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The Hamilton Group Limited

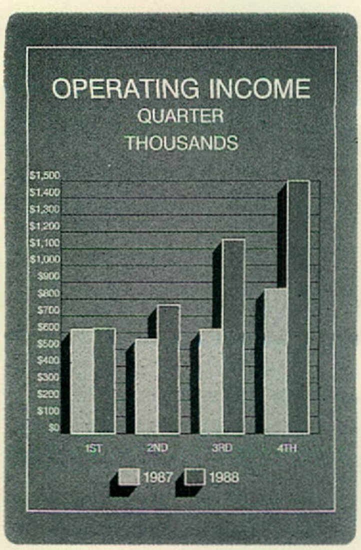
Annual Report 1988

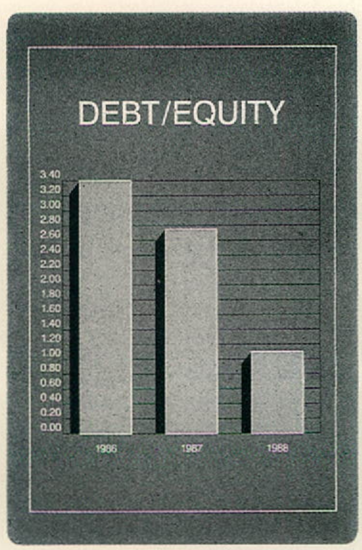
1987 Canadian Computer Show

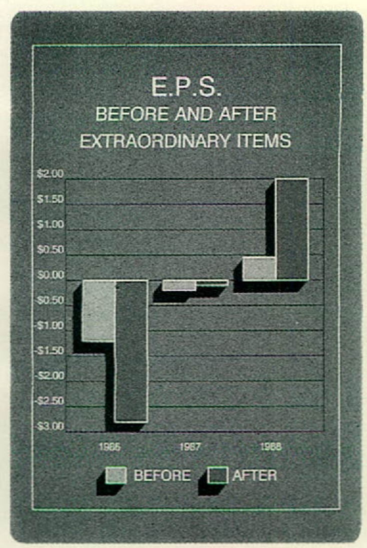
Highlights
(dollars in thousands except for per share data)

	1988	1987	1986
Gross income	**$ 74,305**	$ 59,102	$ 58,412
Net income (loss) before extraordinary items	**$ 990**	$ (224)	$ (2,803)
Net income (loss) after extraordinary items	**$ 5,077**	$ (133)	$ (7,077)
Basic earnings (loss) per share before extraordinary items*	**$ 0.40**	$ (0.09)	$ (1.14)
Basic earnings (loss) per share after extraordinary items*	**$ 2.06**	$ (0.05)	$ (2.88)
Total assets	**$ 43,661**	$ 42,611	$ 52,141
Total liabilities	**$ 30,125**	$ 34,008	$ 43,389
Debt**	**$ 14,273**	$ 23,835	$ 29,688
Equity	**$ 13,536**	$ 8,603	$ 8,752
Debt to equity ratio	**1.05**	2.77	3.39
Number of Class A and B shares outstanding	**2,465,461**	2,461,224	2,458,537

*Before dilution
**Debt is calculated as: (bank debt + subordinated debt + obligations under capital lease)







Annual Report of Directors

To the Shareholders

The fiscal year ended April 30, 1988 was a very successful one for the Company. The reorganization program which began back in 1986 when we decided to dispose of all assets not related to the North American computer sales and rental business, is now virtually complete. The successful completion of this program has left us in a very strong financial position which bodes well for our ability to successfully compete in the computer marketplace in the upcoming years.

Financial Results

The net income after tax but before extraordinary items was $990,000 or $0.40 per common share outstanding in fiscal 1988. This compares to a loss of $224,000 in fiscal 1987 ($0.09 per share) and a loss of $2.8 million in fiscal 1986 ($1.14 per share).

The net income after tax and extraordinary items was $5.1 million or $2.06 per share versus a loss of $133,000 in fiscal 1987 ($0.05 per share) and a loss of $7.1 million in fiscal 1986 ($2.88 per share). Most of the extraordinary gain came as a result of a $2.8 million gain on the disposition of our European operations. We also profitably disposed of our Cancord Division and most of our remaining real estate holdings.

Our Balance Sheet has also dramatically changed over the course of our last fiscal year. Our short-term bank debt has been reduced from $7.7 million at the end of fiscal 1987 to nil at the end of fiscal 1988. In fact, we actually finished the year with a cash balance of $2.7 million. Our debt to equity ratio has fallen from 2.8 at the end of fiscal 1987 to 1.1 at the end of the current fiscal year. As a result, we should have no difficulty financing our growth plans over the next few years.

Asset Dispositions

Cancord Division

We successfully sold our Cancord Division in November, 1987. Total proceeds of $1.2 million from the sale were received in cash. This resulted in a net gain of $335,000 after tax.

Cancord was the last of our non-computer investments to be sold. We felt it particularly important in Cancord's case to find a buyer who wanted to build the operation and keep all the existing employees and so we were a little more careful in selling it. Cancord was the last remaining tie with our textile business which began back in 1880. While we are very sad to lose some very loyal and long-standing employees, we are pleased that they will now be part of a company that is looking to invest more money in the operation. We thank those employees for their many years of dedicated service.

Real Estate Holdings

The Company successfully disposed of its real estate holdings in Dundas for proceeds of $595,000 resulting in a net profit of $374,000 after tax. Subsequent to year-end, our real estate in Sudbury was also sold (total proceeds of $60,000). This leaves us with less than $100,000 of real estate holdings on our books, principally located in Nova Scotia. We will continue to dispose of these holdings as quickly as possible.

Hamilton Rentals Limited (U.K.)

As mentioned in last year's Annual Report, we sold our 35.17% shareholding in Hamilton Rentals Limited (U.K.) to Atlantic Computers PLC. Cash proceeds from the sale amounted to $7.8 million resulting in a gain of $2.8 million after tax. The proceeds were used to retire bank debt.

Other Investments

As reported in last year's annual report, the company sold the assets and business carried on by a wholly-owned subsidiary, Hamilton Brighton (Far East) Limited to Richmine Limited in the first quarter of the 1988 fiscal year.

Effective April 29, 1988, the Company exchanged its note receivable of $909,000 ($727,000 U.S.) as well as its 15% shareholding in Richmine Limited for 375,000 common shares of Nexa Corporation, (the parent of Richmine Limited) and a release from all the representations and warranties included in the original transaction.

Nexa Corporation is currently a privately-held company but has plans to go public within the next two years. Under the terms of the share subscription agreement, the Company has the option in each of the next four years to require Nexa Corporation to purchase 93,750 of its shares at a minimum price of $3.00 per share.

Employees

Two very long-term employees have retired during the last twelve months. Nick Mohoruk started with the Company fifty years ago and retired in December 1987 as the General Manager of our Cancord Division. Nick has remained loyal to the Company through the good times and bad and has consistently demonstrated outstanding leadership qualities and had a very positive impact on everyone he has worked with.

Les McCarthy started with the Company in 1947 and has retired in June 1988 as Vice-President and Corporate Secretary. He has been an invaluable member of the senior management team for most of those years always providing keen business judgement and sound common sense to every problem he encountered. His contribution will be greatly missed.

During the past fiscal year John Schunk submitted his resignation as a Director of the Corporation. "Jack" has been associated with the Company for twenty-six years and we very much appreciate the guidance and sound advice he has consistently given the Company throughout all those years.

Terry Grable, Perry Monych and Steve Meadley were appointed Vice-Presidents of the Company during the year. They are young, bright and enthusiastic and will strengthen our current management team.

We would like to thank all our employees for another year of hard work and support. Without their effort we would not be looking forward to such a bright future.

John G. Sheppard
Chairman

W. J. Young
President

President's Report on Operations

CANADA

Hamilton Computer Sales and Rentals

The Canadian computer operations enjoyed a very successful year. Revenue increased by 45% to $64.1 million while operating income increased by 62% to $3.9 million.

The Division was able to operate the entire fiscal year without any cash flow constraints. As a result many of the new projects which had been delayed the previous year were successfully launched.

Our short-term rental operation (rentals for less than 30 days) was started in May of 1987 and by the end of the fiscal year we were close to being the largest rental company in this segment of the market. There is a tremendous demand for short-term rentals, particularly from large companies that need to train a group of employees over a two or three day time frame on a given computer application. Rather than disrupt their own internal operations by using in-house computer equipment, they prefer to rent. We anticipate the very rapid growth in this area of our business to continue in fiscal 1989.

Fiscal 1988 was very successful for our traditional rental business (terms of one to twelve months) as well. The rapid pace of technological change has created a great deal of uncertainty in the computer marketplace and many companies using computer equipment prefer to rent rather than to make a mistake by purchasing the "wrong" equipment. We expect this trend to continue in the foreseeable future.

Fiscal 1988 also marked our first year as an authorized distributor of Digital Equipment Corporation's Microvax line of products. We have been an authorized distributor of DEC's lower-end products for eight years and have been renting the Microvax product line since its inception, so this addition to our product line was a natural fit. The revenue produced from this part of our business substantially exceeded our projections. This, coupled with the strong growth we have already been experiencing as an authorized dealer of Compaq and IBM, will position us very well in the future.

We were a little disappointed with our lack of success in the operating lease marketplace. We initially launched our program concentrating on minicomputers. We found, however, that virtually all our competition were taking residual positions on this equipment with which we were uncomfortable. It appears that there is a market-share battle taking place among leasing companies in this higher-end segment of the market where "victory" could prove very costly. Rather than join this battle we are now concentrating on lower-end products (personal computers) where the risk/reward trade-off is far more sensible.

The overall outlook for the next two years is very positive. We continue to be the largest and most successful computer rental company in Canada and anticipate continued strong demand for our short-term rental, traditional rental and operating lease products. We are an authorized dealer for the top manufacturers in the industry such as IBM, Digital, Compaq, Hewlett-Packard, and Toshiba and in fact are the only dealer in Canada that is authorized for both IBM and DEC products. We continue to receive awards such as IBM's Blue Ribbon status which is given to the top 25% of IBM's dealers for their commitment to high quality service. All these factors make for a promising 1989.

U.S.A.

HGL Software Limited

The results from our U.S. operations were disappointing. Revenue declined from $15.0 million in 1987 to $10.2 million. Operating income declined from $261,000 to $132,000 while net income before extraordinary items improved from a loss of $557,000 to a loss of $170,000. We did not meet our objective of restoring the operation to profitability.

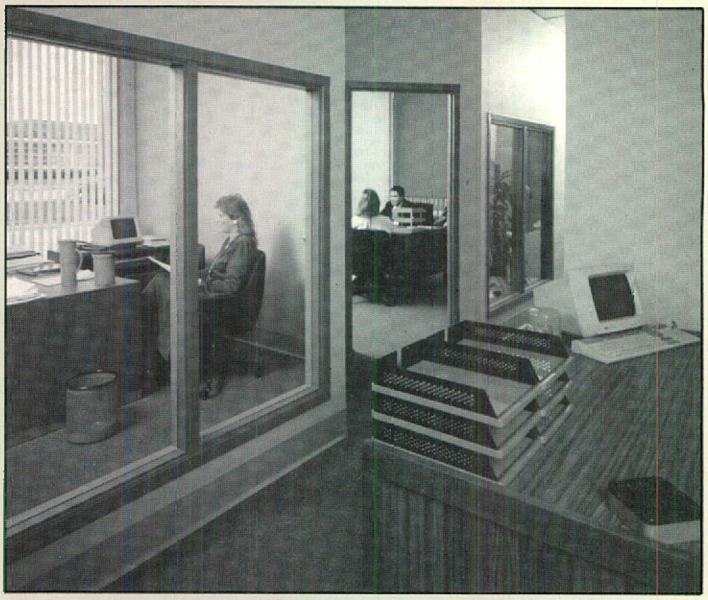
The business suffered a serious setback in November 1987 when DEC decided they no longer wanted to support a rental program in the United States. In their eyes rentals encouraged only a short-term commitment from a potential customer and they wanted to lock in their customers for the long-term. Unfortunately, their decision made our strategy of marketing our rental program through the Digital sales representatives an unworkable one. This was the main reason for our failure to meet our objectives.

The news was not all bad, however, from our U.S. operation. As a result of tight controls on inventory and receivables and the lack of growth in our rental base we generated a positive cash flow of $1.7 million from our operation despite the net loss. We have also substantially reduced our total assets in the U.S. from $14.2 million at April 30, 1986 to $9.9 million at April 30, 1987 to $6.1 million at April 30, 1988. This reduction in assets has been achieved without any major negative impact on the income statement.

We have now embarked on a strategy of pushing our rental and operating lease programs through our own direct salesforce and the salesforces of DEC's authorized distributors, rather than DEC's own salesforce. While it is still too early to tell how successful this strategy will be, the initial results are very positive. There is clearly a strong demand for our rental program, and hopefully this will prove to be the best way to access it.

We will make a decision before the end of the 1989 fiscal year on what to do with our U.S. subsidiary. The decision will be either to invest more heavily ourselves based on the successful implementation of the strategy described above or, if we fail to show improvement, to find a buyer or partner who can make the operation achieve its potential. Our employees have performed well under very trying operating conditions and we owe it to them to make this decision as soon as possible to make their future more secure.

419 Horner Ave., Toronto



The Hamilton Group Offices

Toronto Reception

Sales Training in Toronto

Configuration Bay, Toronto

425 Horner Avenue, Toronto

L to R:
Terry Grable, Bill Young, Patricia Nielsen, Steve Meadley.

Pat Nielsen accepting 1987 IBM "Blue Ribbon" Award

Auditors' Report
To the Shareholders

We have examined the consolidated balance sheet of The Hamilton Group Limited as at April 30, 1988 and the consolidated statements of income 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 April 30, 1988 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.

Peat Marwick

Chartered Accountants

Hamilton, Canada
June 16, 1988

Consolidated Statement of Income and Retained Earnings

April 30, 1988 with comparative figures for 1987
(dollars in thousands except for per share data)

	1988	1987
Gross income (note 10)	**$74,305**	$59,102
Direct costs	**55,545**	42,411
	18,760	16,691
Selling, general and administrative expenses	**14,704**	14,014
Operating income	**4,056**	2,677
Income from investments (note 4)	**50**	417
Income from Cancord division (note 5)	**57**	95
	4,163	3,189
Cost of borrowed money, including $1,500 (1987; $1,234) on subordinated debentures	**2,031**	3,424
Income (loss) before income taxes and extraordinary items	**2,132**	(235)
Income taxes (note 11)	**1,142**	11
Income (loss) before extraordinary items	**990**	(224)
Extraordinary items (note 12)	**4,087**	91
Net income (loss)	**5,077**	(133)
Deficit, beginning of year	**(1,784)**	(1,651)
Retained earnings (deficit), end of year	**$ 3,293**	$(1,784)
Income (loss) per share:		
Before extraordinary items:		
Basic	**$ 0.40**	$ (0.09)
Fully-diluted	**0.39**	(0.09)
After extraordinary items:		
Basic	**$ 2.06**	$ (0.05)
Fully-diluted	**1.52**	(0.05)

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

April 30, 1988 with comparative figures for 1987
(dollars in thousands)

Assets

	1988	1987
Operating assets:		
Cash	**$ 2,680**	$ —
Accounts and notes receivable	**9,720**	10,400
Equipment for sale or rental (notes 2 & 7)	**27,960**	21,841
Equipment and leasehold improvements (notes 3 & 7)	**1,480**	1,754
Prepaid expenses	**704**	731
	42,544	34,726
Other assets:		
Investments (note 4)	**909**	3,349
Income taxes recoverable	—	1,290
Net assets relating to Hong Kong subsidiary (note 4 a)	—	1,580
Net assets of Cancord division (note 5)	—	444
Other	**208**	1,222
	1,117	7,885
	$43,661	$42,611

Liabilities and Shareholders' Equity

	1988	1987
Liabilities:		
Short-term bank debt (note 6)	**$ —**	$ 7,676
Accounts payable and accrued liabilities (note 6)	**11,989**	8,733
Income tax payable	**331**	—
Deferred revenue	**1,242**	1,150
Obligation under capital leases (note 7)	**1,773**	3,659
Deferred income taxes	**2,290**	290
	17,625	21,508
Subordinated debentures (note 8)	**12,500**	12,500
Shareholders' equity:		
Capital stock (note 9)	**10,273**	10,254
Retained earnings (deficit)	**3,293**	(1,784)
Foreign exchange translation adjustment	**(30)**	133
Total shareholders' equity	**13,536**	8,603
	$43,661	$42,611

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director — John G. Sheppard

Director — W. J. Young

Consolidated Statement of Changes in Financial Position

April 30, 1988 with comparative figures for 1987
(dollars in thousands)

	1988	1987
Operating activities:		
Income (loss) before extraordinary items	**$ 990**	$ (224)
Add (deduct) items not affecting cash:		
Depreciation and amortization, net of recoveries on sales of $5,589 (1987; $5,442)	**2,379**	941
Equity income from investments, less cash dividends received	**(50)**	(296)
Deferred income taxes	**762**	2,198
Other	**(57)**	39
Net changes in non-cash balances relating to operations:		
Increase (decrease) in liabilities other than borrowings	**4,870**	(5,017)
Decrease (increase) in equipment for sale or rental	**(7,945)**	2,701
Decrease (increase) in accounts and notes receivable	**680**	(2,029)
Other assets	**(37)**	(506)
Funds provided from (used in) operations	**1,592**	(2,193)
Investing activities:		
Proceeds on sale of investments	**7,763**	3,235
Proceeds on sale of Cancord division	**1,214**	—
Proceeds on sale of real estate	**595**	1,706
Proceeds on disposal of Mexican assets	**690**	4,571
Decrease in assets relating to Hong Kong subsidiary	**671**	—
Purchase of equipment and leasehold improvements	**(283)**	(352)
Decrease in investments and advances	—	417
Advances to Hong Kong subsidiary	—	(1,531)
Funds provided from investing activities	**10,650**	8,046
Financing activities:		
Decrease in obligation under capital leases	**(1,886)**	(1,678)
Proceeds of debenture issue	—	2,500
Repayment of long-term debt	—	(992)
Funds used in financing activities	**(1,886)**	(170)
Decrease in short-term bank debt	**10,356**	5,683
Short-term bank debt, beginning of year	**(7,676)**	(13,359)
Cash (short-term bank debt), end of year	**$ 2,680**	$ (7,676)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

April 30, 1988
(dollars in thousands)

The company, incorporated under the Canada Business Corporations Act, carries on the business of computer equipment sales and rental operations in Canada and the United States.

1. Summary of significant accounting policies:

(a) Basis of presentation:
The consolidated financial statements include the accounts of the company and its United States subsidiary. All material intercompany balances and transactions have been eliminated. Certain accounts of the previous year have been reclassified to conform with the current year's presentation.

(b) Currency translation:
The consolidated financial statements are stated in Canadian dollars. Monetary items denominated in a foreign currency are translated at the rates of exchange in effect at the year-end. Non-monetary and operating items are translated at the rates of exchange in effect when the transactions occurred. Unrealized exchange gains or losses related to monetary items having a fixed or ascertainable life extending beyond the end of the subsequent fiscal year are deferred and amortized over the remaining life of the related monetary item. Other foreign currency translation gains or losses are included in the current year's income.

For purposes of preparing consolidated financial statements, the accounts of the United States subsidiary are translated to Canadian dollars using the current rate method. Unrealized gains or losses on these translations are deferred until realized.

(c) Depreciation and amortization:
Depreciation is provided on equipment, and amortization on leasehold improvements, generally on a straight-line basis, at annual rates which are designed to write off the assets over their estimated useful life.

Depreciation is provided on equipment for rental on a straight-line basis at annual rates ranging from 16-2/3% to 33-1/3%, principally 25%. In addition, the carrying value of specific equipment, for which technological change or other factors reduce the originally estimated useful life, is written down to current estimated net realizable value.

(d) Income per share:
Basic income per common share is calculated on the basis of the weighted average number of shares outstanding during the year. The calculation of income per share on a fully-diluted basis assumes conversion of convertible debt and exercise of share purchase warrants and options, if such action would result in dilution of earnings per common share.

2. Equipment for sale or rental:

	1988	1987
Equipment for rental, at cost	**$33,370**	$27,881
Less accumulated depreciation	**12,118**	10,292
	21,252	17,589
Equipment for sale, at lower of cost and net realizable value	**6,708**	4,252
	$27,960	$21,841

3. Equipment and leasehold improvements:

	1988	1987
Equipment	**$ 2,421**	$ 2,527
Leasehold improvements	**590**	496
	3,011	3,023
Less accumulated depreciation and amortization	**1,531**	1,269
	$ 1,480	$ 1,754

4. Investments:

	1988	1987
Nexa Corporation, at cost	**$ 909**	$ —
Hamilton Rentals Limited (U.K.), at equity	**—**	3,349
	$ 909	$ 3,349

Note 4 continued

(a) Effective February 28, 1987, the company disposed of the assets and business carried on by a wholly-owned subsidiary company, Hamilton Brighton (Far East) Limited, since inactive. Proceeds of the sale were $695 in cash, a note receivable for $1,231 ($927 U.S.), and 15% of the common shares of the purchasing company. At April 30, 1987, the company's investment in the common shares of the purchasing company was carried at nominal value.

Effective April 29, 1988, the company exchanged the remaining note receivable of $909 ($727 U.S.) and its investment in the common shares of the purchasing corporation for 375,000 common shares of Nexa Corporation, the parent of the purchasing company.

Under the terms of the share subscription agreement, the company has the option, in each of the next four years, to require Nexa Corporation to purchase 93,750 of its shares for a minimum price of $3.00 per share.

(b) Effective June 24, 1987, the company sold its 35.17% interest in Hamilton Rentals Limited (U.K.). Cash proceeds from the sale amounted to $7,763, resulting in a gain of $2,812 after provision for income taxes of $1,552 (note 12). The company's share of the current year's net income of Hamilton Rentals Limited (U.K.) to the date of disposal and for the year ended April 30, 1987 amounted to $50 and $312 respectively.

5. Sale of Cancord division:

Effective November 2, 1987, the company disposed of the assets and the business carried on by its Cancord division. Cash proceeds of the sale amounted to $1,214, resulting in a gain of $335, after provision for income taxes of $327 (note 12). For comparative purposes, the 1987 consolidated financial statements have been restated to show separately the net assets and income before income taxes of the Cancord division.

6. Security for indebtedness:

As security for short-term bank debt, the company has pledged its shares of its subsidiaries and other investments and has given a demand debenture as collateral for a floating charge on all of the assets and undertakings of the company and its consolidated subsidiary as well as a fixed charge on its real property in Canada. The company has also provided a general assignment of accounts receivable, an assignment of equipment for sale or rental, and a general security agreement of the company and its consolidated subsidiary. Dividend payments are subject to bank approval.

At April 30, 1988, the company has granted a security interest in certain equipment for sale to secure accounts payable of $1,300.

7. Capital leases:

The following is a summary of assets acquired under capital leases:

	1988			1987
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment for sale or rental	$ 2,647	$ 1,156	$ 1,491	$ 2,446
Equipment and leasehold improvements	$ 845	$ 313	$ 532	$ 845

The aggregate minimum capital lease payments are as follows:

1989	$ 1,169
1990	846
	2,015
Less amount representing interest, at annual rates from 10.8% to 16.7%	242
Balance of obligation under capital leases	$ 1,773

8. Subordinated debentures:

	1988	1987
12% convertible subordinated debentures	$10,000	$10,000
12% subordinated debentures	2,500	2,500
	$12,500	$12,500

(a) 12% convertible subordinated debentures:
The 12% convertible subordinated debentures mature May 16, 1995. The debentures are convertible into Class A shares of the company at $9.50 per share, until maturity. Full conversion of these debentures would result in the issuance by the company of 1,052,631 additional Class A shares.

The debentures are redeemable by the company from May 16, 1988 to May 15, 1990 at a price of 107.5% of principal, provided that the trading price of the company's Class A shares meets certain criteria. Thereafter, the debentures are redeemable at prices declining from 104.5% of principal, to par at maturity. Commencing on May 16, 1988, the company is required to make all reasonable efforts to redeem $50 of debentures per quarter, at the lesser of par and the current market price.

(b) 12% subordinated debentures:
The 12% subordinated debentures mature April 29, 1989 and are redeemable at par. Subsequent to the year-end, the company entered into a commitment to redeem the 12% subordinated debentures on June 30, 1988.

9. Capital stock:

(a) The capital stock is comprised of Class A and Class B shares without par value. The Class A and Class B shares are fully voting and are convertible into each other on a one-for-one basis.

(b) Summary of changes in shares and stated value:

	Class A Shares	Class B Shares	Stated Value
Balance, beginning of year	**2,457,464**	**3,760**	**$10,254**
Shares converted during the year	**1,709**	**(1,709)**	**—**
Shares issued under 1985 Employee Share Purchase Plan	**4,237**	**—**	**19**
Balance, end of year	**2,463,410**	**2,051**	**$10,273**

An amount of $48 is receivable from employees for shares issued under the company's previous Stock Purchase Plan.

(c) 1985 Employee Share Purchase Plan:
In 1985, the company established an Employee Share Purchase Plan to provide eligible employees with the opportunity to purchase shares annually through a payroll deduction plan. The plan provides for employees to contribute up to 5% of their annual earnings to purchase stock from treasury.

A total of 50,000 Class A convertible shares were reserved for the Plan of which 14,222 shares have been issued to date.

(d) Stock Option Plan:
In 1986, the company established a Stock Option Plan to provide eligible employees with the option to purchase shares at a price equal to the current market price of the shares on the date of the grant.

190,000 Class A convertible shares were reserved for the Plan. Options for 174,000 shares have been granted at prices of $4.27 to $6.33 per share. The options expire at various dates from October, 1990 to March, 1993 and no shares have been issued to date under the Plan.

(e) Share purchase warrants:
In conjunction with the issuance of the 12% subordinated debentures (note 8 b)), the company issued 100,000 Class A share purchase warrants. Each warrant entitles the holder to purchase one Class A share at a price of $4.55 per share at any time until July 31, 1988.

10. Segmented information:
The directors have determined that the company and its consolidated subsidiary operate in one business segment of computer equipment sales and rental.

A summary of the geographic segments of the company is as follows:

	1988			1987		
	Canada	**United States**	**Consolidated**	Canada	United States	Consolidated
Gross income, third parties	**$64,104**	**$10,201**	**$74,305**	$44,109	$14,993	$59,102
Operating income	**$ 3,924**	**$ 132**	**$ 4,056**	$ 2,416	$ 261	$ 2,677
Identifiable assets	**$37,540**	**$ 6,121**	**$43,661**	$32,746	$ 9,865	$42,611

11. Income taxes:

A reconciliation comparing the expected income tax rate and the effective income tax rate on income (loss) before income taxes and extraordinary items is as follows:

	1988	1987
Basic Canadian federal and provincial statutory income tax rate	**50.6%**	51.5%
Non-taxable investment income	**(1.2)**	91.4
Losses of U.S. subsidiary not tax effected	**4.0**	(122.3)
Other	**.2**	(16.0)
Effective income tax rate	**53.6%**	4.6%

The United States subsidiary has income tax losses for accounting purposes, aggregating approximately $5,200, which are available to reduce income for tax purposes in future years. These losses expire in 2001 to 2003.

12. Extraordinary items:

	1988	1987
• Gain on sale of Hamilton Rentals Limited (U.K.), net of provision for income taxes of $1,552	**$ 2,812**	$ —
• Gain on sale of Cancord division, net of provision for income taxes of $327	**335**	—
• Gain on sale of real estate, net of provision for income taxes of $125 (1987; $306)	**374**	849
• Loss on disposal of assets and operations of Hong Kong subsidiary	**(200)**	(2,167)
• Reduction of income taxes due to application of prior years' capital losses	**766**	582
• Gain on sale of International Mercantile Factors Ltd., net of provision for income taxes of $276	—	503
• Restructuring costs of United States subsidiary	—	(353)
• Gain on disposal of assets relating to Mexican subsidiaries	—	661
• Proportionate share of Hamilton Rentals Limited (U.K.) gain on disposal of subsidiaries in Europe	—	16
	$ 4,087	$ 91

13. Commitments:

The company has commitments under operating leases for premises and the aggregate minimum amount that will be incurred as annual rental is as follows:

1989	$663
1990	607
1991	239
1992	46
1993	10

Hamilton Computer Sales and Rentals
Canada

Division of The Hamilton Group Limited

415 Horner Avenue, Toronto, Ontario M8W 4W3
Branches: Vancouver, Calgary, Edmonton, London, Ottawa, Montreal and Quebec City.

Sells, rents and services computer hardware and software products.

Principal Product Lines are Apple, Compaq, Digital, Hewlett-Packard, IBM, Tektronix and Toshiba.

P. L. Nielsen,
General Manager

R. Boulet,
Divisional Manager —
New Business Development

T. Boccabella,
Divisional Manager —
Distribution Products

S. Meadley,
Controller

R. Leeder,
Divisional Manager —
Systems Products

V. Incorvaja,
National Distribution Manager

K. Tao
National Service Manager

HGL Software Limited
U.S.A.

100% owned subsidiary of The Hamilton Group Limited

6 Pearl Court, Allendale, New Jersey, U.S.A.
Branches: Dallas, Houston, Boston and Atlanta.

Sells, rents and services computer hardware and software products.

T. L. Grable,
President

Corporate Information

Directors

Ronald C. Brown, Q.C.
Partner
Blake, Cassels & Graydon

Frederick W. Dakin
Executive Director

Lincoln S. Magor**
President
Combined Technologies Inc.

Roger L. Martin
Managing Director
Monitor Company Canada Limited

John H. Phillips
Partner
Blake, Cassels & Graydon

Edward B. Priestner
President & Chief Executive Officer
Westinghouse Canada Inc.

John G. Sheppard*
Corporate Director

Alan B. Young
President
Alan B. Young Holdings Limited

William J. Young
President
The Hamilton Group Limited

*Chairman of the Board
**Chairman of the Audit Committee

Honorary Director

James M. Young

Officers

John G. Sheppard
Chairman

William J. Young
President

C. Leslie McCarthy
Vice President & Secretary

Terry L. Grable
Vice President

Stephen F. W. Meadley
Vice President

Perry M. Monych
Vice President, Finance & Planning

Patricia L. Nielsen
Vice President

Head Office

415 Horner Avenue
Toronto, Ontario M8W 4W3

Registrar and Transfer Agent

National Trust Company

Solicitors

Blake, Cassels & Graydon

Auditors

Peat Marwick