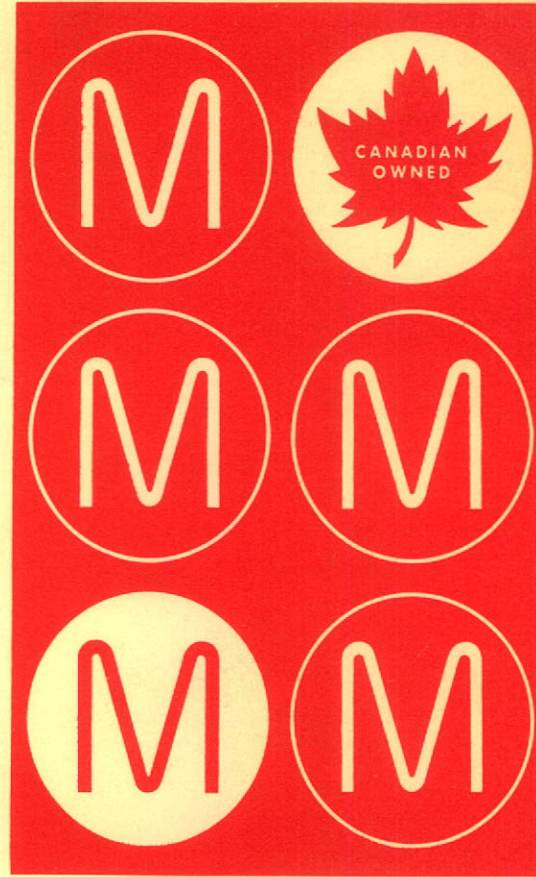


METROPOLITAN
STORES OF CANADA LIMITED



Annual Report

FISCAL YEAR ENDED JANUARY 31, 1964



METROPOLITAN STORES OF CANADA LIMITED



METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

Directors

R. L. BAILEY	Winnipeg, Man.
ALBERT D. COHEN	Winnipeg, Man.
SAMUEL N. COHEN	Winnipeg, Man.
G. R. HUNTER, Q.C.	Winnipeg, Man.
S. B. PHIPPS	Winnipeg, Man.
J. H. UNGER	Montreal, Que.

Officers

ALBERT D. COHEN	<i>Chairman</i>
J. H. UNGER	<i>President and General Manager</i>
SAMUEL N. COHEN	<i>Executive Vice-President</i>
MORLEY M. COHEN	<i>Vice-President</i>
GEORGE W. HOLT	<i>Vice-President</i>
R. L. BAILEY	<i>Vice-President</i>
RALPH C. DUCKWORTH	<i>Comptroller</i>
G. R. HUNTER, Q.C.	<i>Secretary</i>

Registrar and Transfer Agent

NATIONAL TRUST COMPANY, LIMITED

Auditors

McDONALD, CURRIE & CO.

REPORT OF DIRECTORS

To the Shareholders of
Metropolitan Stores of Canada Limited:

The third year, 1963, just completed under the new Canadian ownership, was most important as evidenced from the following highlights of achievement.

EARNINGS

Net earnings of your company in the fiscal year ending January 31st, 1964 were \$723,393—a satisfactory improvement over the \$646,367 in the previous year. These earnings were equal to \$4.82 on the preferred stock and after deducting the provisions for preferred dividends amounted to 62¢ per share on the common. This compares with earnings of 52.9¢ in the previous year.

SALES

Sales were a record \$25,939,724 for the year compared with \$23,185,394 in the previous year. The consolidated sales include twelve months of Saan Stores Ltd. against five months for the previous year.

Comparing total sales with the previous year and including twelve months of Saan operations the fiscal year increase amounts to 4%.

Consideration should be given however to the fact that seven of our better volume stores were under renovation during this period and sales in these high volume locations were adversely affected.

RELOCATION OF THE OPERATIONAL HEADQUARTERS

As mentioned in our last annual report, the Operational Headquarters and Warehouse were to be moved from London, Ontario, to Pointe Claire (Montreal). The move was completed last fall and the results are most gratifying.

The advantage of being located in the centre of supply is being reflected in economies in purchases as well as in operation.

STORE CHANGES

During the year, Metropolitan opened a new modern 6,000 square foot store in Digby, Nova Scotia. Sales have been satisfactory and this unit is a creditable addition to this chain.

The Red Deer Store was closed as the company decided not to renew this lease.

The total number of stores remains as in the previous year at 111, of which 89 are Metropolitan and 22 operate under the name of Saan Stores.

MODERNIZATION

Seven additional Metropolitan Stores were modernized during the year bringing to a total number 22 since the chain became Canadian owned three years ago. Stores reflecting "THE NEW MET IMAGE" are located in the following centres:

Halifax	London East
Sydney Shopping Centre	London Shopping Centre
Moncton	Port Arthur
Yarmouth	Fort William
Quebec	Winnipeg
Ottawa – Rideau St.	Portage la Prairie
Ottawa – Sparks St.	Saskatoon
Yorkton	Prince Albert
Edmonton	Calgary
Lethbridge	Victoria
Prince Albert – Saan	Windsor

It is expected that the program of renovation and modernization of stores will be completed within the next two years. Your Directors are now giving consideration to opening stores in new locations.

DIVIDENDS

No additional public financing will be required to provide the funds for the expansion and building programs. Funds generated from depreciation and profits are being reinvested for the improvement of the Company. Therefore, it is the view of your Directors that the question of paying dividends on the common shares should be deferred for the time being.

DIRECTORS

During the year, Mr. E. J. Williams, F.C.A., a Director from the inception of the Company submitted his resignation upon his retirement from active business life. The Board wishes to express their gratitude for Mr. Williams' contribution to the Company.

We are very pleased to announce the appointment of Mr. S. B. Phipps, Assistant General Manager of James Richardson and Sons, Winnipeg, to the Board of Directors.

SUPPLIERS

At this time, it is appropriate to thank our great number of dependable suppliers of merchandise who have assisted us greatly in the past.

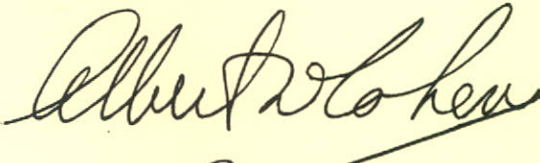
PERSONNEL

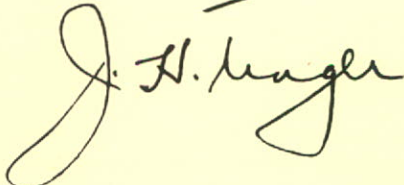
The total number of full-time employees, including employees of Saan Stores Ltd., is now in excess of 1,600. To all of these, as well as the approximately equal number of personnel employed on a part-time basis during peak periods, the Directors wish to express their appreciation for the loyalty, co-operation and enthusiasm which has made possible the achievements of the past year.

TREND

The Company is enjoying increased sales in the first quarter of 1964. Indications are that this will be a year of further progress and achievement.

Submitted on behalf of the Board of Directors,

 *Chairman,*

 *President.*

Winnipeg, Canada.

April, 1964.

METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

AND ITS WHOLLY OWNED SUBSIDIARY

ASSETS

CURRENT ASSETS	1964	1963
Cash	377,262	419,190
Receivables	67,110	93,014
Merchandise inventories—at the lower of cost or market	4,765,342	4,850,652
Prepaid expenses	96,134	108,112
	5,305,848	5,470,968
FIXED ASSETS		
Land—at cost	5,561,965	5,413,135
Buildings—at cost	5,247,249	4,134,440
Fixtures and equipment—at cost	2,612,832	2,126,541
	13,422,046	11,674,116
Accumulated depreciation	1,528,592	1,002,405
	11,893,454	10,671,711
Leasehold improvements—at cost, less amortization	645,458	535,475
	12,538,912	11,207,186
OTHER ASSETS		
Sundry advances and investments	29,207	33,333
Unamortized bond discount	185,783	200,953
Excess of purchase price of shares of subsidiary over the net book value at date of acquisition	214,841	214,841
	429,831	449,127
	\$18,274,591	\$17,127,281

SIGNED ON BEHALF OF THE BOARD

ALBERT D. COHEN

Directors

J. H. UNGER

NOTES:—

1. All of the outstanding shares of the subsidiary, Saan Stores Ltd., were purchased as of August 31, 1962. Accordingly, the consolidated earnings for the year ended January 31, 1963 include the earnings of the subsidiary for a five month period only.

2. Long Term Debt

	Total	Instalments	
		Maturing in one year	Not maturing in one year
6½% first mortgage sinking fund bonds, Series A, to be retired by annual sinking fund payments to February 1, 1984	6,500,000	155,000	6,345,000
6¾% 20 year mortgage loan maturing in equal monthly instalments of \$3,759 including principal and interest.	498,000	11,271	486,729
	\$6,998,000	\$ 166,271	\$6,831,729

3. Minimum annual rentals on property leases in effect at January 31, 1964, expiring subsequent to January 31, 1969, total approximately \$400,000 exclusive of payments of property taxes and other expenses.

CONSOLIDATED BALANCE SHEET

AS AT JANUARY 31, 1964

(With comparative figures as at January 31, 1963)

LIABILITIES

	1964	1963
CURRENT LIABILITIES		
Bank advances	79,843	243,049
Accounts payable	1,072,811	736,817
Accrued expenses and commissions	707,095	701,970
Income and other taxes payable	311,324	456,920
Long term debt instalments due within one year	166,271	
	<u>2,337,344</u>	<u>2,138,756</u>
LONG TERM DEBT (Note 2)	6,831,729	6,500,000
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	<u>170,600</u>	<u>82,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized—

250,000 preferred shares of the par value of \$20 of which the 1961 series of 150,000 shares are entitled to a fixed cumulative dividend of \$1.30 per annum, and are redeemable at \$21.25 per share

1,500,000 common shares without nominal or par value

Issued and fully paid—

150,000 preferred shares 1961 series
852,921 common shares

RETAINED EARNINGS

	3,000,000	3,000,000
	4,751,026	4,751,026
	<u>7,751,026</u>	<u>7,751,026</u>
	1,183,892	655,499
	<u>8,934,918</u>	<u>8,406,525</u>
	<u>\$18,274,591</u>	<u>\$17,127,281</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its wholly owned subsidiary company as at January 31, 1964 and the consolidated statement of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at January 31, 1964 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal,
April 6, 1964.

McDonald, Currie & Co.
Chartered Accountants.

**METROPOLITAN STORES OF CANADA LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1964**

(With comparative figures for the year ended January 31, 1963)

	1964	1963
Sales	25,939,724	23,185,334
Cost of goods sold and operating expenses before the following items	23,366,802	20,801,455
Remuneration of executive officers	199,850	115,033
Directors' fees	3,600	3,600
Legal fees	6,789	10,304
Depreciation and amortization of fixed assets and leasehold improvements	579,816	526,270
Bond interest and discount	438,683	437,670
	<u>24,595,540</u>	<u>21,894,332</u>
	1,344,184	1,291,002
Provision for income taxes	620,791	644,635
NET EARNINGS FOR THE YEAR	723,393	646,367
RETAINED EARNINGS—BEGINNING OF YEAR	655,499	204,132
	<u>1,378,892</u>	<u>850,499</u>
Cash dividend on preferred shares of \$1.30 per share	195,000	195,000
RETAINED EARNINGS—END OF YEAR	<u>\$ 1,183,892</u>	<u>\$ 655,499</u>

**METROPOLITAN STORES OF CANADA LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY**

FINANCIAL SUMMARY

	Years Ended January 31		
	1964	1963	1962
Number of stores	111	111	87
Sales	25,939,724	23,185,334	20,492,362
Earnings after tax	723,393	646,367	301,632
Preferred dividend	195,000	195,000	97,500
Earnings for common shareholders	528,393	451,367	204,132
Earnings per common share	62¢	52.9¢	27.8¢

WORKING CAPITAL

During the year the Company's working capital decreased by \$363,708 to \$2,968,504. The following tabulation shows the changes in working capital during 1963-64.

ADDITIONS

Operations—		
Net earnings	723,393	
Non-cash charges to income—		
Depreciation and amortization of fixed assets and improvements	579,816	
Amortization of bond discount	15,170	
Accumulated tax reductions applicable to future years	88,600	1,406,979
Decrease in sundry advances and unquoted investments		4,126
The proceeds of a 6¾% mortgage loan		498,000

DEDUCTIONS

Expenditures of fixed assets—net	1,911,542	
Dividends paid on preferred shares	195,000	
Installments of long term debt maturing in one year	166,271	2,272,813

DECREASE IN WORKING CAPITAL

\$ 363,708

LOCATIONS OF METROPOLITAN STORES

ONTARIO 43

Aylmer	Ingersoll	Parry Sound	Stratford
Belleville	Kingston	Peterborough	Tillsonburg
Blenheim	Kirkland Lake	Petrolia	Timmins
Brantford	Leamington	Port Arthur	Toronto (2)
Chatham	London (3)	Ridgetown	Wallaceburg
Cornwall	Niagara Falls	St. Catharines	Waterloo
Dresden	Orillia	St. Thomas	Willowdale
Forest	Oshawa	Sarnia	Windsor (3)
Fort William	Ottawa (2)	Sault Ste. Marie	Woodstock
Galt			

NOVA SCOTIA 16

Amherst	Digby	Halifax (2)	North Sydney
Bridgewater	Glace Bay	Kentville	Sydney (2)
Dartmouth (2)	Greenwood	New Glasgow	Truro
			Yarmouth

QUEBEC 7

Hull	Quebec	Shawinigan Falls	Victoriaville
Joliette	Rouyn	Sherbrooke	

SASKATCHEWAN 7

Moose Jaw
North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

BRITISH COLUMBIA 5

Kelowna
Nanaimo
New Westminster
Vancouver
Victoria

ALBERTA 3

Calgary
Edmonton
Lethbridge

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

NEW BRUNSWICK 3

Fredericton
Moncton
Saint John

PRINCE EDWARD ISLAND 1

Charlottetown

LOCATIONS OF SAAN STORES

MANITOBA 4

Portage la Prairie
The Pas

Dauphin

Brandon

SASKATCHEWAN 9

Saskatoon (2)
Regina
North Battleford

Prince Albert
Moose Jaw
Estevan

Yorkton
Swift Current

ALBERTA 7

Drumheller
Camrose
Stettler

Lethbridge
Grande Prairie

Red Deer
Calgary

BRITISH COLUMBIA 2

Fort St. John

Dawson Creek