 1985 (note 2) (U.S.$4,800,000)	5,676	—
Lender's cost of borrowing, plus .958%, due July 25, 1985 (U.S.$3,500,000)	4,139	—
Lender's cost of borrowing, plus .958%, due July 31, 1985 (U.S.$2,000,000)	2,365	—
10% Debenture due February 26, 1989	653	653
Finance company notes secured by chattel mortgages	2,028	1,659
By the finance subsidiary, principally to directors, officers and shareholders of the Company and their associates at prime bank rate	—	3,810
Non-interest bearing, due December 1, 1980	—	89
First mortgages on buildings		
Lender's cost of borrowing, plus 1¼% due May 15, 1985	3,843	4,277
9½%, due December 1, 1997	570	583
10½% due May 15, 1999	728	741
Other		
Bank term loan, prime plus ½%, due June 30, 1981	—	395
Other, principally landlord loans	904	1,018
	24,906	17,225
Due within one year	1,377	1,683
	$ 23,529	$ 15,542

Requirements for repayment within the next five years are as follows:

1982	$ 1,377
1983	1,375
1984	5,284
1985	12,269
1986	2,327

9. Lease commitments

The future minimum lease payments under capital and operating leases that have initial or remaining non-cancellable terms in excess of one year as at January 31, 1981 are as follows:

	Capital leases	Operating leases
	thousands of dollars	
1982	$ 10,858	$ 17,383
1983	11,784	17,369
1984	8,074	17,201
1985	5,674	16,702
1986	4,987	15,811
Thereafter	909	103,812
Total minimum lease payments	42,286	$ 188,278
less amount representing imputed interest at rates varying from 8.7% to 12.7%	9,226	
Present value of obligations under capital leases	33,060	
Due within one year	7,414	
Long-term obligations under capital leases	$ 25,646	

Aggregate rentals paid on operating leases for property and equipment leases for the year ended January 31, 1981 amounted to $26,208,000 (1980–$20,721,000).

10. Capital stock

Authorized

6,000,000 Common shares without par value (convertible into Class "A" shares on a one-for-one basis)
20,000,000 Class "A" participating preference shares, without par value
1,000 Class "B" non-participating preference shares, without par value

Issued

	1981	1980
	thousands of dollars	
817,907 Common shares (1980–822,207)	$ 1,721	$ 1,730
5,107,659 Class "A" shares (1980–5,103,359)	$ 22,062	$ 22,053
During the year 4,300 common shares were converted into Class "A" shares		

11. Related party transactions

a) *Associate companies*

In the normal course of business the Company both purchases merchandise from and sells merchandise to its associate companies. During the year, these purchases and sales amounted to $12,150,000 (1980–$12,408,000), and $1,867,000 (1980–$1,563,000) respectively. As at January 31, 1981, accounts receivable included $753,000 (1980–$392,000) due from these companies and $2,034,000 (1980–$252,000) due to them were included in accounts payable.

The Company is in the process of selling its Family Fair division to Bi-Way Stores Limited (note 13).

b) *Related companies*

The Company engages the services of a company, which is approximately 65% owned by senior officers and directors of Dylex Limited, to act on its behalf as a general contractor for the purposes of furnishing and fixturing some of its retail outlets. That company recovers its costs from Dylex Limited and receives a flat fee of $60,000 per annum for its services.

c) *Affiliate*

As at January 31, 1981 Strathearn House Group Limited, an affiliate, was indebted to Dylex Limited in the amount of $2,337,000 (1980–$2,584,000) represented by a 7% unsecured note due February 15, 1983, and repayable in equal monthly instalments on a 15 year amortization basis. Interest on this note during the year amounted to $169,000 (1980–$186,000). The note, which arose on the sale of the Company's Home Product Group in 1973, is included in the financial statements under the caption of Notes and other investments.

12. Contingent liabilities

The Company has sold its consumer credit accounts with partial recourse, and together with others has guaranteed the bank loans and equipment lease obligations of associate companies and the bank loan of the Key Employee Stock Plan. At the year end the extent of these obligations was $6,391,000.

As at January 31, 1981, the outstanding amount of these guarantees was $4,991,000 of which amount the Company holds indemnities for $435,000.

13. Subsequent events

On July 30, 1980 the Company announced that it had entered into a letter of intent to sell, as at February 2, 1981, the operations of its Family Fair division at net book value to Bi-Way Stores Limited, a company in which Dylex Limited has a 50% interest. The transaction is proceeding in accordance with the terms of the letter of intent.

Agreement in principle has been reached to distribute the assets and liabilities of Forsyth Trading Company Limited and its subsidiaries equally to the current shareholders (Dylex Limited, Grafton Group Limited and the management group of Forsyth Trading Company Limited). Each group will hold its assets in a separate limited company which will enter into a partnership under the laws of Ontario to operate the business formerly carried on by Forsyth Trading Company Limited and its subsidiaries.The agreement is expected to be completed by April 30, 1981.

14. Segmented results

	Retailing		Manufacturing		Adjustments		Consolidated	
	1981	1980	1981	1980	1981	1980	1981	1980
	thousands of dollars							
Sales	$ 395,515	$ 334,195	$ 67,921	$ 44,068	$ (4,199)	$ (6,671)	$ 459,237	$ 371,592
Operating earnings	23,917	18,371	6,108	4,280	—	—	30,025	22,651
Interest	—	—	—	—	—	—	8,708	8,245
Corporate charges	—	—	—	—	—	—	2,480	2,464
Earnings before income tax	—	—	—	—	—	—	18,837	11,942
Assets at year end	115,341	126,806	33,801	16,912	51,925	34,568	201,067	178,286
Capital expenditures and assets under capital leases for the period	8,149	12,653	4,243	1,040	46	1,024	12,438	14,717
Depreciation and amortization	8,285	7,292	921	547	948	659	10,154	8,498

Supplementary Information

Retail Stores by Location

Women's	Total	Fairweather*	Braemar	Suzy Shier	Town and Country	Rubys*
British Columbia	**23**	14	—	—	9	—
Alberta	**22**	13	—	6	3	—
Saskatchewan	**1**	1	—	—	—	—
Manitoba	**11**	5	—	3	3	—
Ontario	**199**	50	10	35	75	29
Quebec	**28**	7	—	19	2	—
New Brunswick	**17**	5	—	5	7	—
Nova Scotia	**15**	6	—	4	5	—
Newfoundland	**6**	2	—	2	2	—
Total	**322**	103	10	74	106	29

Men's	Total	Tip Top	Big Steel Man*	Harry Rosen
British Columbia	**32**	20	12	—
Alberta	**32**	20	12	—
Saskatachewan	**8**	7	1	—
Manitoba	**13**	8	5	—
Ontario	**108**	55	45	8
Quebec	**29**	22	7	—
New Brunswick	**11**	6	5	—
Nova Scotia	**13**	7	6	—
Newfoundland	**5**	3	2	—
Total	**251**	148	95	8

Family	Total	Thrifty's	Family Fair	Bi-Way
British Columbia	**16**	16	—	—
Alberta	**17**	17	—	—
Saskatchewan	**5**	5	—	—
Manitoba	**11**	11	—	—
Ontario	**139**	56	39	44
Quebec	—	—	—	—
New Brunswick	**7**	7	—	—
Nova Scotia	**7**	7	—	—
Newfoundland	**3**	3	—	—
U.S.A.	**1**	—	—	1
Total	**206**	122	39	45
Total retail outlets	**779**			
Less integrated units	**107**			
Total retail stores	**672**			

*Some Big Steel Man (94 locations) and Rubys (8 Shoe Shoppe locations) are part of freestanding Fairweather stores. Five B.H. Emporium outlets are included in the Fairweather total.

Dylex Representation in Metropolitan Areas

Metro areas with populations over 100,000 (1980)	*thousands*	Total number of stores			Stores per 100,000 population		
		Women's	Men's	Family	Women's	Men's	Family
Canada	23,892	—	—	—	—	—	—
Toronto	2,914	87	53	67	2.99	1.82	2.30
Montreal	2,816	13	15	—	0.46	0.53	—
Vancouver	1,203	19	21	12	1.58	1.75	1.00
Ottawa-Hull	739	17	14	3	2.30	1.89	0.41
Edmonton	622	9	13	7	1.45	2.09	1.13
Winnipeg	586	11	12	9	1.88	2.05	1.54
Quebec City	566	6	7	—	1.06	1.24	—
Calgary	541	8	11	6	1.48	2.03	1.11
Hamilton	536	12	8	14	2.24	1.49	2.61
St. Catharines-Niagara	310	8	3	6	2.58	0.97	1.94
Kitchener	288	11	7	10	3.82	2.43	3.47
London	280	12	4	7	4.29	1.43	2.50
Halifax	277	13	11	4	4.69	3.97	1.44
Windsor	246	7	2	5	2.85	0.81	2.03
Victoria	230	2	4	3	0.87	1.74	1.30
Regina	167	—	2	2	—	1.20	1.20
Sudbury	154	4	4	1	2.60	2.60	.65
St. John's	151	6	5	3	3.97	3.31	1.99
Saskatoon	147	1	4	2	0.68	2.72	1.36
Oshawa	145	4	3	5	2.76	2.07	3.45
Chicoutimi-Jonquiere	129	2	1	—	1.55	0.78	—
Thunder Bay	121	4	2	2	3.31	1.65	1.65
Saint John	116	6	5	3	5.18	4.31	2.59
Sherbrooke	108	2	1	—	1.85	0.93	—
Total Outlets		264	212	171	1.97	1.58	1.28

Combined Retail Sales by Region

	Women's		Men's		Family	
	1980	1979	**1980**	1979	**1980**	1979
	thousands of dollars					
Maritimes	**$ 16,646**	$ 13,173	**$ 13,411**	$ 11,584	**$ 7,388**	$ 6,796
Quebec	**14,130**	10,849	**21,368**	16,430	—	—
Ontario	**119,899**	100,408	**68,549**	62,067	**175,812**	146,585
Prairies	**23,369**	17,699	**32,142**	25,636	**16,945**	14,192
British Columbia	**14,358**	11,059	**14,034**	11,210	**4,651**	4,026
	$ 188,402	$ 153,188	**$ 149,504**	$ 126,927	**$ 204,796**	$ 171,599

Dylex Operations

Retailing		Location	Average Size *sq.ft.*	Market Coverage
Women's				
Fairweather	98	Across Canada	6,400	Latest in fashionable moderately priced women's clothing and accessories for the 15-30 age group.
B.H.Emporium	5	Ontario	1,500	Value priced fashionable merchandise for the younger shopper.
Braemar	10	Ontario	3,800	Selected lines of fashionable sportswear, dresses and coats.
Suzy Shier	74	Across Canada	2,600	Medium priced fashionable merchandise for the younger market.
Town and Country	106	Across Canada	2,700	Medium priced contemporary coats, dresses and sportswear.
Rubys	29	Ontario	1,300	Fashionable moderately priced footwear.
Total	322			
Men's				
Tip Top	148	Across Canada	4,200	Suits and accessories for the broad middle group of consumers.
Big Steel Man	95	Across Canada	1,700	Latest in fashionable moderately priced clothing for the younger man.
Harry Rosen	8	Ontario (Toronto)	4,700	Quality and fashion for the professional and executive.
Total	251			
Family				
Thrifty's	122	Across Canada	2,000	Jeans, shirts, jackets and accessories for today's shopper.
Family Fair	39	Ontario	11,100	Budget merchandise to meet the total clothing needs of Ontario families.
Bi-Way	45	Ontario (1 USA)	7,500	Low cost clothing and housewares for budget conscious Ontario consumers.
Total	206			

Manufacturing	Product	Brand Names
Forsyth Group	Men's shirts, sweaters, leisure wear, women's shirts	Forsyth, Pierre Cardin
Manchester Children's Wear	Young women's and children's coats	Thunder Bay, Young Canadian
Manchester Manufacturing Inc.	Children's coats	Thunder Bay, Young Canadian
National Knitting	Women's co-ordinates, men's and women's sweaters	New Editions, Signature Collections, Coachman
NuMode Dress	Dresses	NuMode
Paulman International/ Canadian Clothiers	Suits, sports coats	Leishman, Cerruti, Henley
Posluns Sportswear	Women's coats	Posluns, Shapes
Shane Knit	Women's knits	Picknit
Target Apparel	Suits, sports coats	Target Apparel
Tobias Kotzin	Men's casual slacks, jackets	Tobias, Angels Flight

Representation in Major Shopping Centres in Canada

Centre	Location	*Sq. Ft. thousands*	No. of Stores	Major Tenants	Women's					Men's			Family		
					Dylex Representation										
					Fairweather	Braemar	Suzy Shier	Rubys	Town and Country	Tip Top	Harry Rosen	Big Steel Man	Thrifty's	Family Fair	Bi-Way
Eaton Centre	Toronto	1,550	300	Eaton's	●	●	●	●	●	■	■	■	▲		
Square One	Mississauga	1,541	165	Sears, The Bay, Woolco	●	●	●	●	●	■		■	▲	▲	
Place Laurier	Quebec City	1,432	300	Sears, Syndicat Paquet	●					■		■			
Scarborough Town Centre	Toronto	1,108	198	Eaton's, Simpsons, The Bay	●	●	●	●	●	■	■	■	▲		
Yorkdale	Toronto	1,091	108	Eaton's, Simpsons	●	●	●	●	●	■	■	■	▲		
Chinook Ridge	Calgary	1,020	185	Sears, Woodwards	●		●			■		■	▲		
Les Galeries D'Anjou	Montreal	998	140	Eaton's, Simpsons, Sears						■					
Sherway Gardens	Toronto	960	200	Eatons', Simpsons	●	●	●	●	●	■	■	■	▲		
Pen Centre	St. Catharines	939	105	Eaton's, Simpsons, Robinsons	●	●	●	●		■		■	▲		
Les Promenades	St. Bruno	912	175	Eaton's, Simpsons, The Bay, Beaucoup			●			■					
Oshawa Centre	Oshawa	901	140	Eaton's, The Bay, Sears	●		●	●	●	■	■	■	▲	▲	
Park Royal	Vancouver	880	172	Eaton's, The Bay, Woodwards	●				●	■		■	▲		
Polo Park	Winnipeg	871	80	Eaton's, Sears	●					■		■	▲		
Le Carrefour Laval	Montreal	870	125	Eaton's, Simpsons	●		●			■		■			
Kingsway Gardens	Edmonton	850	125	Sears, Zeller's	●				●	■		■	▲		
Bramalea City Centre	Bramalea	836	150	Eaton's, The Bay	●				●	■		■	▲	▲	▲
Guildford Town Centre	Surrey	825	180	Eaton's, Woolco, Woodwards	●				●	■		■	▲		
The Centre Mall	Hamilton	800	83	Sears, Robinsons	●					■		■	▲		
Place Fleur de Lys	Quebec City	800	170	Sears, Syndicat, K-Mart	●		●			■		■			
Devonshire Mall	Windsor	775	93	Sears, Simpsons	●		●	●	●	■		■	▲	▲	
Place Versailles	Montreal	750	135	The Bay, Pascal, Miracle Mart			●			■					
Coquitlam Centre	Vancouver	750	150	Eaton's, The Bay, Woodwards	●				●	■		■	▲		
Fairview Park	Kitchener	727	96	Sears, Simpsons, Woolco	●				●	■		■	▲	▲	
Fairview Mall	Toronto	700	104	Simpsons, The Bay	●			●	●	■	■	■	▲		
Centre Laval	Montreal	700	110	The Bay, Woolco						■					
St. Vital	Winnipeg	700	90	Eaton's, The Bay, Woolco	●		●		●	■		■	▲		
Pacific Centre	Vancouver	695	130	Eaton's, Holt Renfrew	●					■		■	▲		
Southgate	Edmonton	684	48	The Bay, Woodwards	●					■					
Market Mall	Calgary	678	80	The Bay, Woodwards	●					■		■	▲		
Place Vertu	Montreal	675	110	Sears, The Bay, K-Mart						■					
Burlington Mall	Burlington	670	105	Eaton's, Sears, Robinsons, K-Mart	●	●		●	●	■		■		▲	
Carrefour de l'Estrie	Sherbrooke	660	108	Eaton's, Sears, Pascal			●			■					
Lansdowne Park	Vancouver	655	140	Eaton's, Woodwards	●				●	■		■	▲		
Shoppers World	Brampton	629	117	Simpsons, K-Mart					●				▲		
Fairview Pointe Claire	Montreal	628	85	Eaton's, Simpsons, Pascal						■					
Les Galeries Chagnon	Quebec City	626	65	Sears, Woolco						■					
Londonderry Mall	Edmonton	616	95	Eaton's, The Bay, Woolco	●					■		■	▲		
Edmonton Centre	Edmonton	610	101	Eaton's, Woodwards	●					■		■	▲		
Place Ste. Foy	Quebec City	600	112	Eaton's, Holt Renfrew			●								
Towne & Country Square	Toronto	600	77	The Bay, Woolco	●		●		●	■		■			
Place Du Royaume	Chicoutimi	600	150	The Bay, Woolco						■					
Village Mall	St. John's	600	96	Sears, Woolco	●		●		●	■		■	▲		
Bayshore	Ottawa	600	100	Eaton's, The Bay	●		●		●	■		■	▲		
Carrefour du Nord	St. Jerome	588	97	Sears, K-Mart			●								

Corporate Information

Head office
637 Lake Shore
Boulevard West,
Toronto, Ontario
M5V 1A8

Transfer agent and registrar
National Trust
Company Limited

Auditors
Wm. Eisenberg
& Co.
Chartered
Accountants

Bankers
Bank of Montreal

Listed on
Toronto
Stock Exchange
Montreal
Stock Exchange

Directors
Kenneth Axelrod
D. W. Casey*
George Fine
J. F. Kay
S. F. Kay
David Korn C.A.
Irving Levine
Sydney Loftus
Irving Posluns
Jack Posluns
L. H. Posluns
Wilfred Posluns*
Lionel Robins
Harry Rosen
S. M. Sigel
W. H. Singer
H. J. Stitt Q.C.*
Henry Zagdanski
A. H. Zaldin Q.C.*

*Member of Audit Committee

Officers

L. H. Posluns
Honorary Chairman
of the Board

J. F. Kay
Chairman
of the Board

Wilfred Posluns
President

Jack Posluns
Executive
Vice-President
& Treasurer

Irving Posluns
Executive
Vice-President

Kenneth Axelrod
Vice-President
Manchester Clothing

Alfred Callegari
Vice-President
Special Projects

Joel Cooper
Vice-President
Braemar

Paul Cooper
Vice-President
Braemar

Gordon Edelstone
Vice-President
Tip Top

George Fine
Vice-President
Corporate Planning

Irving Levine
Vice-President
Fairweather

Sydney Loftus
Vice-President
Dylex Real Estate

Paul Mancini
Vice-President
Canadian Clothiers

Lionel Robins
Vice-President
Fairweather

Harry Rosen
Vice-President
Harry Rosen
Men's Wear

David Rosenberg
Vice-President
Manufacturing

Chris Schwartz
Vice-President
Tip Top

Donald Williams
Secretary

Henry Zagdanski
Vice-President
Nu Mode Dress


THRIFTY'S
BIG STEEL MAN
THE
Biway
Bräemar
rubys
town and Country
SHOPS
HARRY ROSEN