GENERAL DISTRIBUTORS OF CANADA LTD.

ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 31, 1980

GENERAL DISTRIBUTORS OF CANADA LTD.

Through subsidiaries, the Company participates in the Canadian merchandising business.

General Distributors of Canada Ltd. owns 51% of Sony of Canada, Ltd., a joint venture between the Company and Sony Corporation, Tokyo, to distribute all Sony products in Canada.

Also in the electronics business, the Company has a wholly owned subsidiary, Cam-Gard Supply Ltd., which operates 12 wholesale branches across Canada.

Through ownership of all of the voting shares of Metropolitan Stores of Canada Limited, the Company operates 250 junior department and family clothing stores across Canada. These retail outlets have a broad geographic base and operate under the names "Metropolitan", "Greenberg", and "Saan".

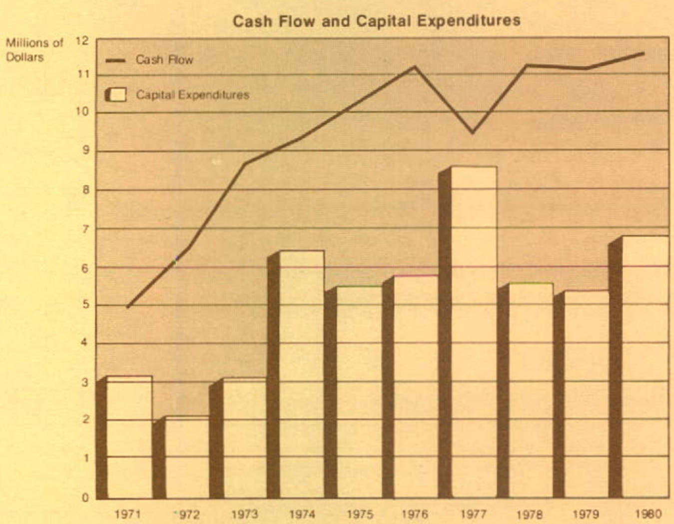
CONTENTS

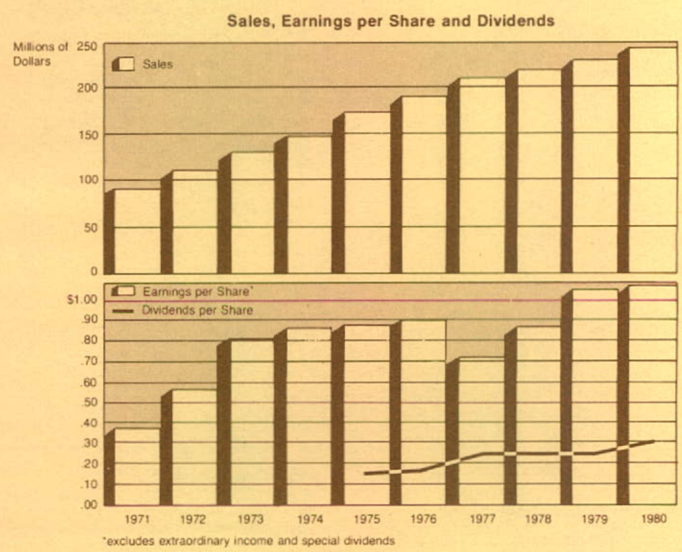
The Annual and Special General Meetings of Shareholders will be held Friday, April 25, 1980 at 11:00 a.m. at the Winnipeg Inn, Winnipeg, Manitoba.

COMPARATIVE FINANCIAL HIGHLIGHTS

(in thousands of dollars, except per share data)

Year ended January 31	1980	1979
Sales	**$246,622**	$231,266
Earnings — Operations	**6,624**	6,357
— Extraordinary	—	4,033
Dividends — Regular	**1,842**	1,409
— Special	—	10,415
Cash Flow	**11,669**	11,134
Capital Expenditures	**6,808**	5,366
Working Capital	**23,818**	24,494
Shareholders' Equity	**45,559**	40,540
Per Common Share:		
Earnings — Operations	**1.08**	1.04
— Extraordinary	—	.66
Dividends — Regular	**.30**	.23
— Special	—	1.70
Shareholders' Equity	**7.40**	6.62
Quarterly Earnings per Share:		
1st Quarter	**.01**	.03
2nd Quarter	**.12**	.10
3rd Quarter	**.27**	.35
4th Quarter	**.68**	.56





REPORT TO SHAREHOLDERS

GENERAL REMARKS

Despite a year of record interest rates, and an uncertain economic climate, our fiscal year just ended resulted in increased sales and operating profits.

Sales increased nominally from $231,266,000 to $246,622,000, an increase of 6.6%. The fourth quarter usually generates a greater percentage of sales and profits. Due to strong fourth quarter sales and a tighter control of expenses, this period generated a 9.3% increase in sales and a 21.4% increase in profits over the same quarter in the previous year. Earnings for the year from operations increased from $6,357,000 ($1.04 per share) to $6,624,000 ($1.08 per share). The company had no extraordinary gains this year compared to $4,003,000 ($.66 per share) earned in the prior year.

Substantially higher interest costs for financing our working capital had a considerable dampening effect on our net earnings. Total interest expenses rose to $7,037,000 as against $3,947,000 in the previous year, an increase of $3,090,000.

OIL & GAS

Of increasing importance to our operation is a joint venture investment with Trimac Limited in oil and gas exploration through Tripet Resources Limited. The initial investment commitment of $7,500,000 was to be expended over a period of 5 years and has resulted in an expenditure of approximately $3,000,000 to date.

In the past year, we have committed a further $4,500,000 to Tripet Resources to be expended in the years 1980 to 1982, raising our total committed investment to $12,000,000. One of the reasons for the increase is to participate in an exploration program operated by Hudson's Bay Oil & Gas Ltd. on its lands in British Columbia, Alberta, Saskatchewan and offshore Prince Edward Island.

Our drilling program on lands held by Voyager Petroleum contemplates drilling 150 wells, of which 75% have been completed and the remainder to be finished by mid 1980. The general quality of these wells is above original expectations. During 1979 some production was started and production will be increased as wells are connected.

Although our oil and gas investment has added little to our earnings to date, beginning with the current year and in subsequent years we may expect a reasonable cash flow and earnings to accrue to General Distributors of Canada Ltd. We are well satisfied with the results to date of our participation in the petroleum industry.

ELECTRONICS

In the summer of 1955 your president on a trip to Japan made contact with a then unknown small electronic manufacturer named Tokyo Tsushin Kogyo. As a result General Distributors introduced the first transistor radio into Canada that year. The brand name was Sony. The manufacturer subsequently became known by its brand name — Sony Corporation. It is to the credit of our company that we became the first export customer of Sony Corporation.

Throughout 1980 Sony of Canada, Ltd. will be celebrating the 25th Anniversary of our relationship through advertising and features that will strongly remind the Canadian public that Sony was the first Japanese brand name established in Canada.

Cam-Gard Supply Ltd. now operates as a distributor in twelve major cities throughout Canada. Its most recent office and warehouse was opened September 1979 in Toronto. This newest branch has by far the most potential for increasing volume for this growing subsidiary. Toronto, being the centre of secondary industry manufacturing, is a ready market for products in which Cam-Gard specializes. Cam-Gard now offers coast-to-coast distribution of electronic products. We expect significant growth in future years.

RETAIL

The three retail chains consisting of Metropolitan Stores (MTS) Ltd., Saan Stores Ltd. and Greenberg Stores Limited mainly cater to middle income consumers across Canada.

Saan's 113 retail stores are concentrated primarily in Western Canada, and latterly in Western Ontario. Through a system of central distribution and controls these stores, ranging in size from 6,000 to 10,000 square feet, are the fastest growing and most profitable of the three chains.

Greenberg's 44 retail stores, located primarily in the Province of Quebec, have been in a process of re-organization in the past year. Three separate warehouses have now been consolidated in one. The officers and buyers facilities have been merged with the distribution facility. Many economies have been effected and this chain of stores, ranging in size from 10,000 to 20,000 square feet, is in the process of being adapted to the successful Saan system of operation. Considerable expenditures have been made on facilities, electronic registers and central E.D.P. controls, which are now in place. These expenditures have been made to increase efficiency which should result in improved sales and profitability.

Metropolitan's 93 retail stores, ranging in size from 10,000 to 40,000 square feet, are also undergoing changes. A system of central warehouse controls is now in the process of being established along with a marketing strategy which we will continue to develop over future years.

All in all, we feel confident of the future growth of our three retail groups of stores now numbering 250. During the year we opened an additional 11 stores adding 107,000 square feet and closed 5 stores with 81,000 square feet to give us a total of 3,799,000 square feet of net retail space. In the current year we expect to open an additional 15 stores.

REAL ESTATE

The company owns a total of 50 properties in Canada, which were acquired over the past fifty years.

Many of the properties are prime downtown locations across Canada, some of which have become less profitable in their present use. In the past 18 months four properties located in downtown areas in major cities have been leased to tenants at rentals in excess of profits generated by our former store operations in these locations. It is the intention of management to become more actively engaged in the development of some of our key properties to ensure that they are utilized in the most productive manner.

During the year a property was acquired in White Rock, B.C., where we operate a Saan Store.

Sony of Canada, Ltd. has acquired a property in Richmond, British Columbia for the purpose of constructing a 50,000 square foot office, studio and warehouse building. The intention is to consolidate the regional consumer and industrial facilities which service Western Canada where present facilities are no longer adequate. This capital expenditure, of approximately $3 million, will complete the office and warehouse facilities established across Canada for Sony on which upwards of $12 million will have been spent.

Last October, Mr. Akio Morita, Chairman of Sony Corporation, Tokyo, officiated at a ceremony in Toronto commemorating the completion of the expanded Sony of Canada, Ltd. office, studio and warehouse facilities. Toronto now functions as a marketing centre for all Sony of Canada, Ltd. operations across Canada.

DIRECTORS

We have the pleasure of advising our Shareholders that Mr. Carl O. Nickle of Calgary, Alberta has been appointed to our Board of Directors. He replaces Mr. F. Newton Hughes who has been a Director of our company over the past 12 years and who for personal reasons has chosen not to stand for re-election.

Mr. Hughes has been an invaluable Director. Your board will greatly miss his advice and wisdom which he has contributed so generously.

THE FUTURE

Notwithstanding the many challenges which face your company in future years, we have full confidence in our ability to compete and progress in the fields in which we participate.

Sony is the strongest and best known name in electronics. The prospects for future growth in the fields of Betamax, television, broadcast equipment and other products in which Sony has shown world leadership in quality and innovation augers well for the future.

In the retail field we are continuing to react to changing times. We have been improving efficiency through centralization of distribution and inventory control which should ensure future growth and economies of scale in operation.

Our oil and gas joint venture with Trimac will continue to grow at a more rapid pace in future years.

OUR EMPLOYEES

It is the firm belief of management that advancement wherever possible should be made through the ranks of the employees in our companies.

It therefore gives me great pleasure to announce the following appointments:

Grant A. Bruce, C.A.	as Vice-President and Group Comptroller of General Distributors of Canada Ltd.
Murray Heselton, C.A.	as Vice-President of General Distributors of Canada Ltd.
Bryan E. Martin	as President of Sony of Canada, Ltd.
Masaru Okumura	as Executive Vice-President of Sony of Canada, Ltd.
Arthur N. Demasson	as Senior Vice-President of Sony of Canada, Ltd.
Earl Barry	as Executive Vice-President of Cam-Gard Supply Ltd.

To the many employees of the General Distributors of Canada Ltd. group of companies, I wish to express on behalf of the Board of Directors our thanks for their loyalty and devotion to the growth and development of the Company.

Albert D. Cohen

ALBERT D. COHEN,
President and Chief Executive Officer

RETAIL STORES

Consolidated sales of Metropolitan Stores of Canada Limited rose 7.3% in the past year to $190,001,000. After payment of dividends on preferred shares, consolidated net profits increased by 30% to $5,376,000.

Saan Stores continues to be the best performer among the three retail chains. During the past year, Saan Stores opened 8 new stores, all located in Western Canada. New store openings combined with aggressive promotional programs contributed to high levels of productivity and profitability.

In the Greenberg chain, continued emphasis was placed on internal changes to revitalize operations. During 1979, the offices and buyers' facilities of Greenberg were relocated in premises housing its distribution centre. Electronic registers were installed in all stores. Two new stores were opened during the year and, in following our program of eliminating store locations not producing desired levels of profitability, three such stores were closed during the year. Significant progress has been made to provide a foundation for increased efficiency and productivity in this chain and we are optimistic that higher levels of sales and profitability will be achieved from this operation in future years.

In the Metropolitan chain, management implemented a program to introduce those strategies and systems which have been found to be successful in the Saan operation. This program will involve centralizing the purchasing functions and restructuring the square footage configuration of stores to that which our experience shows to be the most profitable. It will also involve opening new stores situated in carefully selected localities. Certain stores where profitability cannot be maintained at desired levels will be phased out and existing properties will be leased to third parties. In this regard one new store was opened and two stores were closed during the year. A program of upgrading electronic point of sale terminals will be undertaken in this chain. Management's objective is to revitalize the Metropolitan store operations and it is expected that 1980 will be a year of transition.

At January 31, 1980, our retail operations consisted of 250 stores. The number of locations operated by each chain were as follows:

	This Year	Last Year
Greenberg	44	45
Metropolitan	93	94
Saan	113	105
	250	244

ELECTRONICS

Sony of Canada, Ltd. sales increased 3.1% in the past year. However, sales of video products were particularly strong throughout the year with the Betamax — Betascan systems and the 28 inch color televisions providing the main impetus in the product category. In audio products, sales were below expectations reflecting the general softening of demand for these types of products throughout the marketplace.

The following table indicates the division of Sony's Canadian sales by product category in comparison with the prior year:

	This Year	Last Year
Video Products, Tapes, T.V.	55.9%	55.9%
Hi-Fi and Portable Audio	39.6%	38.2%
Other Products	4.5%	5.9%
	100.0%	100.0%

In the past year, the integration of Sony of Canada, Ltd. consumer and industrial marketing divisions was furthered with the opening of its new national marketing headquarters in Toronto. In addition, the company has substantially completed arrangements for the construction of a new $3 million building in Vancouver which will permit the consolidation of the marketing group in that city. Sony of Canada enters its second quarter century with 11 branch outlets located in the major centres throughout the country. These outlets are supported by a network of approximately 350 authorized Sony Sales and Service Depots across Canada.

Sony of Canada, Ltd. expects renewed growth in the sales of its products during 1980, fostered by the combined high demand for its Betamax recorders and its full size color televisions and fueled by aggressive coordinated marketing strategies.

In the past year Cam-Guard Supply Ltd. experienced a 10.3% increase in sales volumes. This increase was achieved partly through the opening of a major branch outlet in Toronto in September 1979 as well as through strong growth in the sales of high technology electronic parts. However, because of a world-wide shortage of semi-conductors and related sophisticated electronic components, supplies of these products to Cam-Gard were on an allocated basis. This situation hindered the ability of the company to achieve the fullest potential for growth and it is expected that supply conditions of their product lines will not improve significantly during 1980.

During 1979, Cam-Gard expanded its production and distribution of electronic hobby kits. The kits are being marketed under the Jana trade name and are being directed towards the educational and hobbyist markets. The outlook for growth in this line of products is very attractive.

Gross margins were depressed in the past year largely due to the write-down of slow moving inventory. Because of the ever-changing shift in the saleability of certain product lines, the company has undertaken a program to computerize its inventory control systems. The program will cost approximately $500,000 over the next three years, but is expected to increase the earning power of the company proportionately through improved control over inventory and gross margins.

GENERAL DISTRIBUTORS OF CANADA LTD.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED JANUARY 31, 1980

	1980 $	1979 $
SALES	**246,622,001**	231,265,774
COSTS AND EXPENSES		
Cost of goods sold, selling, general and administrative expenses	**223,748,975**	211,998,957
Depreciation, amortization and depletion	**3,922,921**	3,912,271
Interest on long-term debt	**2,248,896**	1,755,068
Other interest	**4,787,683**	2,191,759
	234,708,475	219,858,055
	11,913,526	11,407,719
PROVISION FOR INCOME TAXES		
Current	**4,489,500**	4,340,600
Deferred	**599,100**	498,400
	5,088,600	4,839,000
	6,824,926	6,568,719
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY COMPANIES	**201,000**	212,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	**6,623,926**	6,356,719
EXTRAORDINARY ITEMS (note 7)	**—**	4,032,762
NET EARNINGS FOR THE YEAR	**6,623,926**	10,389,481
RETAINED EARNINGS — BEGINNING OF YEAR	**35,088,804**	36,523,355
	41,712,730	46,912,836
Dividends —		
Preferred	**3,552**	—
Common	**1,838,068**	11,824,032
	1,841,620	11,824,032
RETAINED EARNINGS — END OF YEAR	**39,871,110**	35,088,804
EARNINGS PER COMMON SHARE (note 8)		
Basic earnings per common share —		
Earnings before extraordinary items	**$1.08**	$1.04
Net earnings for the year	**$1.08**	$1.70
Fully diluted earnings per common share —		
Earnings before extraordinary items	**$1.00**	$ .95
Net earnings for the year	**$1.00**	$1.52

GENERAL DISTRIBUT

CONSOLIDATED BALANCE S

ASSETS

	1980	1979
	$	$
CURRENT ASSETS		
Cash	**1,853,388**	434,883
Receivables	**14,071,122**	10,936,352
Due from Sony of Canada, Ltd.	**8,579,465**	7,005,878
Inventories	**62,152,674**	52,946,308
Prepaid expenses	**1,447,730**	1,268,398
Income and other taxes recoverable	**551,880**	425,840
	88,656,259	73,017,659
INVESTMENTS		
Notes receivable — Sony of Canada, Ltd.	**2,205,000**	490,000
Other	**350,294**	365,764
	2,555,294	885,764
FIXED ASSETS		
Land	**7,898,506**	7,822,592
Buildings, fixtures and equipment (note 2)	**25,079,255**	25,080,265
Leasehold improvements	**3,911,214**	3,264,932
Petroleum and natural gas properties	**3,375,876**	1,465,006
	40,264,851	37,632,795
OTHER ASSETS		
Deferred charges	**29,866**	105,913
Goodwill (note 3)	**2,192,603**	2,226,710
	2,222,469	2,332,623
	133,698,873	113,838,841

SIGNED ON BEHALF OF THE BOARD

Director

Director

ORS OF CANADA LTD.

HEET AS AT JANUARY 31, 1980

LIABILITIES

	1980 $	1979 $
CURRENT LIABILITIES		
Bank advances	**8,600,757**	6,271,713
Notes payable	**30,591,000**	17,491,000
Shareholders' advances	**6,392,534**	6,288,778
Accounts payable and accrued liabilities	**16,612,685**	14,271,361
Income and other taxes	**1,232,338**	2,885,418
Current portion of long-term debt	**1,408,927**	1,315,674
	64,838,241	48,523,944
LONG-TERM DEBT (note 4)	**18,223,801**	20,039,364
DEFERRED INCOME TAXES	**2,112,709**	1,423,219
MINORITY INTEREST IN SUBSIDIARY COMPANIES (note 5)	**2,964,676**	3,312,078
	88,139,427	73,298,605

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)	**5,688,336**	5,451,432
RETAINED EARNINGS	**39,871,110**	35,088,804
	45,559,446	40,540,236
	133,698,873	113,838,841

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of General Distributors of Canada Ltd. as at January 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1980 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.

March 14, 1980
Winnipeg, Manitoba,
Canada

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

GENERAL DISTRIBUTORS OF CANADA LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JANUARY 31, 1980

	1980	1979
	$	$
SOURCE OF FUNDS		
Provided from operations	11,668,737	11,134,169
Issue of common shares	4,424	1,944
Issue of long-term debt	—	5,000,000
Proceeds on sale of fixed assets	242,126	1,208,603
	11,915,287	17,344,716
USE OF FUNDS		
Increase in long-term notes receivable	1,715,000	—
Additions to fixed assets	6,807,579	5,366,146
Redemption of preferred shares	16,200	—
Redemption of preferred shares of subsidiary company	345,500	160,100
Dividends paid by subsidiary company to minority interest	202,902	218,425
Cash dividends paid	1,592,940	6,310,281
Cost of Sony Corporation shares acquired for distribution to shareholders	—	704,368
Income taxes on disposition of Sony Corporation shares	—	606,000
Reduction of long-term debt	1,305,863	1,313,681
Purchase of 6½% first mortgage sinking fund bonds	605,000	205,000
	12,590,984	14,884,001
INCREASE (DECREASE) IN WORKING CAPITAL	(675,697)	2,460,715
WORKING CAPITAL — BEGINNING OF YEAR	24,493,715	22,033,000
WORKING CAPITAL — END OF YEAR	23,818,018	24,493,715
Working capital is represented by:		
Current assets	88,656,259	73,017,659
Current liabilities	64,838,241	48,523,944
	23,818,018	24,493,715

GENERAL DISTRIBUTORS OF CANADA LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 1980

1. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies. The purchase method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies are included at their recorded values in the subsidiary companies' accounts and goodwill representing the excess of cost of shares over net book value at the date of acquisition remains unamortized on the balance sheet.

Proportionate consolidation on a line-by-line basis is used to account for the company's equity interest in joint venture companies. This method of accounting brings into the consolidated financial statements the company's pro rata share of the specific assets, liabilities, revenues and expenses of the joint venture companies. The amount of the purchase price of the equity interest attributable to goodwill in one of the joint venture companies is being amortized on a straight line basis over ten years.

Inventories

The basis of valuation of inventories, for the junior department and family clothing stores, is at the lower of cost and net realizable value determined principally by the retail method of accounting. Sony and other electronic products are valued at the lower of cost (generally the average cost method) and net realizable value.

Fixed Assets and Depreciation, Amortization and Depletion

Buildings, fixtures and equipment and leasehold improvements are capitalized at cost.

Depreciation is provided for at the following annual rates:

Buildings	— 5% declining balance basis
Furniture and fixtures	— 20% declining balance basis
Automotive equipment	— 30% declining balance basis

Amortization of leasehold improvements is provided for on a straight line basis over the term of the lease plus one renewal option period.

The full-cost method of accounting is used for petroleum and natural gas properties wherein all costs related to the exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, cost of drilling both productive and non-productive wells, and all technical and administrative overhead directly associated with exploration and development.

Depletion of petroleum and natural gas properties is calculated on the unit of production method based on proven reserves.

Foreign Exchange

Current assets except inventories, and current liabilities are translated into Canadian dollars at January 31 exchange rates. Inventories, non-current assets and non-current liabilities are translated into Canadian dollars at the exchange rates prevailing when the assets were acquired or the liabilities incurred. Translation gains and losses are included in determining net earnings in the year.

2. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1980			1979
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Buildings	19,499,372	6,692,786	12,806,586	12,766,814
Fixtures and equipment	33,430,151	21,157,482	12,272,669	12,313,451
	52,929,523	27,850,268	25,079,255	25,080,265

3. GOODWILL

	1980	1979
	$	$
From acquisitions prior to April 1, 1974	1,995,484	1,995,484
From acquisitions after March 31, 1974 — net of amortization of $144,955 (1979 — $110,848)	197,119	231,226
	2,192,603	2,226,710

4. LONG-TERM DEBT

	Current portion		Long-term position	
	1980	1979	1980	1979
	$	$	$	$
6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of $420,000 in 1980 with progressively increasing annual requirements to a final maximum payment of $540,000 in 1984	420,000	395,000	1,975,000	2,395,000
Less: Bonds purchased in advance of requirement	420,000	395,000	1,035,000	850,000
	—	—	940,000	1,545,000
Mortgages payable at rates of interest ranging from 6¾% to 8½% having maturity dates ranging from 1984 to 1989	113,927	115,874	862,901	976,764
Share of Sony of Canada, Ltd. notes payable with interest at ⅝ of 1% above bank prime rate, repayable $127,500 semi-annually, 1980 to 1984	127,500	—	892,500	1,020,000
Note payable with interest at ¾ of 1% above lender's cost of funds, repayable over five years commencing six months after notice given by either the company or the lender	—	—	8,000,000	8,000,000
Note payable with interest at ¾ of 1% above the London inter-bank rate, repayable $1,000,000 U.S. annually from 1980 to 1982 with $5,000,000 U.S. due in 1983	1,157,500	1,199,800	7,435,400	8,497,600
Other note payable	10,000	—	93,000	—
	1,408,927	1,315,674	18,223,801	20,039,364

The portion of long-term debt payable in each of the next five years is as follows:

Year ending January 31,	Payable in United States funds	Payable in Canadian funds
	$	$
1981	1,000,000	251,427
1982	1,000,000	387,400
1983	1,000,000	396,500
1984	5,000,000	806,200
1985	—	776,000

5. MINORITY INTEREST IN SUBSIDIARY COMPANIES

The minority interest in subsidiary companies comprises preference shares of Metropolitan Stores of Canada Limited.

6. CAPITAL STOCK

a) Authorized —

10,000,000 Class A convertible common shares without nominal or par value.
10,000,000 Class B convertible common shares without nominal or par value.
1,000,000 6% cumulative redeemable preferred shares of a par value of $10.

The Class A shares and the Class B shares are voting, convertible into one another on a share-for-share basis and rank equally in all respects except that in the case of the Class B shares the directors of the company may specify that the dividend, in whole or in part, shall be by way of a stock dividend of fully paid and non-assessable preferred shares.

By supplementary letters patent dated May 8, 1979, the authorized capital stock of the company was increased and changed as follows:

i) 1,000,000 6% cumulative redeemable preferred shares of a par value of $10 each were created.

ii) the provisions for the declaration of dividends on Class B shares were changed from the payment of dividends out of tax-free surpluses to the payment of stock dividends as described in the previous paragraph.

b) Issued and fully paid —

	1980		1979	
	Number of shares	$	Number of shares	$
Class A common	5,309,158	4,727,456	5,047,133	4,490,901
Class B common	818,028	728,400	1,079,500	960,531
	6,127,186	5,455,856	6,126,633	5,451,432
Preferred shares	23,248	232,480	—	—
		5,688,336		5,451,432

During the current year:

i) the holders of 261,472 Class B common shares converted their shares into 261,472 Class A common shares,

ii) share purchase warrants were exercised for the purchase of 553 Class A convertible common shares for a total consideration of $4,424,

iii) 24,868 preferred shares were issued as dividends on Class B common shares for a total consideration of $248,680, and 1,620 preferred shares were redeemed at $10 per share.

c) As at January 31, 1980, warrants were outstanding to purchase 926,148 Class A convertible common shares at a price of $8.00 per share, exercisable to May 31, 1983.

7. EXTRAORDINARY ITEMS

	1980	1979
	$	$
Gain on disposal of land and building, less applicable income taxes of $178,000	—	400,489
Gain on disposition of Sony Corporation common shares, less applicable income taxes of $606,000	—	3,632,273
	—	4,032,762

8. EARNINGS PER COMMON SHARE

The calculation of the earnings per common share is based on the weighted monthly average number of shares outstanding during the respective fiscal years.

The fully diluted earnings per common share calculation is based on the assumption that share purchase warrants were exercised at the beginning of the year and the funds received therefrom were invested at an annual rate of 12.2% (the company's average cost of borrowing during the year).

9. COMMITMENTS

Property and Equipment Leases

Rentals paid on property and equipment leases for the year ended January 31, 1980 amounted to $9,790,000 (1979 - $9,047,000). Minimum annual rentals in subsequent years (exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges) on long-term property leases, the longest of which will expire in the year 2003, in effect at January 31, 1980 are:

Year ending January 31,	Minimum annual rental
	$
1981	8,472,000
1982	8,228,000
1983	8,077,000
1984	7,390,000
1985	7,108,000

Petroleum and Natural Gas Venture

Under the terms of a joint venture agreement with Trimac Limited, operated by Tripet Resources Limited, the company is committed to invest a minimum of $12,000,000 through to the end of 1982. To January 31, 1980, approximately $3,000,000 has been invested. It is the intent of the agreement that the remaining investment will be funded in equal annual instalments.

10. REMUNERATION OF DIRECTORS AND OFFICERS

	11 directors	11 officers
	(7 officers were also directors)	
	$	$
Remuneration paid by:		
General Distributors of Canada Ltd.	96,700	696,333
Saan Stores Ltd.	—	30,333
Sony of Canada, Ltd.	—	6,800
Metropolitan Stores (MTS) Ltd.	—	1,000
	96,700	734,466

11. DIVERSIFIED OPERATIONS

Sales by class of business were as follows:

	1980	1979
	$	$
Junior department and family clothing stores	190,000,657	177,073,862
Sony and other electronic products	56,621,344	54,191,912
	246,622,001	231,265,774

12. COMPARATIVE FIGURES

Certain of the 1979 comparative figures have been reclassified to conform to the presentation adopted in 1980.

CONSOLIDATED FINANCIAL INFORMATION
Ten Year Review

(in thousands of dollars, except per share data)

Year ended Jan. 31,	1980	1979	1978	1977
Operating Results				
Sales	**246,622**	**231,266**	**217,899**	**206,402**
Electronic Products (1)	56,621	54,192	47,239	44,231
Retail Stores	190,001	177,074	170,660	162,171
Earnings	**14,162**	**13,163**	**11,097**	**11,977**
Electronic Products	4,223	5,528	4,153	4,341
Retail Stores	9,939	7,635	6,944	7,636
Interest on Long-Term Debt	2,249	1,755	1,101	455
Income Taxes	5,089	4,839	4,397	5,653
Minority Interest	201	212	261	1,515
Operating Earnings	6,624	6,357	5,338	4,354
Extraordinary Items	—	4,033	—	219
Net Earnings	6,624	10,390	5,338	4,573
Dividends Paid	1,842	11,824	1,409	1,562
Earnings Retained	4,782	(1,434)	3,929	3,011
Cash Flow	11,669	11,134	11,204	9,386
Capital Expenditures	6,808	5,366	5,543	8,537
Financial Position				
Total Invested Capital	**68,861**	**65,314**	**62,846**	**62,559**
Long-Term Debt	18,224	20,039	16,420	8,687
Deferred Taxes	2,113	1,423	974	—
Minority Interest	2,965	3,312	3,479	15,829
Shareholders' Equity	45,559	40,540	41,973	38,043
Per Common Share (2)				
Earnings — operations	1.08	1.04	0.87	0.71
— extraordinary	—	0.66	—	0.04
Dividends — regular	0.30	0.23	0.23	0.23
— special	—	1.70	—	0.02
Shareholders' Equity	7.40	6.62	6.85	6.21
Other				
Number of Shareholders	885	896	902	953
Share Price (3) — High	9⅝	9½	7⅜	8⅞
— Low	7	5⅝	5½	6¼
Warrant Price — High	3.15	2.50	2.00	—
— Low	1.65	1.01	0.95	—

Notes:

(1) From November 1, 1975 electronic product sales include only 51% of the sales of Sony of Canada Ltd.

(2) Per share data adjusted for a two-for-one share split effective June 20, 1973.

(3) Approximate due to rounding after share split.

(4) For Canadian capital gains tax purposes, the Valuation Day value of General Distributors of Canada Ltd. common shares on December 22, 1971 was $7.94.

1976	1975	1974	1973	1972	1971
188,262	**170,509**	**147,211**	**128,299**	**106,028**	**91,174**
51,095	56,304	50,772	41,146	30,346	22,199
137,167	114,205	96,439	87,153	75,682	68,975
15,990	**15,570**	**14,655**	**13,322**	**10,224**	**7,611**
4,884	6,572	6,658	6,077	4,136	2,696
11,106	8,998	7,997	7,245	6,088	4,915
342	257	295	355	402	369
7,776	7,923	7,188	6,204	4,925	3,807
2,349	2,113	2,000	1,913	1,549	1,230
5,523	5,277	5,172	4,850	3,348	2,205
—	253	—	—	—	75
5,523	5,530	5,172	4,850	3,348	2,280
1,103	919	—	—	—	—
4,420	4,611	5,172	4,850	3,348	2,280
11,250	10,296	9,438	8,710	6,594	4,997
5,733	5,423	6,385	3,015	2,099	3,189
56,939	**52,133**	**45,624**	**40,595**	**35,134**	**31,387**
6,021	4,485	4,033	5,057	5,581	6,256
—	991	750	681	595	559
15,886	16,047	14,847	14,056	13,094	12,125
35,032	30,610	25,994	20,801	15,864	12,447
0.90	0.86	0.84	0.80	0.55	0.37
—	0.04	—	—	—	0.01
0.18	0.15	—	—	—	—
—	—	—	—	—	—
5.71	4.99	4.24	3.40	2.60	2.05
976	1,016	1,123	1,114	1,443	1,721
9	10⅞	18⅛	17½	9½	7⅜
5¾	5⅜	9	9	6¼	3¾
—	—	—	—	—	—
—	—	—	—	—	—

PRINCIPAL SUBSIDIARY COMPANIES

(wholly owned unless otherwise indicated)

SONY OF CANADA, LTD. (51%)
(Canadian distributor of Sony products)

METROPOLITAN STORES OF CANADA LIMITED
(Property holding company)

METROPOLITAN STORES (MTS) LTD.
(Junior department stores)

GREENBERG STORES LIMITED
(Family clothing stores)

SAAN STORES LTD.
(Family clothing stores)

CAM-GARD SUPPLY LTD.
(Electronic parts, wholesale)

GENDIS BUSINESS SERVICES INC.
(Information processing services)

BOARD OF DIRECTORS

**THE HON. S. RONALD BASFORD, P.C., Q.C.
Partner, Davis and Company

*EDSON BOYD, F.C.A.
Company Director

*ALBERT D. COHEN
President, General Distributors of Canada Ltd.

HARRY B. COHEN
Vice-President, General Distributors of Canada Ltd.

JOHN C. COHEN
Secretary, General Distributors of Canada Ltd.

JOSEPH H. COHEN
Vice-President, General Distributors of Canada Ltd.

*MORLEY M. COHEN
Chairman and President,
Metropolitan Stores of Canada Limited

*SAMUEL N. COHEN
Vice-Chairman, Metropolitan Stores of Canada Limited

**G. RICHARD HUNTER
Partner, Pitblado & Hoskin

CARL O. NICKLE
President, Conventures Ltd.

**G. D. B. POFF, C.A.
Vice-President, Finance and Assistant Secretary,
General Distributors of Canada Ltd.

*Members of the Executive Committee
**Members of the Audit Committee

CORPORATE OFFICERS

ALBERT D. COHEN
President and
Chief Executive Officer

HARRY B. COHEN
Vice-President

JOSEPH H. COHEN
Vice-President

JOHN C. COHEN
Vice-President & Secretary

MORLEY M. COHEN
Vice-President

SAMUEL N. COHEN
Vice-President

GRANT A. BRUCE, C.A.
Vice-President and
Group Comptroller

MURRAY H. HESELTON, C.A.
Vice-President

G. D. B. POFF, C.A.
Vice-President, Finance &
Assistant Secretary

WILLIAM POUNDER, R.I.A.
Comptroller

N. PAUL CLOUTIER
Assistant Secretary

CORPORATE INFORMATION

Head Office
1370 Sony Place
Winnipeg, Manitoba, R3C 3C3
204-284-7160

Registrar and Transfer Agent
The Canada Trust Company,
232 Portage Ave.,
Winnipeg, Manitoba.

Auditors
Coopers & Lybrand
Richardson Building,
One Lombard Place,
Winnipeg, Manitoba.

Exchange Listing
Toronto Stock Exchange
— common shares
— share purchase warrants

SENIOR OFFICERS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Sony of Canada, Ltd.

ALBERT D. COHEN
President and
Chief Executive Officer

MASARU OKUMURA
Senior Vice-President

JOSEPH H. COHEN
Vice-President

ARTHUR N. DEMASSON
Vice-President

BRYAN E. MARTIN
Vice-President

HSASHI NAKAJIMA
Vice-President,
Technical and Service

EDWIN W. WESSON
Vice-President,
Administration & Distribution

DOUGLAS G. WILLOX
Vice-President,
Corporate Relations and Advertising

G. D. B. POFF, C.A.
Treasurer

N. PAUL CLOUTIER
Secretary

HSASHI SAKAE
Assistant Secretary

Metropolitan Stores of Canada Limited

MORLEY M. COHEN
Chairman & President

SAMUEL N. COHEN
Vice-Chairman

MURRAY H. HESELTON, C.A.
Vice-President, Comptroller
and Assistant Secretary

G. D. B. POFF, C.A.
Secretary

R. KEITH FRASER
Assistant Secretary

Cam-Gard Supply Ltd.

ALBERT D. COHEN
Chairman

GERRY K. KREBS
President

EARL BERRY
Executive Vice-President

SAMUEL N. COHEN
Vice-President

BRYAN E. MARTIN
Vice-President

G. D. B. POFF, C.A.
Secretary

ony	Cam-Gard
—	—
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—	—
—	—
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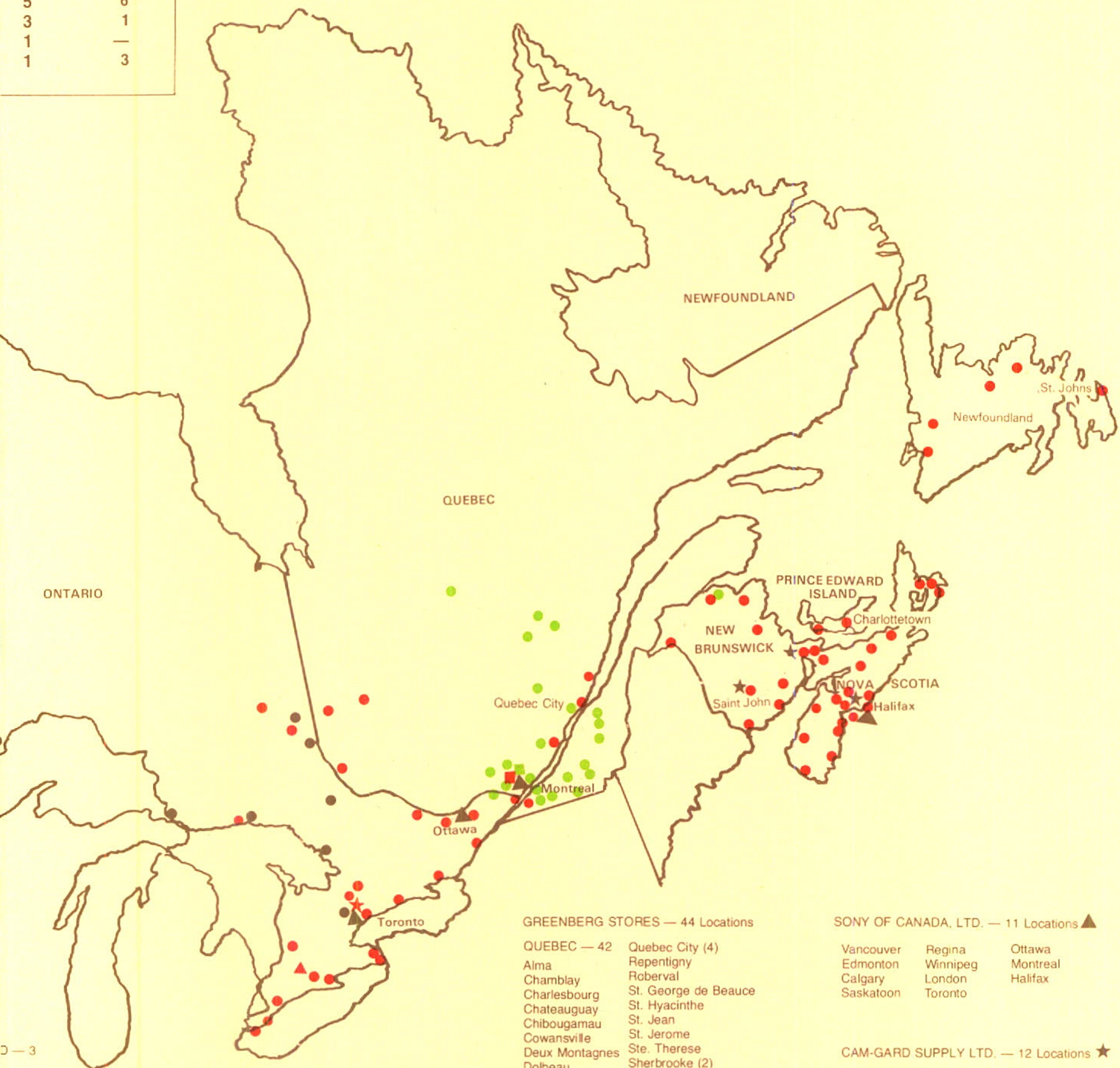
5	6
3	1
1	—
1	3



D — 3

GREENBERG STORES — 44 Locations

QUEBEC — 42

Alma
Chamblay
Charlesbourg
Chateauguay
Chibougamau
Cowansville
Deux Montagnes
Dolbeau
Drummondville
Greenfield Park
Granby
Joliette
La Tuque
Laval
Levis
Montreal (12)
Quebec City (4)
Repentigny
Roberval
St. George de Beauce
St. Hyacinthe
St. Jean
St. Jerome
Ste. Therese
Sherbrooke (2)
Thetford Mines
Three Rivers

ONTARIO — 1

Hawkesbury

NEW BRUNSWICK — 1

Campbellton

SONY OF CANADA, LTD. — 11 Locations ▲

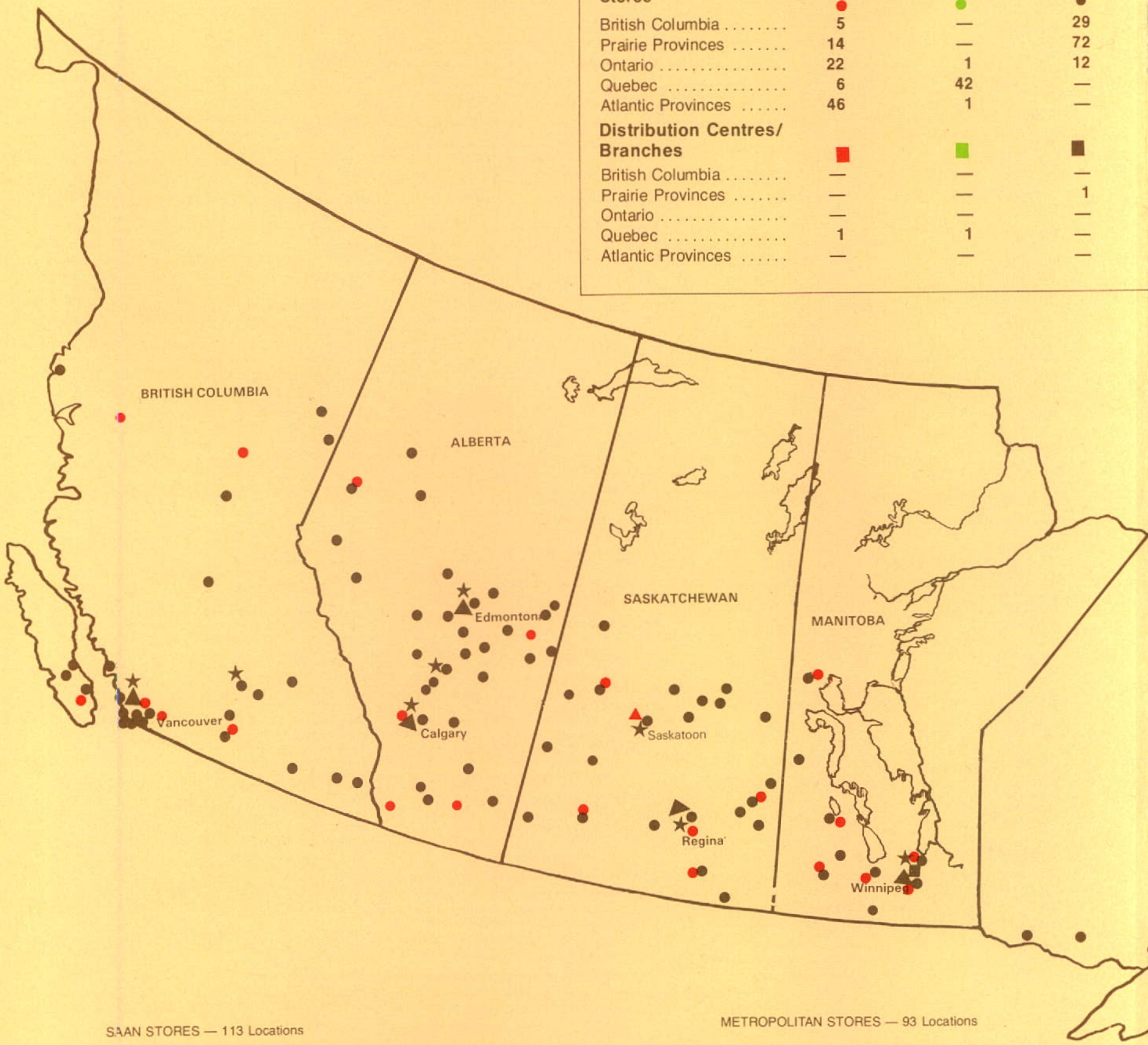
Vancouver
Edmonton
Calgary
Saskatoon
Regina
Winnipeg
London
Toronto
Ottawa
Montreal
Halifax

CAM-GARD SUPPLY LTD. — 12 Locations ★

Vancouver
Kamloops
Edmonton
Red Deer
Calgary
Regina
Saskatoon
Winnipeg
Toronto
Halifax
Moncton
Fredericton

SUMMARY OF LOCATIONS

	Metropolitan	Greenberg	Saan
Stores	●	●	●
British Columbia	5	—	29
Prairie Provinces	14	—	72
Ontario	22	1	12
Quebec	6	42	—
Atlantic Provinces	46	1	—
Distribution Centres/ Branches	■	■	■
British Columbia	—	—	—
Prairie Provinces	—	—	1
Ontario	—	—	—
Quebec	1	1	—
Atlantic Provinces	—	—	—



SAAN STORES — 113 Locations

BRITISH COLUMBIA — 29
Abbotsford
Chilliwack
Cloverdale
Comox
Cranbrook
Dawson Creek
Delta
Fernie
Fort St. John
Gibsons Landing
Kamloops (2)
Kelowna
Langley
Mission
Nanaimo (2)
Nelson
Penticton
Port Alberni
Powell River
Prince George (2)
Prince Rupert
Revelstoke
Terrace
Vernon
Williams Lake
White Rock

ALBERTA — 37
Barrhead
Bonnyville
Brooks
Calgary (3)
Camrose
Claresholm
Drayton Valley
Drumheller
Edmonton (3)
Fort Saskatchewan
Grande Cache
Grande Prairie
High Prairie
Hinton
Innisfail
Leduc
Lethbridge
Lloydminster
Medicine Hat
Olds
Peace River
Pincher Creek
Ponoka
Red Deer
Rocky Mountain House
St. Paul
Spruce Grove
Stettler
Tabor
Vegreville
Vermilion
Wainwright
Wetaskiwin

SASKATCHEWAN — 24
Canora
Esterhazy
Estevan
Humboldt
Hudson Bay
Kindersley
Maple Creek
Meadow Lake
Melfort
Melville
Moose Jaw
Nipawin
North Battleford
Prince Albert
Regina (2)
Rosetown
Saskatoon (2)
Swift Current
Tisdale
Unity
Weyburn
Yorkton

MANITOBA — 11
Brandon
Dauphin
Morden
Neepawa
Portage la Prairie
Selkirk
Swan River
The Pas (2)
Winnipeg (2)

ONTARIO — 12
Atikokan
Espanola
Fort Francis
Kirkland Lake
North Bay
New Liskeard
Parry Sound
Sault Ste. Marie (2)
Thunder Bay (2)
Toronto

METROPOLITAN STORES — 93 Locations

BRITISH COLUMBIA — 5
Kelowna
Mission
Nanaimo
New Westminster
Quesnel

ALBERTA — 3
Calgary (2)
Grande Prairie

SASKATCHEWAN — 5
North Battleford
Regina
Swift Current
Weyburn
Yorkton

MANITOBA — 6
Brandon
Dauphin
Portage la Prairie
Selkirk
The Pas
Winnipeg

ONTARIO — 22
Amherstburg
Arnprior
Aurora
Cobourg
Espanola
Goderich
Kirland Lake
Leamington
London (2)
Napanee
Niagara Falls
Orillia
Ottawa
Parry Sound
Pembroke
Prescott
Tillsonburg
Timmins
Toronto
Wallaceburg
Welland

QUEBEC — 6
Quebec City
Rouyn (2)
Senneterre
Three Rivers
Ville Marie

NEW BRUNSWICK — 15
Bathurst
Campbellton
Edmundston
Fredericton (2)
Moncton (3)
Newcastle
Riverview
Saint John (2)
St. Stephen
Sussex
Woodstock

NOVA SCOTIA — 23
Amherst
Antigonish (2)
Bridgewater
Dartmouth
Digby
Glace Bay
Greenwood
Halifax (2)
Kentville
Liverpool
Lunenburg
New Glasgow (2)
North Sydney
Sackville
Spryfield
Sydney (2)
Truro
Windsor
Yarmouth

PRINCE EDWARD ISLA
Charlottetown
Summerside (2)

NEWFOUNDLAND — 5
Corner Brook
Gander
Grand Falls
Stephenville
St. Johns

GD