Mark's Work Wearhouse

Clothes That Work.

ANNUAL REPORT

JANUARY 29

1994

OUR COMPANY

Mark's Work Wearhouse provides quality name brand, private, and captive label products, competitively priced and supported by active sales promotion. Our stores are easily accessible, one-stop retail outlets offering a complete range of workwear, casual wear and related apparel including custom uniforms.

OUR MISSION

Our mission is to be a mature and stable enterprise known nation-wide for being:

• the most customer-sensitive and responsive specialty retail organization in the markets we operate in.

• a people-oriented work environment where employees are allowed the greatest possible freedom to carry out their responsibilities, own what they do, have fun and earn fair financial rewards.

• a worthwhile financial return to investors and lenders through the successes that flow from being customer-driven and people-oriented.

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Company's corporate office, #30, 1035 - 64 Avenue S.E., Calgary, Alberta on Wednesday, June 22, 1994 at 3:00 p.m.

New "On Concept" Guilford Town Centre location in Surrey, B.C.

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EXECUTIVE SUMMARY

Mark's Work Wearhouse Ltd.
Annual Report, January 29, 1994

This summary provides a brief overview of the Company's progress. You will find a comprehensive review of operations and complete financial information in the balance of this Annual Report.

For the first time since January 27, 1990, the Company has produced a profit by improving its bottomline by $4,012,000 over a year ago and delivering a result near the top if its forecast range. A 14.6% same store sales increase in corporate stores and 17.5% same store sales increase in franchise stores fuelled the turnaround. The Company is now ready to move from its "survival phase" to its "post turnaround" phase. We've included a summary of our recently prepared three-year Strategic Plan which highlights how this will be achieved.

Our most notable accomplishments during fiscal 1994 include the following:

- 4,572,364 common shares were issued on March 18, 1993 for a net consideration of $3,542,000.
- A $3 million 8% Convertible Subordinated Debenture issue maturing on February 3, 1997 and convertible into Common Shares at $1.85 per share was concluded on January 28, 1994.
- On December 31, 1993, the Company entered into a five-year outsourcing agreement with Information Systems Management (Alberta) Corporation. Effective February 1, 1994 we outsourced the computer operations and equipment previously held under capital lease and the related debt thereon.
- As promised in last year's Annual Report, the Company repaid in full in cash its $3,850,000 Series A, 11.4% subordinated debentures due February 1, 1994. The Company acknowledges those trade suppliers who provided these debentures to help the Company effect its turnaround. Their support will be long remembered and appreciated.
- The Company developed and opened five new "On Concept" stores this year including stores in Quebec City and Yellowknife, both new market areas for the Company. The Scarborough, Kingston and Grande Prairie stores were renovated into On Concept stores.
- The Company implemented its new computer system in the fall of 1993 and is optimistic about the future benefits it will provide to the Company's operations.
- The Company set up a strategic alliance with a U.S. manufacturer in the summer of 1993 and launched its custom uniform business.

		Forecast*	
	52 weeks ended January 29, 1994	52 weeks ended January 28, 1995 Conservative	Optimistic
	$ 220,055	$ 230,196	$ 242,854
	$ 61,989	$ 61,076	$ 67,639
	$ 158,066	$ 169,120	$ 175,215
	$ 3,571	$ 3,392	$ 3,822
	91	92	92
	43	42	42
	134	134	134
	$ 1,266	$ 4,013	$ 6,500
	$ 1,266	$ 4,013	$ 6,500
	06¢	17¢	28¢
	22,392	23,140	23,140
	$ 20,745	$ 24,758	$ 27,245
	1.62/1	2.11/1	2.29/1
	1.72/1	0.97/1	0.85/1
	1.11	1.40	1.65
	7%	18%	27%

(All dollar amounts in thousands)

	52 weeks ended January 27, 1990	52 weeks ended January 26, 1991	52 weeks ended January 25, 1992	53 weeks ended January 30, 1993
Sales				
Total retail	$ 214,540	$ 234,190	$ 185,694	$ 190,082
Franchise	$ 41,904	$ 55,872	$ 52,952	$ 56,629
Corporate	$ 172,636	$ 178,318	$ 132,742	$ 133,453
Franchise Contribution	$ 3,307	$ 3,817	$ 3,000	$ 2,475
Number of retail stores				
Corporate	104	91	86	91
Franchise	42	53	57	45
	146	144	143	136
Earnings (loss) from continuing operations	$ 4,362	$ (6,341)	$ (6,313)	$ (2,746)
Net earnings (loss)	$ 4,334	$ (6,354)	$ (8,759)	$ (2,746)
Net earnings (loss) per share	44¢	(65)¢	(89)¢	(17)¢
Weighted average number of shares outstanding ('000)	9,963	9,840	9,842	15,794
Shareholders' equity at end of period	$ 25,889	$ 19,512	$ 10,753	$ 15,667
Current ratio	1.33/1	1.15/1	1.11/1	1.64/1
Debt to equity ratio	1.82/1	2.71/1	4.07/1	2.04/1
Rent and interest on long-term debt coverage	1.79	0.06	0.35	0.73
Return on average equity	18%	—	—	—

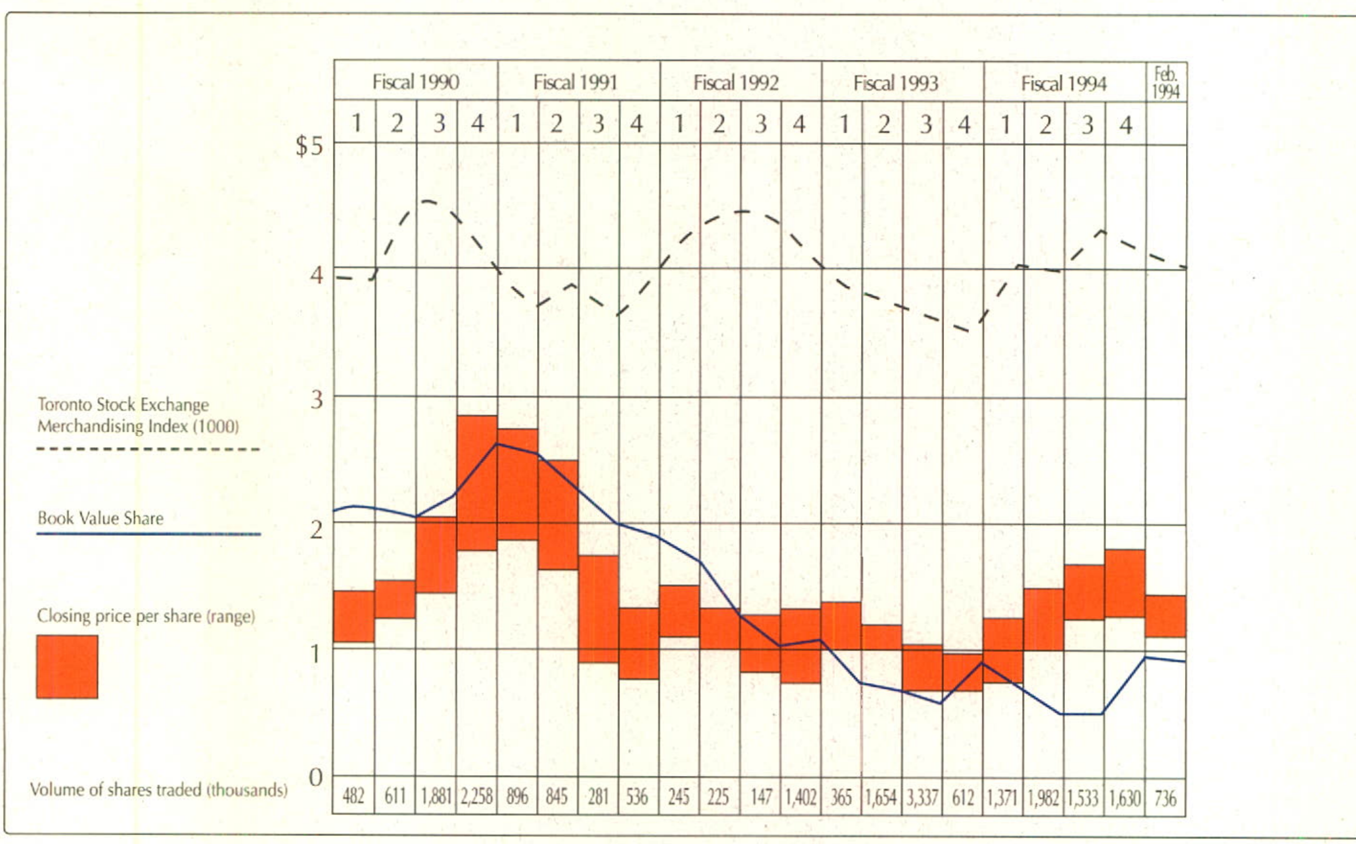
* The conservative and optimistic forecasts are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

QUARTERLY FINANCIAL INFORMATION

(thousands)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal 1994					
Sales	$ 24,869	$ 28,833	$ 39,791	$ 64,573	$158,066
Net income (loss)	$ (2,971)	$ (3,728)	$ (489)	$ 8,454	$ 1,266
Fiscal 1993					
Sales	$ 20,340	$ 23,195	$ 31,342	$ 58,576	$133,453
Net income (loss)	$ (3,429)	$ (3,766)	$ (1,350)	$ 5,799	$ (2,746)
Fiscal 1992					
Sales	$ 21,834	$ 23,808	$ 33,110	$ 53,990	$132,742
Net income (loss)	$ (2,286)	$ (4,516)	$ (2,539)	$ 582	$ (8,759)

MARKET VALUE BY QUARTER



Mark's Work Wearhouse
Clothes That Work.

Mark's Work Wearhouse
30, 1035 - 64 Avenue S.E.
Calgary, Alberta CANADA T2H 2J7
Phone: (403) 255-9220 Fax: (403) 255-6005

WE'RE NOW A PROFITABLE COMPANY.

We're proud to report that we're now a profitable company. We've battled, struggled to return our Company to profitability.

In November of '91, Garth and I collaborated with our management team to develop a Strategic Plan which we called "Thrive in '95". The Plan included the selling proposition which was presented to our bank, Vencap, several merchandise suppliers, and other investors including many of our own employees. Their financial support of the Plan allowed our management team the opportunity to execute the Plan and effect a turnaround.

There were promises made within the Strategic Plan and, while the Plan has evolved and changed (which is the nature of the world we live in), the essential elements of the promises have been delivered:

• For two years running, we've achieved bottomline targets that were forecast in our Strategic Plan. We've reached a high level of confidence that we will meet our targets again in fiscal '95.

• Our gross margin rate has improved. We've learned from Garth how to manage our product mix. Our GP rate has improved by 5.48 points since January 26, 1991. An example of this (and not the only one, for mix was adjusted within categories) is that our Plan called for a dramatic shift in our bottoms business to sell more private and captive labels (higher margin products), while sustaining the strong, National Brand - predominately Levi's business. In just two years, we've moved our private and captive label bottoms business from 29% to 46% of our total bottoms business. While our business in total has grown by 19% since January 25, 1992, our higher margin categories have grown substantially more. Our private label jeans business has grown by 83%, men's tops by 36%, and accessories by 27%.

For two years running, we've achieved bottomline targets that were forecast in our Strategic Plan. We've reached a high level of confidence that we will meet our targets again in fiscal '95.

• We set out to develop a number of National Sales Events. Of the $24 million sales increase we enjoyed this past year, $14 million or 58% came within the time windows of the national events.

• Importantly, the trade suppliers who "bet" on me and our organization when they supported our '91 restructuring have been repaid in full, with interest, this past year. We asked and these suppliers gave us back the interest portion of that payment to spend on developing our Company – our mutual business – this coming year.

WE'VE DIFFERENTIATED OUR MARKET POSITION UNIQUELY.

We've carefully developed our workwear expertise, custom uniform capability, and private and captive label programs, even when the patience required slowed the pace of profits generated through trying times. In an attempt to distance ourselves from low-end retailers, we've systematically positioned our product mix from a quality, style and value perspective to have more up-market appeal. Our positioning has

Our new strategic direction consists of raising shareholder value and increasing the number of "On Concept" stores.

been effective; we've learned from the CAMM research that our customers have an income above the Canadian average. Although we will be vigilant in keeping in touch with the other segment of the market, our appeal primarily works at a level above that at which the Wal-Marts, Zellers and Bi-Ways will "slug it out".

OUR COMPANY WILL "THRIVE IN '95".

In a flat or slightly negative year for men's retail apparel, we're delighted that we can brag about a 14.6% increase in comparable store sales performance. We'll try with all our passion and energy to sustain a like comparable topline performance in fiscal '95 without sacrificing our margin strategy. Our management team, as well as all our people, are singularly focused on a performance at or above the upper end of our bottomline forecast range. We're not operating our business expecting just our sales performance to carry us to our objective. We recognize that careful finessing of our business and expenses is required if we are to meet the challenge of generating a profit greater than $6.5 million. Meeting that challenge will mean that we have kept the most significant of all of the promises contained in the Strategic Plan to Thrive in '95.

EXPENSES WILL BE CONTROLLED.

While total expenses came down as a percentage of sales this past year, overall expenses continued to escalate, reducing the potentially positive impact of our sales/margins gains on the bottomline. The margin dollars resulting from our strong, topline performance allowed us only to cover our over budget expenditure, rather than generate the much higher profits we would have otherwise generated. We've asked John Murphy (a.k.a. Dr. Death) to focus his total energy in a control role to prevent this from happening again. Mike Lambert, the new C.F.O. on our senior team will help facilitate this process.

WE'VE GOT A STRONG MANAGEMENT TEAM AND A BOLD NEW PLAN.

Most notable of our accomplishments in the past two years is the development of a very progressive, professional retail organization. We recently completed our senior management team with the addition of a C.F.O., Mike Lambert, who'll work alongside Garth and I in leading the Company. We've "peopled" our organization with strong additions and have effectively combined new talent with "battle-scarred veterans" to develop an optimum mix of people and operating methodology. We've blended the components of the concept that allowed us to carve out a significant market position in this country with the fresh perspective of those with new ideas to create our new Strategic Plan, "A Company Valued at More Than $100 Million." This Plan is a focused framework for our team to move forward with through the next three years. You will find a summary of this detailed, clearly articulated, "singularly focused" Strategy in this Report.

There are two important components in our new Strategic Plan:

1) RAISING SHAREHOLDER VALUE

We are committed to ever-increased profit generation and recognize that generating appropriate profits results in appropriate share valuations for our stock. We know that:

• Our per share value is inextricably linked to profitability.

• Sustained profit/share appreciation is the engine that propels us to fulfill our mission.

• We need to continue to express our vision of a preferred future that contemplates expansion beyond our border. We've established a modest budget to research our concept's potential in the northeastern U.S. Importantly, even if we don't open a store in the United States, the research that we're doing will help to prepare ourselves to compete more effectively with U.S. retailers in Canada.

2) Increasing "On Concept" stores

Imbedded in the core of our new Plan is the exploitation of a single, On Concept store format. Our challenge is to generate sufficient incremental gross profit dollars within the first year to recover 100% of the capital spent to refurbish or expand a store; all three stores renovated in fiscal '94 met this test.

We've progressed a long way in defining real estate, store layout, category, merchandise mix, and staff complement based on the single definition of an On Concept Mark's Work Wearhouse store. The drive to fully exploit our Canadian enterprise is the most important initiative in our organization. This will be accomplished in the next three years by significantly increasing On Concept stores on both a corporate and franchise basis.

WE ACKNOWLEDGE OUR PEOPLE.

The people in our stores who day-in and day-out come face-to-face with our customers, who each day raise the level of their performance to allow the possibility that they'll cause someone's "heart to smile" are our most valued asset. The customer WOW below illustrates what I mean.

I want to acknowledge and thank our people for the significant role they've played and will continue to play in realizing our mission.

Mark W. Blumes,
President and Chief Executive Officer

June 2, 1993

Dear Sir,

I am writing to commend you on your excellent service and, after today, your extremely well selected and trained staff. In particular, Sherri Steen from Store #15, Bow Trail, Calgary. I do hope you have an incentive plan or an Employee of the Month program. She certainly is deserving.

I purchased several items before Christmas last year for my husband; several things were jogging suits. One particular pair of pants had "worn" in several places into holes. I took them in today with another pair of jogging pants to show the difference in the "wear" and was greeted immediately upon entering by Sherri Steen. I felt a little embarrassed coming back six months later, but I thought I would see what I could do.

Sherri did not even hesitate, and immediately replaced the one pair. To be honest with you, I was so surprised because it's been a very long time since I have seen a service person be so professional, courteous and efficient. Sherri is truly a credit to your Company.

Sincerely,
Ms. Kinswater,
Calgary

Overall, we believe we are well positioned for the future.

THE NEW RETAIL CLIMATE

Since the beginning of the decade, Canadian retailers have faced a difficult and changing retail environment; our industry is a different business today than it was in the '80s. Customers have more shopping choices and are more demanding of retailers in the areas of value, quality, time, truth, and service. Consumer buying trends are changing due to a combination of demographics, tax increases, the psychological effects of a prolonged recession, continued high unemployment, and lifestyle changes.

The workforce is also shifting; there are fewer primary industry jobs and more service and high-tech industry workers. In addition, the nature of competition in Canadian retailing is changing with an increasing number of U.S. retailers entering Canadian markets and more business conducted "out of store" through catalogues and other direct mail vehicles.

HOW OUR STRATEGIC PLAN ADDRESSES THE NEW RETAIL CLIMATE

Mark's Work Wearhouse has addressed these challenges by following through with a realistic three-year Strategic Plan created in 1991 and updated annually. The intent of the Plan is to return the Company to profitability and position it for secure and stable growth in the future. The Plan is on target time-wise; we are again a profitable Company and are expecting improved earnings in the current year. We have developed a strong and dedicated management team to lead the Company through the next phase of our development. Our new Strategic Plan entitled "A Company Valued at More Than $100 Million" describes in detail our updated and expanded definition of workwear and how all Mark's employees individually contribute to the success of the Company.

Despite the fact that the men's apparel sector of the retail industry reported no growth in sales in '93, we achieved a comparable store increase of 14.6%. We attribute this success to enhanced marketing programs, improved assortment definition and buying and, most importantly, more "customer friendly" stores by improving store location, size, layout, presentation, service, and in-stock position. Notwithstanding the progress made, we continue working to enhance these areas.

Overall, we believe that we are well positioned for the future. The chart on the following page describes our market position relative to our competitors' regarding income and age.

RISK AND UNCERTAINTIES

This description of risk and the major dimensions of uncertainty is intended to clarify specific issues facing the Company. We have not discussed those uncertainties that are common to most enterprises and outside our control such as weather and the general state of the economy.

The items below represent management's view of those uncertainties which could reasonably be expected to have a major effect on the Company's results and financial position. They are not intended to be an all-inclusive listing. Uncertainties not described here will have an effect on our operations and such effect may be material.

RISK

The Company assesses its financial risk against three objectives: maintain at fiscal year end, a debt-to-equity ratio of no greater than 2.0 to 1, maintain a current ratio of no less than 1.25 to 1, and maintain rent and interest on long-term debt coverage in the range of 1.75 to 2 times. On January 29, 1994, the debt-to-equity ratio was 1.72/1, the current ratio was 1.62/1, and the rent and interest on long-term debt coverage was 1.11.

The Company monitors the perceived financial risk in our operation by reference to the price/earning multiple that investors award our common shares. During the year ended January 29, 1994, our shares traded at multiples ranging from 12 to 30 times earnings per share. This compares to a 27.82 times price earnings ratio as at December 31, 1993 for the TSE Merchandising Index.

The Company also monitors the price of its shares in relation to their book value. During fiscal 1994, the share price ranged from 82% to 199% of book value.

UNCERTAINTIES

SEASONALITY

The fourth quarter of the year continues to produce the majority of our annual profits, although the Company will make money in the third quarter and is close to having two profitable months in the spring season. The sales reporting and merchandise planning modules of the Information System are assisting in mitigating the uncertainties associated with seasonal programs, but will not remove them completely.

COMPETITION

As the face of Canadian retailing changes, particularly as more U.S. retailers enter the country, there is some uncertainty on the part of all retailers as to the effect new competition will bring. Although we feel that our Company is well positioned to meet these challenges (as the market position chart below illustrates), we do not believe we will be isolated from the effects of some of this competition. We intend to be vigorous in maintaining good relationships with customers and in protecting our business.

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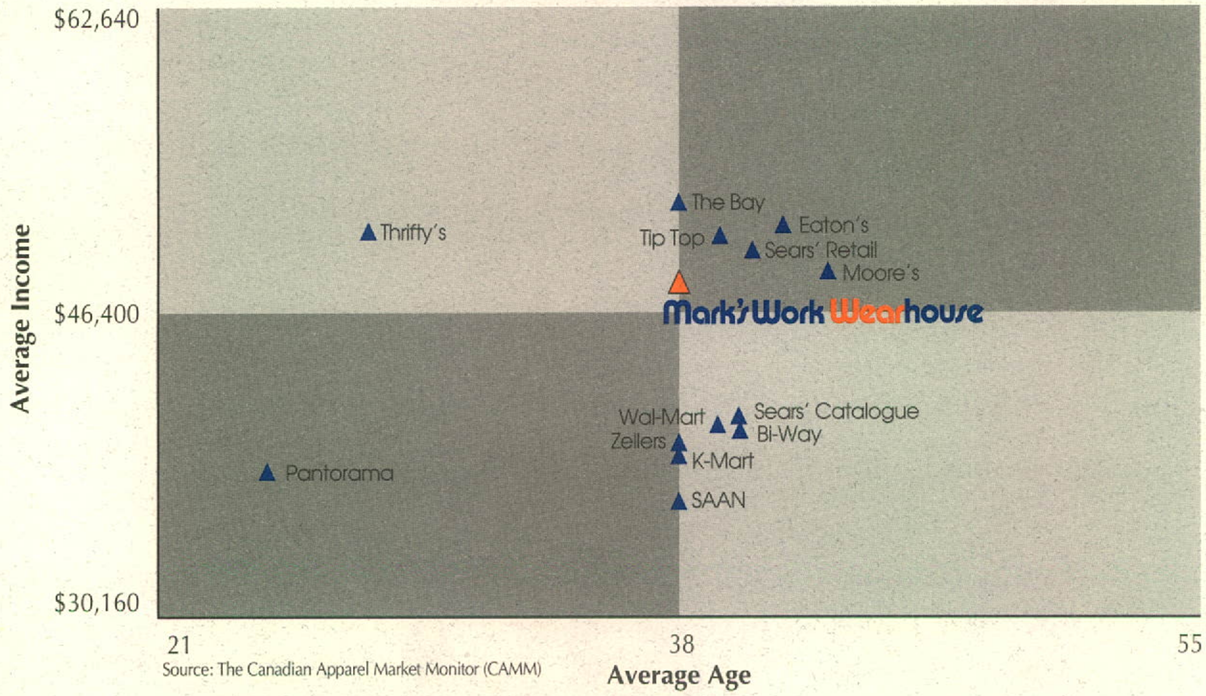
MEN'S APPAREL MARKET
1993
TOTAL MARKET POSITIONING



Source: The Canadian Apparel Market Monitor (CAMM)

At Mark's, we prefer to coach, lead and support, as opposed to direct, supervise and manage. We chart the ideal. Each employee is an integral part of our customer-driven operation. Our organizational structure reflects this reality.

CUSTOMERS

FRONT LINE

PRODUCT MANAGERS
CUSTOM UNIFORM SALES FORCE
STORE OPERATORS
DISTRICT MANAGERS

BACK LINE

MANAGEMENT AND SUPPORT STAFF

SENIOR MANAGEMENT TEAM

BOARD OF DIRECTORS

SHAREHOLDERS/STAKEHOLDERS

We believe that by providing a learning environment – an opportunity to develop the skills of an ultimate merchant – and empowering our front line people, we'll generate sufficient "PfWs" to meet the challenge articulated in our Mission Statement for being the "most customer-sensitive retail organization."

We set out each day to make a single customer's heart "smile"– not for the purpose of keeping score or for letters of commendation (WOWs), but rather for our own personal development. We keep track of WOWs so that we can measure our progress in being "customer-driven" and we ask our people and ourselves to allow for the possibility of a WOW each day as an essential element of a personal commitment to a life of growth and development contemplated in our College of Retail.

We believe that a well-managed company has a clear line of sight between individual work assignments and the various elements of our Strategic Plan, Mission Statement and operating budgets. Inside our own Management System, individuals establish annual performance contracts that include a single Business Objective and up to four Key Results. These contracts allow us to arrange a complex array of tasks and develop the processes for completing them in an expression of "teamwork". They also allow us to measure our progress. Our Mission to be both "people-oriented" and a "worthwhile financial investment" is enhanced by these personal performance contracts.

In the last few years, the Company has been rebuilding management and implementing the management system as a component of "Thrive in '95".

Clothes That Work. Denver Hayes shirts, 100% cotton pants and jeans.

Notable additions to management since 1991 include:

Garth Mitchell, Chief Operating Officer

After university graduation and serving with the Canadian Navy, Garth began his retailing career with the Hudson's Bay Company in 1969. He founded a successful women's specialty retail business in 1976 and operated it as President. After selling the business, Garth joined Comark, Inc., a large international retailing operation, serving as President of their two largest Canadian divisions. Garth joined Mark's Work Wearhouse in May, 1991.

Lex Green, General Manager for Quebec/Atlantic

Lex began his retailing career with Sears Canada after university graduation in 1964. After a 20-year career with Sears, he moved to Chateau Stores of Canada as Senior Vice-President, Merchandising. Lex later served as Vice-President, Merchandising for Dalmy's (Canada) Limited before joining our Company in November, 1991.

Paul Wilson, General Manager for Western Canada

Paul began his retailing career at Simpson's in 1981 after university graduation. Four years later, he joined Robinson's, a division of Comark, and worked in various senior operating positions. Paul joined Mark's in July, 1992.

Michel St. Jean, Senior Vice-President, Marketing and Store Design

Michel is a graduate and Associate of the Ontario College of Art. Following a 20-year career in design and administration with the National Museums of Canada, Michel joined the Comark Group in 1989 as manager of store planning, design, construction and visual merchandising. Michel has won several commercial exhibition and retail design awards. The Company recruited him in February, 1993.

Michael Lambert, Senior Vice-President, Chief Financial Officer

Michael comes to the Company from the George Weston organization where he was Vice-President of Financial Reporting. Michael is a university graduate and a Chartered Accountant. He previously served as C.F.O. for the Southam Newspaper Group. Michael is expected to join the Company in early June, 1994.

In addition, the Company has upgraded its portfolio of store operators and district managers over the last few years.

Management System

Our senior management team works toward annual targets; our middle management works toward semi-annual targets; and our front line team works toward quarterly targets. These targets, or milestones are balanced in a way that synergy exists, resulting in an effective, dynamic team. Our plan is to have all our people participate in the performance contracting process which involves identifying key results and committing to a business objective.

We ask our people to select key results that are challenging – that cause their hearts to race and their palms to sweat. The business objective implies both responsibility and accountability; key results do not. Key results carry positive rewards but there is no penalty for failure.

Last year, we published the actual performance contracts of eight members of our senior team. In this Report, we address the results and publish fiscal '95 business objectives and key results. We believe that goals that are written down have a higher probability of occurring and, by putting ourselves at risk for the tasks we are prepared to accomplish, allow the possibility that others will "catch the magic" of what we're about and support us in attaining our goals.

The Company is currently in the process of concluding arrangements with a Senior Vice-President, C.F.O.

MARK BLUMES, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mark's business objective for the year just ended was to produce a net profit of more than $1.5 million. A profit of $1,266,000 was achieved. Mark accomplished one of last year's four key results.

MARK'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce a net profit of $6.5 million pre-tax or greater.

KEY RESULTS:

1. Sell more than 300,000 units of WindRiver Outfitting T-shirts, Mark's Work Wearhouse coveralls, and Denver Hayes Twills.

2. Improve executive effectiveness, Senior Team, Leadership/Team effectiveness. (A program is in place that involves an external consultant monitoring and reporting on this key result).

3. Visit 30 stores, conduct "tea parties" with staff and review store operations, review Strategic Plan, and put the motivation in place to achieve 400 WOWs.

4. Open a single U.S. market test store by the end of '94 or have the Company ready and committed to open one in early '95.

GARTH MITCHELL, CHIEF OPERATING OFFICER

For the year just ended, Garth's business objective was to produce a net front line contribution of more than $15,183,000. A net front line contribution of $16,258,000 was achieved. Garth accomplished none of last year's three key results.

GARTH'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce a net front line contribution of $21.9 million or greater.

KEY RESULTS:

1. Develop a Store Operator-in-training population including the recruitment of at least three university graduates with future District Manager potential. Develop an in-house course for this population and the Store Operators' population.

2. Focus on categories, dissections and programs to generate sales of $1.5 million in Work Pro Boots, greater than 400,000 units in Mark's Work Wearhouse Triple Stonewash jeans, Below Zero socks, and Mark's Work Wearhouse work pants.

3. Recapture the capital cost invested with incremental gross profit dollars in the first full year of operation of renovated/replaced stores.

4. Generate $8,000,000 in Todd Custom Uniform sales.

TERRI OULTON, SENIOR VICE-PRESIDENT, ADMINISTRATION/FINANCE

(Retired November, 1993)

Terri's business objective for the year just ended was to produce back line expenses of less than $13,649,000. Actual back line expenses were $14,992,000. Terri accomplished none of last year's four key results. Terri retired in late 1993 as planned.

Because the Company is currently in the process of concluding arrangements with Michael Lambert, Senior Vice-President, C.F.O., it was felt inappropriate to publish his *pro-forma* performance contract data at this time.

RICK HARRISON, SENIOR VICE-PRESIDENT, PURCHASING

For the year just ended, Rick's business objective was to bring the Company's year end inventory in at less than $46.5 million at retail. Inventory at retail at January 29, 1994 was $58.2 million. Rick accomplished two of last year's four key results.

RICK'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce $65 million in gross profit dollars in 1994 and achieve a closing inventory of less than $50 million at retail.

KEY RESULTS:

1. Support National Buyer of Category 3 in achieving business objective of generating $1.65 million gross profit dollars or greater.

2. Roll-out 10 Big and Tall specialty shops within existing stores for Fall '94.

3. Generate greater than $2.3 million in co-op advertising monies from vendors without adversely impacting the Company's purchase mark up.

4. Spend $5.0 million at first cost on direct imports in Categories 2,7,9 and 10 for the purpose of both "blended sourcing" and "specification buying".

MICHEL ST. JEAN, SENIOR VICE-PRESIDENT, MARKETING AND STORE DESIGN

Michel's business objective and key results were not concluded at the time of publishing last year since he had just joined the Company. Suffice to say, Michel's accomplishments earned him a promotion from Vice-President to Senior Vice-President at year end.

MICHEL'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To achieve a market share of 3% of the Canadian apparel sector.

KEY RESULTS:

1. Deliver the Company's marketing and advertising campaigns at less than $7.5 million or 4.5% of sales, net of co-op advertising revenues.

2. Complete 18 new or refurbished stores with the On Concept store design profile and within budget.

3. Support sales of 100,000 units of Denver Hayes Twill, while building brand identity and awareness.

4. Store "Anchor" installation: Increase in-store market awareness in Mark's Work Wearhouse captive labels, image drivers.

JOHN MURPHY, SENIOR VICE-PRESIDENT, CONTROL

For the year just ended, John's business objective was to administer banking in all its aspects so that operating lines and capital expenditures for fiscal 1995 were in place by year end, while repaying in cash $3.8 million in subordinated debt with interest when due on February 1, 1994. The business objective was accomplished. John accomplished one of last year's three key results.

JOHN'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To deliver fiscal 1995 total expenses (both front and back line) at or below "Final Operating Budget" totals.

KEY RESULTS:

1. Develop the banking module of the new system including the automation of the current labour intensive reconciliations.

2. Achieve, as at January 28, 1995, franchise accounts receivable balances at no more than $8.0 million with an average aging of no more than 70 days.

3. Re-engineer the Accounts Payable process to reduce costs profoundly in both the stores and the Corporate Services office.

4. Win the "Financial Post" award for merchandising companies while delivering the Annual Report on time and on budget.

Ron Iwamoto, Senior Buyer, Footwear, Mark Blumes, President and C.E.O. and Garth Mitchell, C.O.O.

For details of longer term goals, see the summary of the Company's Strategic Plan.

PAUL WILSON, GENERAL MANAGER, WESTERN CANADA

For the year just ended, Paul's business objective was to produce a net front line contribution of $8,115,000. Actual results were $6,994,000. Paul accomplished two of last year's four key results.

PAUL'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce a net front line contribution of $9,200,000 or greater.

KEY RESULTS:

1. Produce a 15% sales increase in the Company's Winnipeg stores.

2. Achieve a Service Success Rate at 90% of the optimum for 15 stores within Paul's operation.

3. Deliver a net profit from the Calgary Stampede grounds involvement of $50,000 net of sponsorship costs.

4. Ensure that 80% of Calgary and Edmonton store employees have completed the required College of Retail courses.

DAVID MANUEL, GENERAL MANAGER, ONTARIO

For the year just ended, David's business objective was to produce a net front line contribution of $4,339,000. Actual results were $6,893,000. David accomplished one of last year's three key results.

DAVID'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce a net front line contribution of $9,200,000 or better.

KEY RESULTS:

1. Produce a 15% fall sales increase in renovated stores.

2. Produce a 20% fall sales increase in relocated stores.

3. Deliver Contract/Tactics sales of $3,750,000 for Ontario system-wide.

4. Fill rate for Customer Service orders of 80% out of the Toronto Distribution Centre.

LEX GREEN, GENERAL MANAGER, QUEBEC/ATLANTIC

For the year just ended, Lex's business objective was to produce a net front line contribution of $2,597,000. Actual results were $2,368,000. Lex accomplished two of last year's four key results.

LEX'S BUSINESS OBJECTIVE FOR FISCAL '95:

• To produce a net front line contribution of $3,500,000 or greater.

KEY RESULTS:

1. Deliver Corporate Tactics sales of more than $640,000.

2. Deliver $300 per square foot in sales in the region's Big and Tall stores.

3. Produce a 20% sales increase in the region's corporate stores during the four weeks of 'Back to Class.'

4. Successfully open four corporate stores, generating sales of more than $3,860,000.

The longer term goals propelling the performance of the management team are explained in the Company's Strategic Plan, a summary of which you will find later in this Report.

ADMINISTRATIVE INDICATORS

The following is a table of administrative indicators that we monitor to ensure that the Company remains focused on, and is progressing toward, the fulfillment of its mission.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 Optimistic Forecast*
Customer Service				
WOWs	507	421	532	300•••
Customer Service Requisitions	197,158	236,729	253,400	175,000
How Did We Do? Cards	2,435	1,907	2,800	3,400
Let's Talk Cards	‡‡	‡‡	108	154
Payroll Management				
Front Line Staff				
Full Time	286	385	288	303
Part Time	654	668	985	950
Back Line Staff				
Full Time	170	144	116	120
Part Time	28	2	30	24
	1,138	1,199	1,419	1,397
Average Sales per Hour Paid	$131.03	$128.54	$125.70	••
Sales per $ of Salary (excluding benefits)				
Selling	$ 18.89	$ 17.69	$ 17.46	$ 18.72
Total	$ 8.06	$ 8.25	$ 8.45	$ 9.25
% of front line staff that is part time	69.6%	63.4%	77.4%	75.8%
% of total staff that is back line	17.4%	12.2%	10.3%	10.3%
Average $ per Transaction (Corporate Stores)	‡‡	$ 50.70	$52.03	••
Management				
Front line management salaries	$ 4,992,790	$ 3,171,328	$ 3,473,910	$ 3,815,095
Back line management salaries	$ 2,518,149	$ 4,031,914	$ 3,579,886	$ 3,599,476
Total management salaries (including benefits)	$ 7,510,939	$ 7,203,242	$ 7,053,796	$ 7,414,571
Total management bonus	$ 65,363	$ 102,620	$ 567,366	$ 334,220
Total management payroll	$ 7,576,302	$ 7,305,862	$ 7,621,162	$ 7,748,791
Performance of total management salaries against the standard of 5.2% of prior year's corporate sales	4.2%	5.4%	5.3%	4.7%
% of total management salaries – front line	66.5%	44.0%	49.3%	51.5%
% of total compensation – bonus-based	0.9%	1.4%	7.4%	4.3%
% change of total management compensation	–17.8%	–3.6%	4.3%	1.7%
Property Management				
Total retail square footage with sales greater than $300 per square foot	53,338	86,416	155,705	165,179
Number of stores consistent with real estate strategy	‡‡	27	28	••
Marketing				
Market shares of Canadian apparel market	2.0%	2.4%	2.6%	3.0%

•• Not available currently.

••• External WOWs only going forward.

‡‡ Numbers not maintained in past but will be in future.

* The reader is cautioned that all of the forecasts are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

THE COMPANY'S SEVEN FINANCIAL GOALS

In conjunction with the Adminstrative Indicators, the Company has seven financial goals that it monitors. The Company believes that in pursuing the following financial goals, it will be able to operate aggressively, finance conservatively and provide, over time, a worthwhile return to investors and lenders.

1. Goal: To earn a 4% after-tax profit on sales by fiscal 1995 and thereafter, and a return of 20% to 25% on average shareholders' equity.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 Conservative	(Forecast)* Optimistic
	(thousands of dollars, except per share and percentage items)				
Sales	132,742	133,453	158,066	169,120	175,215
Net Income (loss)	(8,759)	(2,746)	1,266	4,013	6,500
Average Equity	15,133	13,210	18,206	22,752	23,995
Book Value per Share	1.09	0.86	0.90	1.07	1.18
After Tax Profit Return on Sales	—	—	0.80%	2.37%	3.71%
Return on Average Shareholders' Equity	—	—	6.95%	17.64%	27.09%

2. Goal: To maintain a debt-to-equity ratio of no greater than 2.0 to 1 at the Company's fiscal year end.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 Conservative	(Forecast)* Optimistic
	(thousands of dollars, except for ratios)				
Debt	43,775	31,968	35,650	23,949	23,104
Equity	10,753	15,667	20,745	24,758	27,245
Debt-to-equity	4.07/1	2.04/1	1.72/1	0.97/1	0.85/1

3. Goal: To maintain a current ratio of not less than 1.25 to 1 at the Company's fiscal year end.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 Conservative	(Forecast)* Optimistic
	(thousands of dollars, except for ratios)				
Current Assets	44,387	38,195	50,173	41,268	42,910
Current Liabilities	39,991	23,325	30,923	19,567	18,722
Working Capital	4,396	14,870	19,250	21,701	24,188
Current Ratio	1.11/1	1.64/1	1.62/1	2.11/1	2.29/1

4. Goal: To restrict capital expenditures, exclusive of computer equipment financed through capital leases, to no more than the Company's annual depreciation. Because the outsourcing of the Company's computer services and equipment eliminates depreciation on capital leases going forward, this goal is being amended to restrict capital expenditures to no more than depreciation plus after tax profits.

* The conservative and optimistic forecasts are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 (Forecast)*	
				Conservative	Optimistic
	(thousands of dollars)				
Total capital expenditures	1,648	3,160	4,739	3,500	3,500
Computer equipment on capital leases	477	1,582	1,782	—	—
Regular capital expenditures	1,171	1,578	2,957	3,500	3,500
Depreciation	3,804	3,030	3,560	2,283	2,283
After tax profits	—	—	1,266	4,013	6,500

5. GOAL: To maintain rent and interest on long-term debt coverage in the range of 1.75 to 2 times. As a result of outsourcing the Company's computer services and equipment, interest on capital leases has been eliminated from the interest on long-term debt going forward. Thus, this test is being amended to maintain rent, computer operations and equipment outsourcing costs and interest on long-term debt coverage in the range of 1.75 to 2 times.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 (Forecast)*	
				Conservative	Optimistic
	(thousands of dollars, except for coverage)				
Earnings from operations before income taxes, rent and interest on long-term debt	3,686	7,424	12,364	14,020	16,510
Rent and interest on long-term debt	10,442	10,170	11,098	10,007	10,010
Times coverage - historical basis	0.35	0.73	1.11	1.40	1.65
- revised basis	—	—	—	1.31	1.49

6. GOAL: To achieve a 10% of sales front line contribution district by district, by fiscal 1995 growing to 12% by fiscal 1997 and thereafter. As at January 29, 1994, the Company has six districts in Western Canada, seven districts in Ontario, and four districts in Quebec/Atlantic Canada.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 (Forecast)*	
				Conservative	Optimistic
Western Canada	7.2%	7.9%	8.1%		
Ontario	5.6%	6.1%	9.3%		
Quebec/Atlantic	2.1%	2.9%	4.0%		
Total	5.8%	6.4%	8.0%	9.1%	9.9%

7. GOAL: To achieve back line costs of less than 10% of sales by fiscal 1995 decreasing to less than 7% of sales by fiscal 1997.

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 (Forecast)*	
				Conservative	Optimistic
Back line costs	13.2%	10.4%	9.5%	8.7%	8.4%

As of January 29, 1994, the Company is meeting four of its seven financial goals.

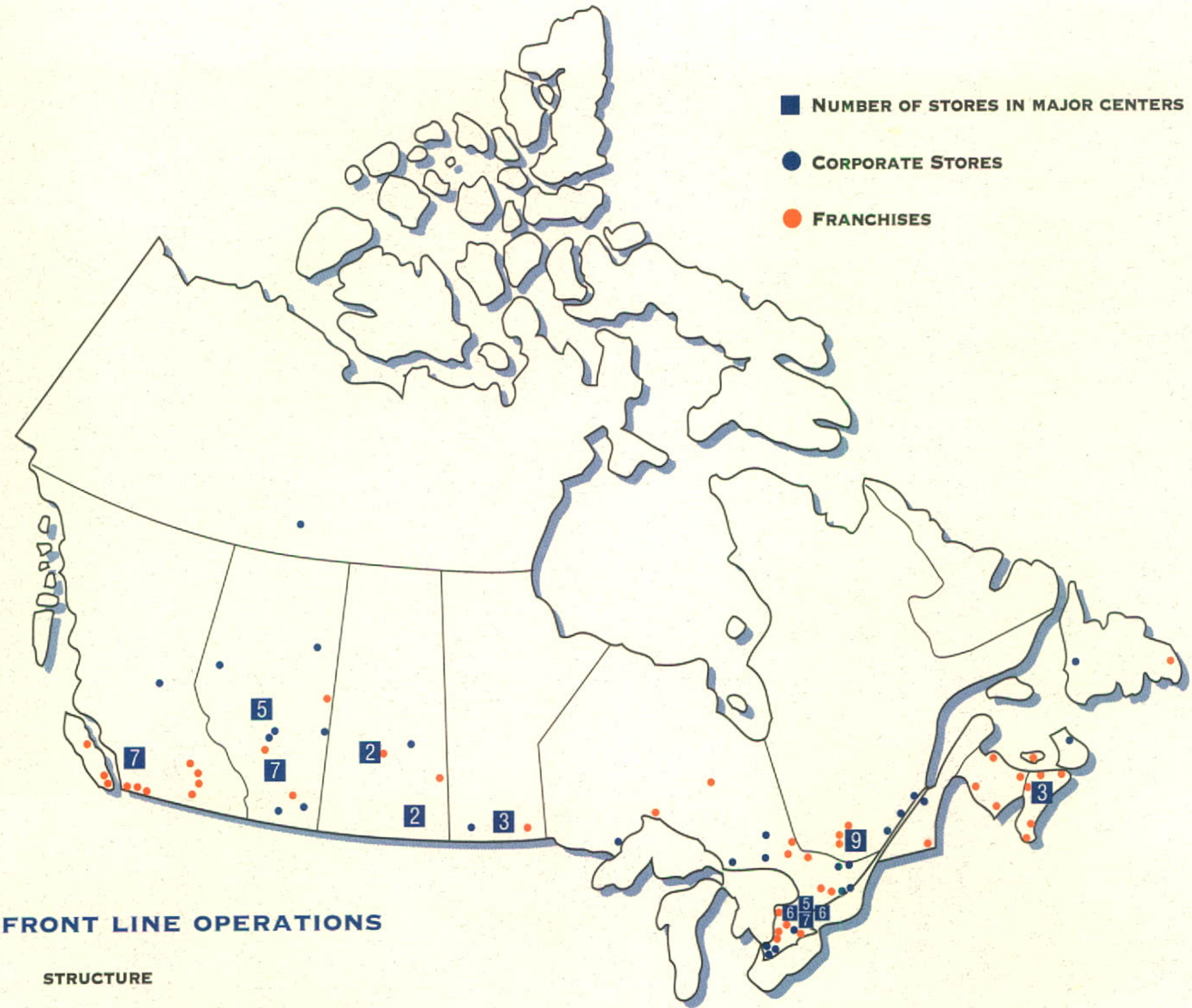
* The conservative and optimistic forecasts are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

THREE-YEAR OPERATIONS

The following table sets forth operating particulars with respect to continuing operations for the periods indicated. (Dollar amounts in thousands, except sales per square foot).

	52 weeks ended January 25, 1992			53 weeks ended January 30, 1993			52 weeks ended January 29, 1994		
	Spring	Fall	Total	Spring	Fall	Total	Spring	Fall	Total
Sales	$ 45,642	$ 87,100	$ 132,742	$ 43,535	$ 89,918	$ 133,453	$ 53,702	$ 104,364	$ 158,066
Gross margin (%)	35.6	35.1	35.2	35.9	36.5	36.3	35.8	37.2	36.7
Front line expense	$ 17,224	$ 21,865	$ 39,089	$ 16,797	$ 23,016	$ 39,813	$ 19,144	$ 26,236	$ 45,380
Front line contribution	$ (977)	$ 8,671	$ 7,694	$ (1,158)	$ 9,735	$ 8,577	$ 85	$ 12,602	$ 12,687
Front line contribution (%)	(2.1)	10.0	5.8	(2.7)	10.8	6.4	0.2	12.1	8.0
Franchise contribution	$ 1,052	$ 1,948	$ 3,000	$ 743	$ 1,732	$ 2,475	$ 1,010	$ 2,561	$ 3,571
Back line expense	$ 7,775	$ 9,675	$ 17,450	$ 6,781	$ 7,017	$ 13,798	$ 7,794	$ 7,198	$ 14,992
Net earnings (loss)	$ (4,606)	$ (1,707)	$ (6,313)	$ (7,195)	$ 4,449	$ (2,746)	$ (6,699)	$ 7,965	$ 1,266
Corporate Stores									
Open at start of period	91	91	91	86	83	86	91	90	91
Opened	—	2	2	—	6	6	1	4	5
Franchise repossessions	—	—	—	1	4	5	1	—	1
Closed or franchised	—	(7)	(7)	(4)	(2)	(6)	(3)	(3)	(6)
Open at end of period	91	86	86	83	91	91	90	91	91
Franchise Stores									
Open at end of period	54	57	57	53	45	45	43	43	43
Sales per square foot *	$ 83	$ 159	$ 242	$ 82	$ 158	$ 240	$ 93	$ 175	$ 268
Inventory at retail – highest	$ 55,363	$ 80,230	$ 80,230	$ 53,940	$ 74,538	$ 74,538	$ 67,665	$ 89,564	$ 89,564
– lowest	$ 42,092	$ 52,681	$ 42,092	$ 51,027	$ 48,728	$ 48,728	$ 49,854	$ 54,851	$ 49,854
Inventory turnover	1.0	1.4	2.4	0.8	1.5	2.3	0.9	1.5	2.4
Operating line – highest usage	$ 13,100	$ 14,800	$ 14,800	$ 18,800	$ 17,800	$ 18,800	$ 11,000	$ 14,400	$ 14,400
– lowest usage	$ 6,900	$ 6,000	$ 6,000	$ 5,000	$ 0	$ 0	$ 0	$ 0	$ 0
Total sales area (square feet)									
Stores open at beginning of year			547,983			547,685			587,881
Opened/expanded			31,533			69,502			53,914
Closed/downsized/franchised			(31,831)			(29,306)			(41,767)
Stores open at end of year			547,685			587,881			600,028
Same store sales increase (decrease) (%)			(18.3)			3.0			14.6
Gross Margin Return on Investment			1.4			1.5			1.6
Gross Margin Return on Space			85.4			85.2			97.8
Market Share			2.0%			2.4%			2.6%

* Calculated on stores open for entire season.



FRONT LINE OPERATIONS

STRUCTURE

The Company's front line operations are conducted through 17 geographic areas called districts. In turn, the 17 districts roll up into three major regions. Creating smaller operating units places more of the Company's management in direct contact with our customers; being closer to customers makes us more sensitive and responsive to local market needs.

OVERVIEW

Fuelled by a 14.6% same store sales growth in corporate stores and a 17.5% same store sales growth in franchise stores, the Company's front line delivered $4,110,000 or 47.9% more in front line contribution than a year ago. Further, the franchise contribution increased by $1,096,000 or 44.3% over last year. Thus, in the men's retail apparel sector that was relatively flat last year, the Company's front liners (with help from the back line buying group) performed admirably, delivering an incremental $5,206,000 or 47.1% in net front line contribution over the previous year.

The Company is pleased with the market share gains that the above sales increases represent.

WESTERN CANADA

The Western Canada region consists of six districts:

- British Columbia, including lower mainland corporate and franchise stores, island franchise stores, and interior franchise stores
- Edmonton, including the Yellowknife store
- Calgary
- Rural Alberta, including the Prince George, B.C. store
- Saskatchewan
- Manitoba

FRONT LINE OPERATIONS (BY REGION)

(Dollar amounts in thousands, except sales per resident)

	WESTERN CANADA	ONTARIO	QUEBEC/ATLANTIC	TOTAL
Sales – corporate				
1994	$ 70,501	$ 65,529	$ 22,036	$ 158,066
1993	$ 60,318	$ 54,851	$ 18,284	$ 133,453
1992	$ 61,725	$ 50,145	$ 20,872	$ 132,742
Front line contribution				
1994	8.1%	9.3%	4.0%	8.0%
1993	7.9%	6.1%	2.9%	6.4%
1992	7.2%	5.6%	2.1%	5.8%
Sales – franchise				
1994	$ 21,779	$ 15,567	$ 24,643	$ 61,989
1993	$ 19,335	$ 16,209	$ 21,085	$ 56,629
1992	$ 17,890	$ 18,328	$ 16,734	$ 52,952
Franchise contribution				
1994	$ 1,299	$ 793	$ 1,479	$ 3,571
1993	$ 992	$ 272	$ 1,211	$ 2,475
1992	$ 1,088	$ 955	$ 957	$ 3,000
Net front line contribution from operations				
1994	$ 6,995	$ 6,894	$ 2,369	$ 16,258
1993	$ 5,724	$ 3,591	$ 1,737	$ 11,052
1992	$ 5,536	$ 3,777	$ 1,381	$ 10,694
Number of stores at end of year Corporate/Franchise				
1994	37/16	36/12	18/15	91/43
1993	39/16	37/14	15/15	91/45
1992	39/18	32/20	15/19	86/57
Sales per resident				
1994	$ 10.90	$ 7.48	$ 4.85	$ 7.60
1993	$ 9.92	$ 6.96	$ 4.23	$ 6.90
1992	$ 10.08	$ 6.83	$ 4.07	$ 6.84

SALES - Operating with a similar amount of retail square feet in both years, this region increased its sales by some $10 million or 16.9% during the year ended January 29, 1994 over the previous year. The same store sales increase was 17.5%. Aggressive sales plan targets were met or exceeded in all districts except for British Columbia. Sales per retail square foot for the region was up some $33 to $263 but is still short of the Company's longer term goal of $300 per retail square foot. The West Edmonton Mall store had sales of $604 per square foot and four other stores, Prince George, Edmonton South, Calgary Macleod, and Calgary Brentwood, are in the $380 range per square foot. This region got its big sales gains in the western wear, private label denim, and accessory categories. The region lost slightly over a point in gross margin rate as a result of the sales push in western wear and poor shrink results. Nonetheless, the region delivered $3 million more in gross margin dollars than in the previous year. The following stores each achieved annual sales over $3 million and made the Company's top 10 sales volume list: Edmonton South, Calgary South, West Edmonton Mall, Edmonton Northwest, Calgary North, and Calgary Macleod Trail .

EXPENSES - During the year, expenses were up some $2 million or 12.0% from the year before, primarily due to increased staff and advertising costs, but total expenses came down as a percentage of sales from 28.3% to 27.1%. The increase in staff costs was partly due to the sales push and the implementation of the Company's new computer system. The advertising cost increase was due to the sales push.

This operation delivered an extra $1.2 million in net front line contribution during the past year despite falling short of its aggressive bottomline target, due to margin slippage and expense increases. Inventories came in some $6.2 million at retail over the previous year. There are no high risk, seasonal items in these inventories, but its high level indicates that improvement in the management of inventory levels is required. Five of this region's stores were among the Company's 10 most profitable locations. This region's customer focus can be illustrated by the following customer WOW.

April 28, 1993

Dear Woody:

I am writing to let you know of an impressive experience I had with Mark's recently. I had attended the Macleod Trail location to buy a pair of shoes which had been advertised on sale. It was the last sale day, selection was limited, and my shoe size was out. Typically, this would be the end of the line - no size availability; no sale.

The salesperson took it upon himself to contact each and every store. They were all out as well. He then suggested that they locate a pair in "the system". I was curious how this would work and signed up.

I received my shoes the other day. They had been couriered by Purolator from Rexdale, Ontario. This service is above and beyond what is considered traditional retail service, and is most impressive.

I thought you would enjoy this story. This type of service is surely what's required these days to keep customers coming back.

Yours truly,

Mr. Hauer, Calgary

"This service is above and beyond what is considered traditional retail service, and is most impressive."

ONTARIO

The Ontario region is made up of seven districts:

- Ontario Central
- Ontario West
- Ontario South
- Toronto East
- Ontario North
- Toronto West
- Ontario East

Corporate and franchise stores operate in each district.

Helen Kanold,
Store Operator of
our largest volume store,
Mississauga, Ontario.

SALES - Operating with approximately 15,000 more retail square feet this past year, Ontario increased its sales by approximately $10.7 million or 19.5%. The same store sales increase was 13.1%. Sales increases were double digit in all districts except Ontario North where sales were flat with the prior year. Sales targets were met in most districts and sales per retail square foot were improved some $26 to $277, which is still short of the Company's longer term goal of $300 per retail square foot. Stores in Barrie, Thunder Bay, Burlington and St. Catherines have sales over $400 per square foot. This region's sales gains came in the private label denim, accessories, casual footwear and casual tops categories. On top of the significant sales increases, through a combination of better mark down management and improved purchase mark up, Ontario was able to improve its year-over-year margin by two points. The significant switch in blend from brand label to private label denim also helped achieve this significant margin improvement. This region delivered $5.2 million more in gross margin dollars this past year over the year prior. Stores in Mississauga and Thunder Bay, with annual sales over $3 million, made the Company's Top 10 sales volume list. The Mississauga store was the largest volume store in the Company.

EXPENSES - Because this past year marked the Company's first full year of operations in Eastern Ontario, primarily the Ottawa area, expenses increased by some $2.5 million or 14.9% over the prior year, due to staff, advertising, and occupancy costs. Implementing the Company's new computer system contributed to half the increase in staff costs. Total expenses came down as a percentage of sales from 30.2% to 29.1%. In summary, this region over-achieved its net front line contribution targets and delivered $3.3 million more net front line contribution than in the previous year. Five of this region's stores were among the Company's 10 most profitable locations. In addition, Ontario ended the year with very acceptable inventory levels, similar to those of the year before. This region's customer focus can be illustrated by the following excerpt from a customer WOW.

April 28, 1993

Dear Mr. Blumes,

Recently, while in your Weston Rd. store to purchase gloves and pants, I enquired about the Greb Kodiak leather-lined boots. Elaine said she would check with the Company and call me back. She followed through that afternoon with news from Greb that no such boot had ever been made. Fortunately, I had an old pair (purchased from you) and gave her the code number. Within three weeks, I received a call - the boots I had asked for were ready for pick-up.

In these challenging times, it is people such as Elaine who perform beyond the norm that carry a business through and keep customers such as myself coming back to Mark's.

Mr. Bell
Gilford, Ontario

QUEBEC/ATLANTIC

The Quebec/Atlantic region is made up of four districts:

- Quebec West, including both corporate and franchise stores
- Quebec East, including both corporate and franchise stores
- Atlantic corporate
- Atlantic franchise

Reagh Ellis,
franchise owner of one of the top 10 sales volume stores, Charlottetown, P.E.I.

In Quebec, the Company trades under the name "L'Equipeur".

SALES - Operating with approximately 8,000 more retail square feet this past year, this region's sales increased approximately $3.7 million or 20.5%. The same store sales increase was 9.3%. During the past year, the Company modestly increased its penetration in Quebec by opening its first Quebec City store as well as a store in Trois-Rivieres-Ouest. This is expected to be the beginning of a gradual move by the Company from being primarily a greater Montreal-area based operation to a full province operation.

Sales growth in the Quebec/Atlantic region was ahead of the industry but more modest in comparison to the growth experienced in the Company's two other regions. Actual results were short of targets for eight of the 18 corporate stores in the region. Sales per retail square foot improved some $22 over the prior year but came in at only $255; the Company's Quebec sales per retail square foot were only $227. The region's sales gains came in private label denim, casual footwear, accessories and casual tops. This operation maintained its margins at levels similar to the prior year but, as a result of the increased sales, delivered $1.4 million more in gross profit dollars. Two Atlantic franchise stores, Charlottetown and St. John, made the Company's top 10 sales volume list, each with sales over $3 million.

EXPENSES - Because the region ended the year with three additional stores, expenses increased approximately $1 million or 16.8% over the year prior primarily due to staff, advertising and occupancy. Because of the smaller size of the operation, approximately half the number of corporate stores of each of the other two regions' total expenses as a percentage of sales are highest here, but still improved from 33.75% last year to 32.70% this year. While this region fell short of its front line contribution targets, its net front line contribution increased by $630,000 over the prior year. This can be attributed to a combination of a $360,000 front line contribution increase and a $270,000 increase in franchise contribution from the region's strong portfolio of Atlantic franchise stores. For this region's customer focus, please review the following excerpt from a WOW.

September 1, 1993

Good morning Mr. Blumes,

I would like to congratulate you on the superb job you have done with your Quebec City branch. I was driving yesterday and the name of the store, "L'Équipeur" caught my eye. Being of a slightly curious nature, I wondered what the name referred to and I decided to check it out.

The place is pleasing to the eye. The merchandise is of top quality, very comfortable and the prices are 'right on the mark' if you will pardon the expression. The one detail that I enjoyed most was to be able to see and feel the clothing without a salesperson over my shoulder pressuring me to buy or get out. When needed, the sales staff was courteous and made me feel welcome with a smile. I chose a pair of WindRiver shoes (a steal at $50), a pair of Denver Hayes jeans and a sweatshirt.

It was about time that Quebec City got a top quality work and outdoor clothing store.

Please accept, Mr. Blumes, my best wishes for your business in our city.

Mr. Lachance,
Trudelle, Quebec

BACK LINE OPERATIONS - CORPORATE SERVICES

Overview

The Company is making progress toward its 7% or less long range goal for back line costs.

The Company's back line operations consist of the following groups:

- Customer Service and Human Resources/Compensation
- Purchasing
- Marketing and Store Design
- Warehouse/Distribution
- Property Management
- Office of the C.O.O., the General Managers, and Sales Management group
- Office of the C.E.O.
- Systems
- Finance: Accounting, Control, Treasury and Budgets, Payables

In most organizations, back line staff is involved in the administrative activities of the business. In our organization, we expect back line management and supervisory staff to control costs or generate revenue while carrying out their administrative responsibilities and providing support to the front line. All back line management and supervisory staff participate in the Company's performance contracting process and have specific business objectives and key results to be accomplished each year.

Some of the "wins" and "losses" of these groups over the past year include:

• The processing of 253,400 customer service requisitions to meet customer needs by the Customer Service group. This process is also known as "At or through".

• The delivery of good quality, value-priced merchandise by Senior Buyers in the Company's Purchasing group to allow the Company to generate a $9.7 million gross profit dollar increase over the prior year. This group, however, did not deliver the above within the inventory level targets established.

• The delivery of seven, nationally administered, two-week promotional events by the Company's Marketing group which accounted for $14 million of the $24 million annual sales increase during these events' weeks. National Events and other "reality positioned" marketing campaigns were delivered at a cost slightly above budgeted targets.

• The delivery of sales reporting, perpetual inventory and accounting systems by the Systems and Finance groups, although incomplete, behind schedule and over budget.

• The delivery of five new stores and five major refurbishments of existing stores along with many other smaller projects within the capital expenditure budget of $3 million by the Marketing and Store Design group.

• The delivery of $3.5 million in new equity and $3 million in convertible subordinated debentures by the office of the C.E.O. and the Treasury group.

• The delivery of a $10 million sales increase beyond what occurred during the events' weeks by the office of the C.O.O., General Managers and their sales organizations.

• The failure of the Control group to manage costs within the forecast range. Actual expenses were $2 million or 3% to 4% beyond the forecast range.

The following chart shows how back line costs have tracked as a percentage of sales.

BACK LINE COSTS AS A PERCENTAGE OF SALES

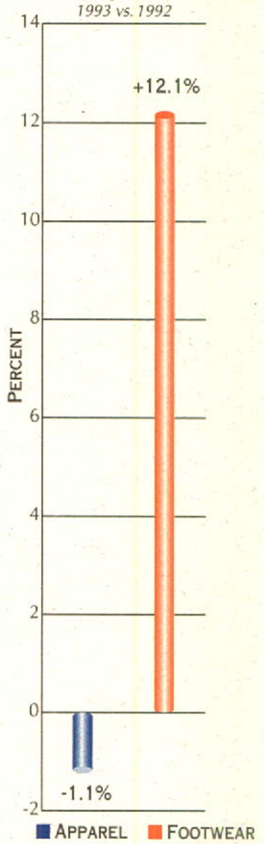
	Fiscal 1992		Fiscal 1993		Fiscal 1994	
	Dollars (thousands)	% of Sales	Dollars (thousands)	% of Sales	Dollars (thousands)	% of Sales
Staff	8,743	6.6	6,631	5.0	6,311	4.0
Administration and other	2,441	1.8	2,665	2.0	2,252	1.4
Occupancy	985	0.8	888	0.7	984	0.6
Depreciation	1,566	1.2	1,294	1.0	1,874	1.2
Software development	660	0.5	1,342	1.0	1,913	1.2
Interest - long-term	1,096	0.8	978	0.7	1,658	1.1
Recurring costs	15,491	11.7	13,798	10.4	14,992	9.5
Senior executive - settlements	1,959	1.5	–	–	–	–
Total Costs	17,450	13.2	13,798	10.4	14,992	9.5
Cost per average retail square foot	$ 31.85		$ 24.30		$ 25.24	

The chart above shows that the Company is making progress toward its 7% or less long range goal for back line costs.

Anna Greco, Michel St. Jean and Terri Van Lambalgen, Marketing and Store Design.

CANADIAN MEN'S RETAIL MARKET

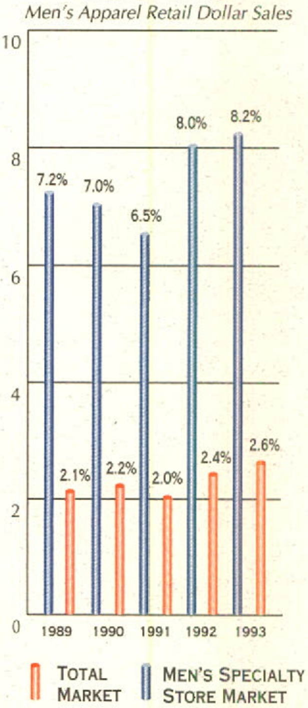
Percent Change in Dollar Sales 1993 vs. 1992



Source: The Canadian Apparel Market Monitor (CAMM)

MARK'S WORK WEARHOUSE MARKET SHARE

Men's Apparel Retail Dollar Sales



Source: The Canadian Apparel Market Monitor (CAMM)

MD&A SUMMARY

Having completed the second full year of operations since the late '91 restructuring, the Company is "back into the black" and is ready to move from its "survival phase" to its "post turnaround phase".

OPERATIONS

During a year in which total retail sales in Canada were up only a modest 4% and Canadian men's apparel sales were actually down 1%, the Company's corporate stores posted a $24.6 million or 18.4% sales increase. These large gains resulted in the Company increasing its market share from 2.4% to 2.6% in the men's apparel retail market and from 8% to 8.2% in the men's specialty store market.

This increase breaks down geographically as follows:

Western Canada	$10.2 million
Ontario	$10.7 million
Quebec/Atlantic	$3.7 million

On a same store basis, sales were up $17.5 million or 14.6%. The Company's franchise stores also performed well with a $9.2 million or 17.5% same store sales increase. This year's sales increases occurred over a 52-week retail year, whereas the retail year previous was 53 weeks.

Corporate store sales increased or decreased by category as shown in the chart, "Corporate Store Sales by Category".

From a dollar perspective, increases in private label bottoms, accessories and both footwear categories accounted for $17 million of the $24.6 million increase. The significant increase in the Company's private label bottoms business can be attributed to the implementation of a key component in the Company's 1991 Strategic Plan. In that Plan, the Company set out to "grow" its private label bottoms business, while maintaining its brand label bottoms business at the volume levels in existence for margin performance reasons. The gains realized on the Company's footwear categories have increased its market share from 2.6% to 4.5% of the men's Canadian footwear market, and from 15.4% to 23.3% of the men's over $90 price point items in the men's Canadian work footwear market.

CORPORATE STORE SALES BY CATEGORY

	INCREASE	DECREASE
Work apparel	11.3%	-
Men's casual wear	17.1%	-
Western wear	246.5%	-
Brand name bottoms	-	4.8%
Industrial footwear	17.2%	-
Accessories	28.2%	-
Casual outerwear	13.6%	-
Industrial outerwear	20.0%	-
Private label bottoms	49.8%	-
Casual footwear	66.7%	-
Ladies wear	-	36.4%

The Company's increase of 17.1% in men's casual wear was also significant, considering last year's 16.1% increase. Growth in western wear was confined to Western Canada and represents only 2.5% of the Company's sales. The Company's market ranking and individual product ranking after this past year's gains is illustrated in the chart attached.

Richard Faust, Senior Buyer, Bottoms was instrumental in achieving a 49.8% increase in private label bottoms.

Notably, the Company's large sales gains were achieved without sacrificing margins. The Company actually recorded a modest four-tenths of a point margin gain from 36.3% at January 30, 1993 to 36.7% at January 29, 1994. Purchase mark up (after merchandise and freight costs) was a full point above the previous year, achieved by changing business blend and purchasing the same quality commodities at better prices, not by significant retail price increases. Although higher than the prior year, mark downs were managed to a slightly lower percentage of sales rate. Higher customer adjustments and the elimination of volume rebates by one of the Company's key suppliers offset some of the purchase mark up and mark down gains to result in the moderate four-tenths of a point improvement. While shrinkage was managed to a similar percentage of sales as in the prior year, the Company is not pleased with its $2.5 million cost in this area.

In conclusion, the Company delivered an extra $9.7 million in gross margin dollars, of which $9.0 million was sales growth and $700,000 a slight improvement in margin rate. The purchase mark up in the Company's opening inventories continues to improve, reaching 43.4% at January 29, 1994 from 41.2% at January 30, 1993, 40.2% at January 25, 1992, and 39.1% at January 26, 1991.

It should be noted that front line expenses declined as a percentage of sales from 29.8% at January 30, 1993 to 28.7% at January 29, 1994. On a same store basis, the increase in front line expenses was $2.5 million or 7.1%. Of the large front line staff cost increase, $891,000 was in bonuses paid to store staff with the balance split between higher staff costs (to generate the sales gains) and higher store labor costs (attributable to the implementation of the Company's new computer system in fiscal 1994). Advertising costs were $1,754,000 greater than a year ago and 5.5% of sales compared to 5.3% of sales in the previous year. It should be noted that $14 million of the Company's $24.6 million sales increase came during the Company's National Event advertising campaigns.

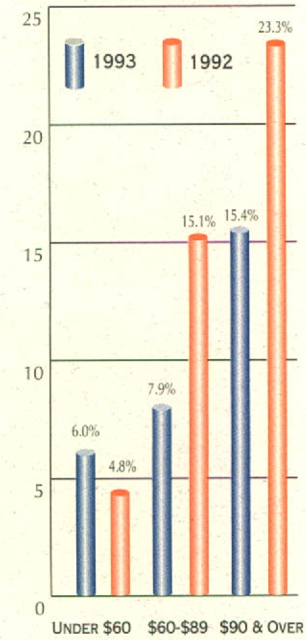
During the year, the franchise contribution improved by $1.1 million for two reasons: franchise royalties were higher due to their sales

Front line expenses increased by $5,567,000 or 14% as follows:

Front Line Expenses	January 1993	January 1994	Increase (Decrease)
		(thousands of dollars)	
Staff	11,115	14,220	3,105
Advertising	7,018	8,772	1,754
Other	3,906	4,595	689
Occupancy	14,886	15,579	693
Depreciation	1,736	1,686	(50)
Interest (short-term)	1,152	528	(624)
	39,813	45,380	5,567

MARK'S WORK WEARHOUSE MARKET SHARE

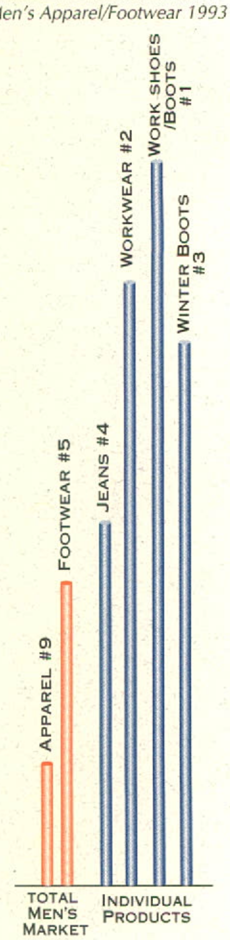
Men's Work Shoes/Boots Retail Dollar Sales



Source: The Canadian Apparel Market Monitor (CAMM)

MARK'S WORK WEARHOUSE MARKET SHARE RANKING

Men's Apparel/Footwear 1993



Source: The Canadian Apparel Market Monitor (CAMM)

The Company was able to "hold the line" on back line staff and administration costs.

gains, and bad debt write-offs were some $600,000 less than the previous year when 12 franchise stores were closed and/or repossessed.

The Company was able to "hold the line" on back line staff and administration; however, software development costs, depreciation and interest on long-term debt climbed as the result of costs involved with installing the Company's new computer system. As outlined in the fixed asset and long-term debt notes of the Company's financial statements, all computer services including equipment were outsourced at year end. In future years, interest on long-term debt and depreciation of computer hardware costs will appear as lease costs for computer services, along with any software development and support costs.

The combination of the $9.7 million increase in gross margin dollars, the $5.5 million increase in front line expenses, the $1.1 million improvement in franchise contribution, and the $1.2 million increase in back line costs produced just over a $4 million improvement in the Company's bottomline helping it get "back into the black" for the first time since January 27, 1990.

Back line costs increased by $1,194,000 or 8.7% as follows:

Back Line Expenses	January 1993	January 1994	Increase (Decrease)
		(thousands of dollars)	
Staff	6,631	6,311	(320)
Administration and other	2,665	2,252	(413)
Occupancy	888	984	96
Depreciation	1,294	1,874	580
Software development costs	1,342	1,913	571
Interest (long-term)	978	1,658	680
	13,798	14,992	1,194

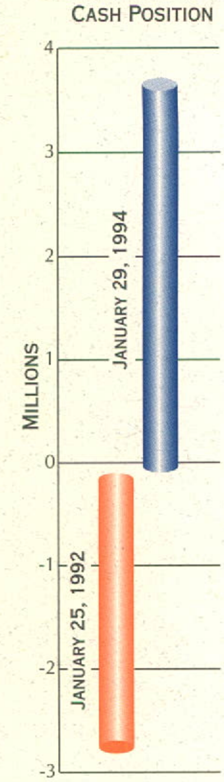
Clothes That Work.
Mountain Gear 3-in-1 jacket.

BALANCE SHEET

During the course of the past two years, the Company concluded the following major financing transactions:

Financing Transactions	January 1993 Inflows (Outflows)	January 1994 Inflows (Outflows)
	(thousands of dollars)	
Issue of subordinated debentures Series A (excludes accrued interest)	3,850	
Repayment of subordinated debentures Series A (excludes accrued interest)		(3,850)
Issue of subordinated debentures Series B	500	
Issue of 8,000,000 common shares (net of issue costs)	7,200	
Issue of 4,572,364 common shares (net of issue costs)		3,500
Issue of common shares to employees under employee share purchase, stock options plans and by private placement	450	270
Issue of convertible subordinated debentures		3,000
Outsourcing of all computer services including equipment previously under capital lease		(7,400)

The major refinancings noted above, coupled with significantly improving operations, resulted in the Company's year end cash position advancing from a negative $2,778,000 at January 25, 1992 to a positive $3,761,000 at January 29, 1994. The Company's working capital improved by a further $4,380,000 this past year after having posted a $10,474,000 improvement in the previous year. The Company is satisfied with its 1.62/1 current ratio at January 29, 1994, compared to 1.64/1 at January 30, 1993 and 1.11/1 at January 25, 1992. The Company has also improved its debt-to-equity ratio to 1.72/1 at January 29, 1994 from 2.04/1 at January 30, 1993 and 4.07/1 at January 25, 1992. The Company is not satisfied, however, with the level of inventory and supplier payables at January 29, 1994 and will focus on improving turnover in the coming year to reduce these balances.



FORECAST

Earnings per common share for the 52 weeks ending January 28, 1995 are forecast to be in the range of 17 cents to 28 cents per share.

This forecast represents, in management's judgement, the most likely set of conditions and the Company's most likely course of action. The reader is cautioned that some assumptions used while preparing our forecast, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will inevitably vary from the forecast results, and variations may be material.

The Company completed these forecasts on March 30, 1994. The financial reports issued by the Company to its shareholders during the forecast year will contain either a statement that there are no significant changes to be made to the forecast range or an updated earnings per share forecast accompanied by explanations of significant changes.

Earnings per common share for the 52 weeks ending January 28, 1995 are forecast to be in the range of 17 cents to 28 cents per share.

KEY ASSUMPTIONS
(dollars in thousands)

	Actual 52 Weeks Ended January 29, 1994	Forecast (unaudited) 52 Weeks Ended January 28, 1995	
		Conservative	Optimistic
Same store sales increase - corporate	14.6%	4.1%	8.2%
Same store sales increase - franchise	17.5%	0.0%	11.2%
Gross margin rate	36.7%	37.0%	37.0%
Inventory turnover	2.4	2.4	2.5
Number of corporate store openings	5	3	3
Number of store closings	6	2	2
Sales increases from part-year fiscal 1994 corporate stores becoming full-year stores in fiscal 1995	-	$ 6,710	$ 6,710
Sales from new store openings	-	$ 2,585	$ 2,585
Number of franchise stores	43	42	42
Operating line – interest rates	7.6%	8.4%	8.4%
Capital expenditures			
Real estate and other	$ 2,957	$ 3,500	$ 3,500
Systems	$ 1,782	$ —	$ —
New equity financing (net)	$ 3,542	$ —	$ —
Long-term debt financing			
Convertible subordinated debt	$ 3,000	$ —	$ —
Capital leases	$ 1,927	$ —	$ —
Long-term debt repayments			
Subordinated debt	$ 4,406	$ —	$ —
Capital leases	$ 7,443	$ —	$ —

INCOME STATEMENT

(In thousands)

	Actual 52 Weeks Ended January 29, 1994	Forecast (unaudited) 52 Weeks Ended January 28, 1995	
		Conservative	Optimistic
Sales	$158,066	$169,120	$175,215
Cost of sales	99,999	106,527	110,361
Gross margin	58,067	62,593	64,854
Front line expenses	45,380	47,277	47,530
Front line contribution	12,687	15,316	17,324
Franchise contribution	3,571	3,392	3,822
Net front line contribution	16,258	18,708	21,146
Back line expenses	14,992	14,695	14,646
Income from operations	1,266	4,013	6,500
Income taxes	—	—	—
Net income	$ 1,266	$ 4,013	$ 6,500

BALANCE SHEET

(In thousands)

	Actual 52 Weeks Ended January 29, 1994	Forecast (unaudited) 52 Weeks Ended January 28, 1995	
		Conservative	Optimistic
Assets			
Current assets			
Inventories	$ 32,333	$ 27,296	$ 26,144
Other	17,840	13,972	16,766
	50,173	41,268	42,910
Other assets	632	632	632
Fixed assets	5,590	6,807	6,807
	$ 56,395	$ 48,707	$ 50,349
Liabilities			
Current liabilities	$ 30,923	$ 19,567	$ 18,722
Deferred gain	1,727	1,382	1,382
Long-term debt	3,000	3,000	3,000
	35,650	23,949	23,104
Shareholders' equity			
Capital stock	25,793	25,793	25,793
(Deficit)	(5,048)	(1,035)	1,452
	20,745	24,758	27,245
	$ 56,395	$ 48,707	$ 50,349
Net cash generated (deployed)	$ 2,821	$ (6,287)	$ (2,119)

"POST MORTEM" ON THE PRIOR YEAR'S FORECAST

Very strong sales gains beyond forecasts in Alberta, Metro Toronto, Southern Ontario and Eastern Ontario throughout the year were the result of aggressive inventory positions and marketing campaigns.

Sales of $158,066,000 exceeded the operating budget by $10,540,000 or 7.1% and exceeded the conservative forecast by $14,776,000 or 10.3%. This occurred because of very strong sales gains beyond forecasts in Alberta, Metro Toronto, Southern Ontario and Eastern Ontario throughout the year, the result of aggressive inventory positions and marketing campaigns.

Margin rates were lower than forecasted due to heavier mark downs, customer adjustments, shrinkage, and freight costs, but thanks to the significant sales overrun to plan, $1,167,000 or 2.1% more gross margin dollars than the operating budget and $2,800,000 or 5.1% more gross margin dollars than the conservative forecast, were generated.

Front line expenses came in some $515,000 or 1.1% over the operating budget and some $814,000 or 1.8% over the conservative forecast. Most front line expenses came in under the operating budget and conservative forecast except for staff costs which were $1,200,000 over the operating budget and $1,700,000 over the conservative forecast. This was a result of sales bonuses, extra staff costs to generate sales gains, and extra staff costs to implement the Company's new computer system.

The franchise contribution surpassed the operating budget and conservative forecast by $423,000 due to higher royalties as franchise store sales significantly exceeded plans.

Back line expenses came in some $1,343,000 or 9.8% over the operating budget and some $1,648,000 or 12.4% over the conservative forecast. Back line expense overruns to both plans occurred in the areas of system software development, long-term debt interest on system equipment acquired under capital lease, and telecommunication cost overruns related to the new system. Back line staff costs were under plan amounts and co-op advertising recoveries from suppliers fell short of expectations. The net result is a net income $268,000 short of the operating budget, but $761,000 above the conservative forecast to produce a result near the top of the Company's forecast range.

From a balance sheet perspective, the Company concluded the year with higher inventory, franchise receivables and supplier payables than planned, resulting in a poorer debt-to-equity ratio than forecast, but producing a current ratio better than the conservative forecast.

Clothes That Work for recreation. LEVI's® denim shirts and RED TAB® jeans.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis and conforming on a historical cost basis in all material respects with International Accounting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in Note 1 of the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's auditor and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

John A. Murphy, Senior Vice-President, Control

AUDITORS' REPORT

TO THE SHAREHOLDERS OF MARK'S WORK WEARHOUSE LTD.

We have audited the consolidated balance sheet of Mark's Work Wearhouse Ltd. as at January 29, 1994, January 30, 1993 and January 25, 1992 and the consolidated statements of operations, retained earnings (deficit) and cash flow for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 29, 1994, January 30, 1993 and January 25, 1992 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse Chartered Accountants, Calgary, Alberta

April 22, 1994

CONSOLIDATED BALANCE SHEET

	January 25, 1992	January 30, 1993 (thousands)	January 29, 1994
Assets			
Current assets			
Cash	$ —	$ 940	$ 3,761
Accounts receivable (Note 2)	10,625	7,807	12,931
Income taxes recoverable	1,794	348	100
Inventories	30,606	27,994	32,333
Prepaid expenses and deposits	1,362	1,106	1,048
	44,387	38,195	50,173
Other assets (Notes 3 and 11)	1,186	531	632
Fixed assets (Notes 4 and 7)	8,955	8,909	5,590
	$ 54,528	$ 47,635	$ 56,395
Liabilities			
Current liabilities			
Bank indebtedness (Note 5)	$ 2,778	$ —	$ —
Accounts payable and accrued liabilities	36,361	21,394	30,743
Current portion of long-term debt (Note 6)	852	1,931	180
	39,991	23,325	30,923
Deferred gain (Note 4)	504	477	1,727
Long-term debt (Note 6)	3,280	8,166	3,000
Shareholders' Equity			
Capital stock (Note 8)	14,321	21,981	25,793
Retained earnings (deficit)	(3,568)	(6,314)	(5,048)
	10,753	15,667	20,745
	$ 54,528	$ 47,635	$ 56,395

Commitments (Note 7)

Approved by the Board

Mark W. Blumes

Director

Garth Kutcher

Director

CONSOLIDATED STATEMENT OF OPERATIONS

	52 weeks ended January 25, 1992	53 weeks ended January 30, 1993 (thousands)	52 weeks ended January 29, 1994
Front line operations (Note 1a)			
Sales	$ 132,742	$ 133,453	$ 158,066
Cost of sales	85,959	85,063	99,999
Gross margin	46,783	48,390	58,067
Front line expenses			
Personnel, advertising and other	21,037	22,039	27,587
Occupancy	14,556	14,886	15,579
Depreciation and amortization	2,238	1,736	1,686
Interest – short-term	1,258	1,152	528
	39,089	39,813	45,380
Front line contribution	7,694	8,577	12,687
Franchise contribution (Notes 12 and 1b)	3,000	2,475	3,571
Net front line contribution before back line expenses	10,694	11,052	16,258
Back line operations (Note 1a)			
Back line expenses			
Personnel, administration and other	11,184	9,296	8,563
Occupancy	985	888	984
Depreciation and amortization	1,566	1,294	1,874
Software development costs	660	1,342	1,913
Interest – long-term	1,096	978	1,658
Other items (Note 9)	1,959	—	—
	17,450	13,798	14,992
Earnings (loss) from operations before income taxes	(6,756)	(2,746)	1,266
Income taxes (Note 10)			
Current (recovery)	(1,794)	—	—
Deferred	1,351	—	—
	(443)	—	—
Net earnings (loss) from continuing operations	(6,313)	(2,746)	1,266
Discontinued operations (Note 11)			
Loss from operations	(196)	—	—
Loss on disposal, net of current tax recovery of $150,000 in 1992	(2,250)	—	—
Net earnings (loss)	$ (8,759)	$ (2,746)	$ 1,266
Earnings (loss) per common share			
From continuing operations	(64)¢	(17)¢	6¢
Net	(89)¢	(17)¢	6¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

	52 weeks ended January 25, 1992	53 weeks ended January 30, 1993 (thousands)	52 weeks ended January 29, 1994
Retained earnings (deficit) at beginning of year	$ 5,191	$ (3,568)	$ (6,314)
Net earnings (loss)	(8,759)	(2,746)	1,266
Retained earnings (deficit) at end of year	$ (3,568)	$ (6,314)	$ (5,048)

CONSOLIDATED STATEMENT OF CASH FLOW

	52 weeks ended January 25, 1992	53 weeks ended January 30, 1993 (thousands)	52 weeks ended January 29, 1994
Cash generated (deployed)			
Operations			
Cash receipts	$ 129,712	$ 136,000	$ 152,942
Payments for inventories and operating expenses	(146,651)	(143,990)	(144,862)
Interest on long-term debt	(1,096)	(978)	(1,658)
Income taxes	2,069	1,446	248
	(15,966)	(7,522)	6,670
Financing			
Proceeds of long-term debt	477	6,756	4,927
Retirement of long-term debt	(7,092)	(942)	(12,246)
Issuance of share capital	—	7,660	3,812
	(6,615)	13,474	(3,507)
Investing			
Purchase of fixed assets	(1,648)	(3,160)	(4,739)
Change in net assets of discontinued automotive operation	2,610	499	—
Other assets	346	427	(101)
Disposition of fixed assets	1,501	—	4,498
Settlement with senior executives	(874)	—	—
	1,935	(2,234)	(342)
Net cash generated (deployed)	(20,646)	3,718	2,821
Cash (bank indebtedness) at beginning of year	17,868	(2,778)	940
Cash (bank indebtedness) at end of year	$ (2,778)	$ 940	$ 3,761

January 29, 1994
(dollar amounts in tables in thousands except earnings per share)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company operates in the retail clothing industry in Canada. These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada and conform, on a historical cost basis, in all material respects with International Accounting Standards.

(a) Basis of presentation and reclassification – The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

During the year ended January 30, 1993, the Company reclassified elements of its statement of operations to distinguish between front line, franchise and back line activities to be more representative of the Company's business organization. Front line operations represent those activities where the Company's people and facilities come face-to-face with the customers, and back line operations represent those activities which support the effective performance of front line activities.

During the year ended January 25, 1992, the Company disposed of substantially all of the assets of its wholly owned subsidiary, Pro-Formance Automotive Ltd. ('Proformance'), and these financial statements reflect the Proformance operations on a discontinued basis using accounts of Proformance on a one-month delay basis for its fiscal year ended December 31. Reference is made in Notes 3 and 11.

(b) Franchise contribution – Initial franchise fees are recorded as income when the cash has been received, the store has been opened and any other material conditions relating to the sale have been substantially performed. Royalties, which are based on sales by the franchise, are recorded as income as they are earned. Costs are expensed as incurred as part of either front line or back line expenses as the majority of costs are not specifically identifiable as franchise costs, with the exception of bad debt write offs, which reduce the franchise contribution.

(c) Inventories – Inventories are accounted for by the retail method and are carried at the lower of estimated cost and anticipated selling price, less an expected average gross margin.

(d) Fixed assets – Depreciation is designed to amortize fixed assets on a straight line basis over their estimated useful lives at the following annual rates:

Leasehold improvements	Term of the lease
Furniture, fixtures and equipment	20%

(e) Computer services – The Company's outsourcing agreement with Information Systems Management (Alberta) Corporation requires declining payments over the next five years (Note 7). Since the services presently contemplated are to be the same for each of those years, the related costs are to be recognized in amounts equal to one-fifth of the total payments, reduced by the amortization of the gain (Note 4).

(f) Store opening expenses – Costs incurred in connection with the opening of a new store are charged against earnings in the year in which the store commences operations.

(g) Software development costs – Costs incurred to develop or acquire software for the Company's management information systems are expensed as incurred.

(h) Earnings per share – Basic earnings per share are calculated using the weighted average number of Common Shares outstanding during the year. Fully diluted earnings per share were calculated as though the Common Shares related to the conversion of the Company's 8% Convertible Subordinated Debentures had been issued on January 28, 1994. This calcuation was not dilutive. Exercise of outstanding options would not be dilutive.

2. Accounts receivable

	1992	1993	1994
Receivable from franchise stores	$ 8,477	$ 7,524	$ 12,047
Other accounts receivable	3,465	2,652	3,739
	11,942	10,176	15,786
Allowance for doubtful accounts	(1,317)	(2,369)	(2,855)
	$ 10,625	$ 7,807	$ 12,931

3. Other assets

	1992	1993	1994
Net assets of discontinued automotive operation (Notes 1a and 11)	$ 499	$ —	$ —
Employee relocation loans, secured	387	231	150
Notes receivable	300	300	300
Other	—	—	182
	$ 1,186	$ 531	$ 632

4. Fixed assets

	1992		1993		1994	
	Cost	Net book value	Cost	Net book value	Cost	Net book value
Leasehold improvements	$ 6,945	$ 1,374	$ 7,038	$ 1,306	$ 3,003	$ 1,802
Furniture, fixtures and equipment	13,817	3,824	14,047	3,328	7,741	3,788
Equipment under capital lease (Note 7)	5,431	3,757	6,806	4,275	—	—
	$ 26,193	$ 8,955	$ 27,891	$ 8,909	$ 10,744	$ 5,590

Pursuant to an agreement dated December 31, 1993, effective February 1, 1994, the Company disposed of all its computer equipment under capital lease to Information Systems Management (Alberta) Corporation and entered into a five-year agreement by which it outsourced its computer operations, including computer equipment, to Information Systems Management (Alberta) Corporation. The gain realized on the disposition has been deferred and is being amortized as a reduction of outsourcing costs over the 60-month term of the agreement.

Effective August 1, 1991, the Company sold and leased back its corporate office and warehouse facility. The gain realized on the sale has been deferred and is being amortized as a reduction of occupancy expense over the 128-month term of the lease.

5. Bank indebtedness

The Company has revolving credit facilities for demand loans as follows:

	Amount	Interest Rate
Operating	$11,500	prime + 1%
Operating – Bulge	$ 5,500	prime + 1.25%
Letter of Credit Facility	$ 1,500	1.25%

The operating line of credit could be limited to $9,500,000 in the February 1 to May 1 period if certain projected sales targets are not met. The operating line of credit and the letter of credit facility are limited to the lesser of $13,000,000 and the aggregate of 60% of inventories and 50% of accounts receivable, as defined. The operating bulge facility increases the operating line of credit and the letter of credit facility to a total of $18,500,000 for the period May 1, 1994 to December 31, 1994 subject to the same limits based on inventories and accounts receivable.

Security provided includes a first fixed and floating charge debenture on the assets of the Company together with a registered general assignment of book debts and assignment of inventories.

6. Long-term Debt

	1992	1993	1994	
	Amount Outstanding	Amount Outstanding	Amount Outstanding	Due within one Year
8% Convertible Subordinated Debentures	$ —	$ —	$ 3,000	$ —
Subordinated debentures				
– Series A, 11.4%	—	4,004	—	—
– Series B, prime + 2%	—	532	180	180
Capital lease obligations – 1993 16.1%; 1992 16.4% average interest rate, repayable over five years	4,086	5,515	—	—
Other	46	46	—	—
Total	4,132	10,097	3,180	$ 180
Less: Amount due within one year	852	1,931	180	
	$ 3,280	$ 8,166	$ 3,000	

On January 28, 1994, the Company issued, by way of private placement to institutional investors, $3,000,000 8% Convertible Subordinated Debentures. The Debentures mature on February 3, 1997 and are convertible into Common Shares of the Company at a price of $1.85 per share. The net proceeds of the offering, together with working capital, were used to repay the 11.4% Subordinated Debentures Series A. The Series B Subordinate Debentures were repaid in full in February of 1994.

The aggregate repayments of principal required to meet long-term debt obligations are as follows:

1995	$ 180
1996	—
1997	3,000
1998	—
1999	—
	$ 3,180

7. Commitments

The Company has entered into operating lease agreements terminating at various dates to 2008. The minimum annual rentals, excluding tenant operating costs, under these agreements are as follows:

1995	$ 8,250
1996	7,303
1997	6,355
1998	5,166
1999	3,621
Thereafter	10,794
	$ 41,489

In addition to minimum annual rentals, contingent rentals may be payable under certain store leases on the basis of sales in excess of stipulated amounts.

On December 31, 1993, the Company entered into a five-year agreement effective February 1, 1994 through February 1, 1999 with Information Systems Management (Alberta) Corporation by which it outsourced its computer operations and disposed of its computer equipment previously held under capital lease. The minimum annual cash costs for services under this agreement are as follows:

1995	$ 2,946
1996	3,044
1997	2,207
1998	1,789
1999	1,064
Thereafter	180
	$ 11,230

Minimum annual costs for services could escalate if the Company were to require increased services beyond current requirements.

8. Capital stock

The authorized capital stock of the Company is divided into 100,000,000 First Preferred Shares of no par value and an unlimited number of Common Shares of no par value.

The Articles of the Corporation were amended on May 12, 1992 to redesignate the previously existing Restricted Voting Shares as Common Shares, after the previously existing Class A Shares had been converted into Restricted Voting Shares. A further amendment to the Articles was made on August 13, 1992 to remove the previously existing Class A Shares from the capital structure of the Company and increase the number of Common Shares that the Company is authorized to issue to an unlimited number.

The issued capital stock of the Company is as follows:

	1992	1993	1994
Class A Shares			
(1992 – 877,000)	$ 2	$ —	$ —
Restricted Voting Shares			
(1992 – 8,964,832)	14,319	—	—
23,139,817 Common Shares			
(1993 – 18,289,453)	—	21,981	25,793
	$ 14,321	$ 21,981	$ 25,793

During the year ended January 29, 1994, 4,572,364 Common Shares were issued for a total consideration of $3,795,062 less costs of issue of $252,553, pursuant to a rights offering. Further, pursuant to an employment contract, 150,000 shares were issued during the year ended January 29, 1994 by private placement to an executive officer for $138, 000. In addition, pursuant to the exercise of employee stock options, 128,000 Common Shares were issued during the year ended January 29, 1994 for a total consideration of $131,500.

During the year ended January 30, 1993, 8,000,000 Restricted Voting Shares, redesignated as Common Shares, were issued for a total consideration of $8,000,000 less costs of issue of $795,688, pursuant to a Special Warrants issue. Also during the year ended January 30, 1993, 450,621 Common Shares were issued to employees under the Company's Employee Share Purchase Plan for a total consideration of $455,487. Under the Plan, the Company is permitted, but not obligated, to provide financial assistance by way of loans to employees to permit them to acquire Common Shares against the security of the Common Shares being purchased. As at January 29, 1994, 125,362 Common Shares were presently held as security for $126,756 of financing provided by the Company under the Plan.

No Class A Shares or Restricted Voting Shares were issued or cancelled during the year ended January 25, 1992.

Options to purchase Common Shares granted to directors, employees, an employee who will be joining the Company, and one former employee pursuant to a settlement arrangement, and outstanding as at January 29, 1994 are as follows:

Number of Common Shares	Exercise Price	Expiry Date
135,000	$0.85	January 31, 1996
15,000	$0.94	January 31, 1996
810,000	$1.00	January 17, 1997
180,000	$1.20	March 25, 1997
75,000	$1.00	January 15, 1998
235,000	$0.85	January 20, 1998
655,000	$1.45	January 19, 1999

Pursuant to a settlement with Morley A. Blumes, the Company granted him an option to acquire up to 75,000 Common Shares of the Company at $1.00 per share. The option expires on January 15, 1998 and the Company may require that it be exercised if the trading price of the Common Shares of the Company exceeds $4.50 for 20 consecutive trading days. (Note 9).

9. Other Items

	1992	1993	1994
Loan settlement with a senior executive	$ (429)	$ —	$ —
Settlement with a senior executive	(1,530)	—	—
	$ (1,959)	$ —	$ —

In connection with the issuance of Special Warrants during the period January 29, 1992 through February 7, 1992 and the agreement by Marcus W. Blumes to convert all issued Class A Shares into Restricted Voting Shares, the Company agreed to a settlement of the loans due from Mr. M.W. Blumes. In connection with the termination of employment of Morley A. Blumes and the settlement of all other outstanding disputes between the Company and Morley A. Blumes, including set off against amounts owing by Morley A. Blumes to the Company, the Company agreed to a settlement with Morley A. Blumes. (Note 8).

10. Income Taxes

The provision for income taxes varies from the amount computed by applying the combined federal and provincial income tax rates as follows:

	1992		1993		1994	
Federal and provincial income taxes	(43.3)%	$ (2,925)	(44.3)%	$(1,216)	44.2%	$ 560
Increase (decrease) resulting from:						
Realization of net capital loss carryforward	(2.0)%	(137)	—	—	—	—
Deferred income tax writedown	20.0%	1,351	—	—	—	—
Capital taxes	.7%	49	3.1%	85	5.4%	68
Benefit of unrecognized (recognized) amounts	17.0%	1,152	44.4%	1,219	(49.3)%	(624)
Other	1.0%	67	(3.2)%	(88)	(.3)%	(4)
Provision for income taxes (recovery)	(6.6)%	$ (443)	—	$ —	—	$ —

The Company has an August tax year end. For the tax year ended August 28, 1993, the Company had net capital losses carried forward in the aggregate amount of $769,000 which will be available to offset future taxable capital gains, if any. The possible benefit of these net capital losses has not been recognized. The Company also has an excess of undepreciated capital cost of its depreciable fixed assets over the net book value of those fixed assets and other amounts not yet taken as deductions for income tax purposes totalling $2,437,000 which are available to reduce future years' earnings for income tax purposes, the benefits of which are not recognized in the accounts. The Company also had non-capital losses, carried forward for tax purposes, of $9,947,000 as at August 28, 1993, the benefits of which have not been recognized in the accounts. These losses are available for carryforward and begin to expire in 1995.

11. Discontinued operations

Effective June 1991, the Company undertook a formal plan to dispose of its three automotive dealerships. The sales of substantially all of the operating assets of those dealerships were completed in the fourth quarter of fiscal 1992. Net cash proceeds from the sales of $2,727,000, after deducting selling expenses and the assumption or payments of debts of the automobile dealerships, were used in December, 1991 to repay bank term loans of the Company. Results of those operations were as follows:

	1992	1993	1994
Revenue	$ 23,263	$ —	$ —
Net earnings (loss)			
Before income taxes	$ (164)	$ —	$ —
Income taxes	32	—	—
	$ (196)	$ —	$ —

The book value of the net assets of the automotive operation at June 30, 1991 and at the balance sheet dates was as follows:

	June 30, 1991	January 25, 1992	January 30, 1993	January 29, 1994
Working capital	$ 1,226	$ 241	$ —	$ —
Fixed assets, net	9,974	258	—	—
Long-term debt	(6,610)	—	—	—
Other	387	—	—	—
	$ 4,977	$ 499	$ —	$ —

12. Franchise operations

	1992	1993	1994
Franchise royalties and initial franchise fees	$ 3,630	$ 3,573	$ 4,071
Bad debt provisions on franchise receivables	(630)	(1,098)	(500)
Franchise contribution (Note 1b)	$ 3,000	$ 2,475	$ 3,571
Number of franchise stores			
Open at beginning of year	53	57	45
New openings	4	—	—
Franchising of corporate stores	3	—	—
Closed	(2)	(7)	(1)
Converted to corporate stores	(1)	(5)	(1)
Open at end of year	57	45	43
Number of corporate stores			
Open at year end	86	91	91

13. Retirement Plan

A defined contribution retirement plan was implemented in September, 1989 for the benefit of the Company's permanent employees. In conjunction with that plan, a past service pension plan was adopted and fully funded in August, 1989. The cost of that plan was deferred and is being charged to earnings over five years at $64,000 per year.

14. Selected Quarterly Financial Information (Unaudited)

52 weeks ended January 29, 1994

	First	Second	Third	Fourth
Sales	$24,869	$28,833	$39,791	$64,573
Gross margin percentage	37.6%	34.3%	37.1%	37.3%
Earnings (loss) before income taxes	$(2,971)	$(3,728)	$(489)	$8,454
Net earnings (loss) per share	(14)¢	(16)¢	(02)¢	37¢
Corporate stores at end of quarter	88	90	93	91

53 weeks ended January 30, 1993

	First	Second	Third	Fourth
Sales	$20,340	$23,195	$31,342	$58,576
Gross margin percentage	37.2%	34.8%	36.8%	36.2%
Earnings (loss) before income taxes	$ (3,429)	$ (3,766)	$ (1,350)	$ 5,799
Net earnings (loss) per share	(35)¢	(23)¢	(7)¢	32¢
Corporate stores at end of quarter	84	83	89	91

52 weeks ended January 25, 1992

	First	Second	Third	Fourth
Sales	$21,834	$23,808	$33,110	$53,990
Gross margin percentage	36.9%	34.4%	36.9%	33.9%
Earnings (loss) before income taxes	$ (3,718)	$ (3,981)	$ (2,815)	$ 3,758
Net earnings (loss) per share	(23)¢	(46)¢	(26)¢	06¢
Corporate stores at end of quarter	91	91	91	86

"A COMPANY VALUED AT MORE THAN $100 MILLION"

A SUMMARY OF OUR THREE-YEAR STRATEGIC PLAN — FISCAL '95, '96 AND '97

Since 1977, we've provided men and women with quality, name brand clothing and footwear, priced competitively and marketed nationally.

The last few years however, have been tough. The recession has taken a toll, but it hasn't been without major benefit. We've learned valuable lessons and have started applying these insights in creative ways.

With our return to profitability, we've set our sights on generating sufficient profits with the potential of having a single Mark's Work Wearhouse share trading at more than $5.00.

Given that we currently have more than 20 million shares outstanding, when we accomplish our goal we'll have a Company valued at more than $100 million. We expect to accomplish this with no further dilution.

Despite the changes, some things remain the same:

• Our people still make "small things big" through continued attention to service and detail.

• Ownership of task/target is still key as individuals assume complete responsibility for their success by setting their own business objectives and key results.

• Employees have careers, not jobs through innovative programs with our management team such as Performance Contracting and The College of Retail.

From back line to front line, we've improved our bottomline and are on the road to fulfilling our mission. We learned in the execution of our previous Plan that effecting change is no accident! In fact, our turnaround was planned in great detail then, and we're even more rigorous in developing this Plan. (We have listed over 200 individual targets within the updated Plan).

We knew we had to improve the organization and drive shareholder value up, so we organized a series of annual "think tanks" starting in 1991. From these came an innovative, three-year Strategic Plan which we currently follow, updating the Strategic Direction annually. (For a copy of the complete Plan, please contact Marilyn Weston at 258-7572. All qualified purchasers will be required to sign a Confidentiality Agreement before acquisition).

MISSION STATEMENTS, CREDOS AND VALUES — MORE THAN WORDS, THESE PROMISES DRIVE OUR TEAM

We've made a name as a customer-sensitive retail organization providing consumers with quality apparel and service that makes their hearts "smile." Employees are provided with opportunities that challenge their minds, while rewarding their efforts.

How have we achieved this success? Through a multitude of related strategies and initiatives: setting realistic goals, creating the "map" to achieve goals, encouraging new attitudes to retail, and forming a network of trained and excited people who make "paper" goals a practiced reality.

By operating aggressively and financing conservatively, we've reorganized operations to better serve the needs of all our stakeholders: customers, staff, suppliers, investors and lenders.

A COMPANY ORGANIZED SIMPLY, PRACTICALLY AND EFFECTIVELY — WORKS!

Mark's currently operates 91 corporate and 43 franchise stores across Canada, selling a complete range of workwear, casual wear and footwear, divided into 12 categories.

In June 1991, we reorganized the Company to reflect front line/back line operations. The front line includes employees who serve customers and generate revenue each day; the back line includes employees who control costs and support the front line.

Although charged with different duties, each group addresses issues that are customer-driven, thereby balancing individual store concerns with the goals of the corporation.

At a recent "think tank," management reaffirmed seven core competencies that separate Mark's from its competitors. Developing and exploiting these "competencies" is essential to the Plan.

1. The College of Retail

At Mark's, each store is a "college" where employees learn skills by watching their leaders, acquire a range of specific skills, work in an environment that meets collective expectations and "graduate" with diplomas.

2. The At or Through Process

Our smallest store is made as big as our biggest store. With computer systems and software programs, our customers have access to all of Mark's merchandise, in all sizes and colours, etc.

3. Our Workwear Position

We provide customers with "Clothes That Work." Every day we're challenged to expand the meaning of the word "workwear" to encompass a broader range of activities that our customers are involved in. For example, our fleecewear is the workwear of "working out."

4. Single Product Technology

Our single product technology is proprietary technology developed to support our goal of differentiating the Company so that it is appealing to each target customer uniquely.

5. Private and Captive Labels

The equity that we've developed and are committed to enhancing does not appear on our balance sheet, yet it's what we've established for our MWWH label products and Denver Hayes, WindRiver, Mountain Gear, ParkCity and Dakota labels as an essential component of our marketing approach.

6. Blended Sourcing

We source our products globally — with a twist. Through resource administration, we carefully guard the positive relationships that we've built with our manufacturers that support the possibility of integrating production in lower cost producing countries with Canadian production to provide our customers with constant and superlative price/value products.

7. Custom Uniforms

We envision a time when significant store sales volumes occur outside the walls of our stores as we mobilize our organization to provide quality uniforms and corporate wear to companies, providing apparel on time, at competitive prices.

FRANCHISING GETS SPECIAL ATTENTION

Shortly after his arrival, our new C.F.O. will review all aspects of our franchise arrangements from a risk and return on investment perspective and come up with an Action Plan that addresses these matters. This will result in a new, updated franchise agreement. Concurrently, Garth will develop a strategy to increase the number of On Concept franchise stores at a similar pace to the corporate On Concept stores. Mark will work in conjunction with representatives selected by the franchisees to develop a strategic plan that enhances our mutual enterprise from both the franchisees' and the Company's perspectives.

GROWTH STRATEGY INCORPORATES DOMESTIC AND INTERNATIONAL PARTICIPATION

Our growth strategy for the '90s is exciting. We will expand linearly as opposed to developing other retail concepts. This means that as profits support, we'll expand our single, On Concept format to "snow belts" around the world. Showcasing Canadian-made products and our unique market position will also help to employ more Canadians.

FRONT LINE ACTIVITIES FUELLED BY COLLEGE, IDEAL STORE CULTURE, STORE RENOVATION, NEW MARKETS

Front line operations are conducted in three geographic regions: Western Canada, Ontario, and Quebec/Atlantic.

Recently, Mark's expanded front line operations from seven to 17 districts, placing more management in direct contact with customers and improving sensitivity to local needs.

HIGHLIGHTS:

Western Canada

- Achieve sales growth in the next few years by renovating or relocating successful, older stores.
- Model the College of Retail and Ideal Store Culture after Edmonton and Calgary successes.
- Improve national promotional events through greater distribution efficiency.

Ontario

- Focus on opportunities in the region's spring season business.
- Establish 75% of the region's stores On Concept in 1996 through redeveloping and expanding current locations.
- Supplement national marketing with local initiatives in Ottawa and London to get per capita share matching the region's.

Quebec/Atlantic

- Open, replace and expand three or four 10,000 square foot retail stores per year during the next three years.
- Implement an intensive advertising campaign supporting Mark's "Super Expansion" program in Quebec where the Company is known as L'Equipeur.
- Maintain and enhance our franchisees' market position in Atlantic Canada by upgrading our Halifax corporate stores to Concept which will make them more dominant in that market place.

NATIONAL MARKETING AND ADVERTISING STRATEGY BASED ON "REALITY"

To stimulate sales, Mark's will launch a creative "reality-positioned" marketing strategy, while continuing to take advantage of local and regional advertising opportunities.

Seven national "store-wide" events sporting the theme, "Sell the store," will be implemented via print media, radio and TV as appropriate. Other marketing programs, including the promotion of Mark's private labels, are ongoing. More local advertising initiatives, directed by our district managers to exploit opportunities unique to the markets we operate in, are contemplated within the Plan.

STORE DESIGN TIED TO CONSUMER EASE, NEEDS, SERVICE

A seven-phase store design strategy has been struck incorporating several areas of management from leasing agreements to advertising needs to new business ventures within individual stores.

BACK LINE ACTIVITIES A CRITICAL COMPONENT

In support of our stores, back line's Corporate Services are organized functionally as follows:

- Customer Service/ Human Resources/ Compensation
- Budgeting, Treasury and Control
- Accounting and Receivables
- Payables
- Systems
- Property Management
- Marketing and Store Design
- Warehouse/Distribution
- C.O.O./General Managers/Sales Management group
- Office of the C.E.O.

We will conduct an external comparison of the work/costs of each of these departments in relation to what other like-sized companies (with comparable numbers of stores, people, etc). are doing. The outgrowth of these comparisons, coupled with an individual owner of a strategic target signing a three-year target for what is to be accomplished, is imbedded in our Plan.

Against annual milestones for effecting positive change, we've established a myriad of targets for our back line organization.

TARGETS INCLUDE:

- Reducing landlord occupancy to less than 8.5% of sales.
- Maintaining a 90% fill rate on customer service requisitions within seven days.
- Achieving an 80% fill rate for our stores on inventories maintained in our distribution centre.
- Having our accounts receivable aging at less than 60 days.
- Implementing new/developing merchandise presentation technology in a targeted number of stores.
- Driving sales of specific items and programs to specifically targeted sales levels.
- Producing and circulating month end results in 48 hours.
- Earning specifically targeted dollar amounts in early payment and other discounts.

> To stimulate sales, Mark's will launch a creative "reality-positioned" marketing strategy, while continuing to take advantage of local and regional advertising opportunities.

"MACRO AND MICRO VISION" SYSTEMS PROVIDE CRITICAL DATA QUICKLY, ACCURATELY

Our Systems strategy includes a diversity of computer technology to help our internal and external customers achieve their business objectives.

We've established two very important targets for our Systems operation. We've developed a satisfaction index by which we measure front line's satisfaction with the system as a support in meeting customer needs (and insist that we make significant progress in this regard). Second, our Systems ongoing development and operating costs must meet industry standards. Sophisticated systems are required in the increasingly competitive environment we operate in, and we want to accomplish this with a stronger hand on costs.

SOME GOALS INCLUDE:

- Continuing to implement a working system in perpetual inventory including auto replenishment, sales reporting, merchandise planning and accounting.
- Delivering smart EDI (Electronic Data Interchange).
- Enhancing our Help Desk facility in Corporate Services and installing the AS400 point of sale system in our franchise network.
- Placing the College of Retail, Thru Process and an in-house customer database on-line.

BACK LINE PURCHASING POSES NATIONAL, INTERNATIONAL CHALLENGES

Mark's is committed to providing ever better quality, value-priced products that expand the workwear position of the Company and produce the required gross profit dollar targets through a balanced margin/volume relationship.

In addition to improving margins, developing new supply lines, and repositioning many new and long-term suppliers, Mark's provides quality items at prices that support our National Event Strategy.

STRATEGIES INCLUDE:

- Increasing the value/equity established in our private and captive label programs.
- Embracing, rather than competing with, national "outside" brands.
- Implementing our reality-based, Clothes That Work theme to include all products in the store.
- Charging each merchandise group to support and stimulate traffic for National Events.
- Developing volume targets with each of the 40 key suppliers.

MARK'S WORK WEARHOUSE
STRATEGIC PLAN - MASTER TARGETS (EXCERPTS)

(Dollars in thousands, except per share and per resident items)

Target No.	Line	Owner	Base Year (January, 1994 Actual)	Target January, 1995	Target January, 1996	Target January, 1997
120	Corporate & Franchise Stores Sales	Garth Mitchell	$ 220,055	$ 242,854	$ 257,000	$ 268,000
12	No. of Corporate stores	Garth Mitchell	91	92	98	101
13	No. of Franchise stores	Garth Mitchell	43	42	42	42
176	Gross Profit Rate	Rick Harrison	36.7%	37%	37%	37%
195	Franchise Contribution	Garth Mitchell	$ 3,571	$ 3,822	$ 4,000	$ 4,260
201	Total Payroll % of Sales	Mark Blumes	13.0%	12.0%	11.8%	11.5%
301	Net Advertising % of Sales	Mark Blumes	4.7%	4.5%	4.3%	4.0%
290	Total Expenses as % of Sales	John Murphy	38.2%	35.5%	34%	34%
15	Share price market valuation (price per share)	Mark Blumes	$ 1.30	$ 2.10	$ 3.80	$ 5.00
850	Service Success Rates	Linda Mathieson	32.5%	36.0%	38.0%	40%
20	Finance Conservatively (Debt/Equity Ratio)	Mike Lambert	1.7:1	2:1	2:1	2:1
25	Operate Aggressively (Rent, computer outsourcing costs and Interest on Long Term Debt Coverage)	Mark Blumes	1.11	1.49	1.75	2.00
30	Spring Break Even Target	Mike Lambert	$ (6,700)	$ (3,900)	$ (1,000)	0
350	Market share by CAMM	Michel St. Jean	2.6%	3.0%	3.2%	3.6%
400	Year End Inventory at Retail	Rick Harrison	$ 58,200	$ 50,000	$ 50,000	$ 50,000
550	Capital Expenditures	Michel St. Jean	$ 3,000	$ 3,500	$ 4,500	$ 3,500
899	College of Retail Population	Linda Mathieson	—	344	900	1,200
525	Stores On Concept	Garth Mitchell	28	28	45	48
105	Brand Name Bottoms Sales	Richard Faust				
	Units		630,000	700,000	750,000	800,000
	Dollars		$ 30,000	$ 35,000	$ 37,500	$ 40,000
915	GPROI Industrial Footwear	Ron Iwamoto	1.05	1.15	1.20	1.30
115	Custom Uniform Sales	Garth Mitchell	—	$ 8,000	$ 11,000	$ 13,500
192	Quebec/Atlantic					
	Front line Contribution	Lex Green	4.0%	6.7%	8.3%	8.3%
	Sales per resident	Lex Green	$ 4.85	$ 5.60	$ 6.80	$ 8.40

Glossary Of Terms

The following glossary defines terms used throughout this Report:

At or Through Process: Service objective of front line staff to ensure customers obtain the merchandise they want. For example, if the garment size is missing, we obtain the required size.

Back Line Expenses: All expenses associated with supporting stores but not directly related to face-to-face customer contact. These expenses include non-store personnel and administrative expenses.

Base Rent: Rent payable to the landlord prior to paying for Common Area Maintenance (CAM) and/or taxes.

Business Objective: A measurable target set for each employee on which job evaluation and bonuses are based.

CAMM: The Canadian Apparel Market Monitor.

Capital Expenditures: All costs recognized as a portion of long-term assets. These costs relate to the purchase of leasehold improvements, furniture, fixtures, equipment and capital lease purchases.

Captive Label: Labels owned by us but not associated with the name of the store such as WindRiver, Denver Hayes, ParkCity, Dakota, etc.

College of Retail: The creation of an environment, a corporate culture, of correspondence and other courses, that allows the possibility for all our people to develop the skills of an ultimate merchant.

Commodity Business: Basic staple businesses where changes in product styles occur infrequently.

Conservative Forecast: Epitomized by John Murphy (a.k.a. Dr. Death) who, operating independently, prepares and submits to the Board his particular view of the operation.

Debt-to-Equity Ratio: A financial ratio comparing the Company's total debt (current and long-term) to Shareholders' Equity. This ratio provides creditors with some idea of the Company's ability to withstand losses without impairing the interests of creditors.

Franchise Contribution: Franchise royalties and initial franchise fees minus bad debt provisions on franchise receivables.

Front Line Contribution: Sales revenues available after all merchandise costs and front line expenses are subtracted.

Front Line Expenses: Expenses incurred from having direct contact with customers, including store personnel, advertising, occupancy and store variable expenses.

Gross Margin: Sales revenues available after all merchandise costs.

Gross Margin Return on Investment (GPROI): A financial ratio comparing the company's gross margin dollars to the Company's average inventory at cost. This ratio provides an indication of the Company's inventory efficiency.

Gross Margin Return on Space: A financial ratio comparing the Company's gross margin dollars to the Company's average square feet of selling. This ratio provides an indication of the Company's space efficiency.

Inventory Turnover: A measure of the level of investment in inventory calculated by averaging inventory at retail on hand at the start of the period and at each month end during the period, and dividing that amount into sales for the period.

Key Results: Three or four challenging, measurable targets set by individuals that cause hearts to race and palms to sweat.

Landlord Occupancy: Base rent plus Common Area Maintenance (CAM) plus property taxes.

Magic: The spirit and energy that exists when an individual puts themself at risk against a specific goal in a specific time frame, and which is shared with others for the purpose of gathering support.

Net Front Line Contribution: Sales revenues available after all merchandise costs and front line expenses are subtracted and the franchise contribution is added.

On Concept Store: A store that: is 8,000 to 12,000 square feet in size; is a destination store; occupies a dominant position in its retail location (preferably free standing but can be in a strip mall or power centre); has good parking, signing and access; has properly implemented all store anchors; leasehold improvements, fixtures, lighting and cleanliness, meets current corporate standards.

Optimistic Forecast: The operating budget of the Company which is the sum of the business objectives signed off by the general managers plus (or minus) consolidating adjustments plus the objectives signed off by the Sr. VP, Control.

Performance Contract: A single page document signed by an employee and management that contains the individual's business objective as well as key results.

PFW: Possibility for WOW.

Private Label: A label which uses the store's name, e.g., MWWH jeans, and brings an instant association between product and store.

Product Managers: Among the most important of our employees, these individuals provide excellent and incomparable service to our customers while managing replenishment and presentation of a variety of products carried in our stores.

Rent, Computer Outsourcing and Interest on Long Term Debt Coverage: A financial ratio comparing the Company's fixed commitments under lease and secured debt obligations to the earnings available to meet them. The ratio is intended to provide a better measure of the inherent risk in the business than is provided by the debt-to-equity ratio, due to the large rent component in a retail company's risk profile and due to the fact that the company's computer costs have been outsourced.

Sales Per Resident: Our measure of market penetration calculated by dividing sales from both corporate and franchise stores in a region by the population of the region.

Same Store Sales Increase: A calculation of sales increase on a comparative basis, derived by comparing sales of two consecutive years, exclusive of all stores opened or closed within the two-year period.

SKU: The most specific Stock Keeping Unit for our merchandise.

Strategic Plan: The Company's three-year Plan currently entitled "A Company Valued at More Than $100 Million" covering the fiscal years ending January 1995, 1996 and 1997. This "post turnaround" Strategic Plan replaces the Company's "initial" Strategic Plan entitled "Thrive in '95" which covered the fiscal years ending January, 1993 and 1994 and was to cover fiscal 1995 which has now slid into the new three-year plan.

Strategic Direction: The annual update and adjustment to the Company's Strategic Plan, "A Company Valued at More Than $100 Million".

Todd Relationship: A strategic alliance with Todd Uniform Inc. of St. Louis, Missouri to market custom uniforms to businesses through Mark's Work Wearhouse stores in Canada, and through a Canadian catalogue.

Ultimate Merchant: A person who has, or is developing the skills required to sell ever more, ever better products, principally by creating excitement and passion in others about the product(s).

WOW: Unsolicited letter of commendation.

Key: (1) Executive Committee Member (2) Audit Committee Member (3) Compensation Committee Member

MARCUS BLUMES (1)(3)

President and Chief Executive Officer, Mark Blumes founded Mark's Work Wearhouse Ltd. in April, 1977. Before founding the Company, Mark was a Senior Executive, Division Merchandise Manager with the Hudson's Bay Company, a position he held since 1972. Earlier, Mark worked in other management positions with Hudson's Bay. He graduated from the Southern Alberta Institute of Technology's Merchandising Administration program in 1964. Mark frequently speaks to diverse groups on entrepreneurship, motivation, and marketing.

MURRAY DAVIS (2)

Assistant Dean and Director, Masters Programs, in the Faculty of Management at The University of Calgary, Murray holds a Bachelor of Commerce degree from The University of Alberta, and M.Sc. and Ph.D. degrees from the London School of Economics and Political Science. He is a Fellow of the Chartered Accountants (F.C.A.) and serves as an elected member of the Council of the Institute of Chartered Accountants of Alberta. Dr. Davis has been extensively involved in executive education at both the Banff School of Advanced Management and The University of Calgary and has provided expert testimony in several litigation matters.

ED EGLI

Ed has a total of 22 years in the retail industry, including 13 years with Mark's Work Wearhouse Ltd. After leaving his position as the Company's Regional Executive for the British Columbia region in 1989, he became a franchise owner/operator of two of our central B.C. franchises. Ed represents our franchisees on the Board.

MICHAEL FOX (2)

Currently in private consulting practice in Whistler, British Columbia, Mike received his Bachelor of Commerce degree at The University of Manitoba and became a member of the Institute of Chartered Accountants of British Columbia in 1970. Mr. Fox was a partner of a national accounting firm in Vancouver until February, 1981.

WILLIAM HARDSTAFF (3)

Bill is President of Seabreaker Resources Ltd. and a Director of Alta Fund Investment Corp. and Tiverton Petroleums Ltd. He is a graduate of The University of Saskatchewan with a Bachelor of Engineering degree (1950) and has also completed the Banff School of Advanced Management Program. Previously, Bill served as President of American Eagle Petroleums Ltd. and of Sultran Ltd., as well as Senior Vice-President of Trimac Ltd.

FRANK W. (WOODY) KUEHN (3)

Woody is a Vice-President of Vencap Equities Alberta Ltd. and joined the Board in February, 1992 as their representative. Before joining Vencap in 1988, Woody was a partner in The Early Stages Company, a U.S. based venture capital company.

THOMAS A. LEON

Tom is Chairman of the Board of Leon's Furniture Limited. A native of Welland, Ontario, Thomas occupied every position in the Company before becoming its Chairman. He is Chairman-elect of the Scarborough Centenary Hospital Foundation Board, Director of the Canadian Council of Furniture Manufacturers and holds directorships with other major Canadian corporations.

We share the successes that flow from being customer-driven and people-oriented.

Bruce Libin Q.C. (1)(2)

Bruce Libin Q.C. is Chairman and Chief Executive Officer of AdWall Advertising Systems Corporation. Mr. Libin is on a leave of absence from the law firm of Bennett Jones Verchere, where he is a partner. Mr. Libin is Chairman of the Board of Governors of the Southern Alberta Institute of Technology. He is a director of several Canadian Companies.

Garth Mitchell

Chief Operating Officer of the Company, Garth served for four years as a line officer in the Canadian Navy after graduating from The University of Manitoba. He began his retail career with the Hudson's Bay Company in 1969, was a founding partner and President of a successful women's specialty retail business in 1976, and in 1983 joined Comark, Inc., the 800-store, Canadian division of a very large international retailing operation. While at Comark, Garth was President of their two largest Canadian divisions. He joined the Company in May, 1991.

Wallace Murray (1)

Formerly Senior Vice-President with the Company (retired in 1991), Wallace has consulted for the Company on a variety of retail issues. Wallace joined Mark's Work Wearhouse in 1979 after a successful career with the Hudson's Bay Company as a Divisional Merchandise Manager of men's and children's wear.

Jake Scudamore

Jake is Vice-President, Marketing of The Sports Network (TSN). Under his guidance, TSN has won numerous national and international awards in virtually all marketing disciplines. Jake is a recipient of the Commemorative Medal for the 125th Anniversary of Canadian Confederation. He also sits on the Broadcasting Executive Society Board.

Mark's Work Wearhouse provides quality name brand, private, and captive label products, competitively priced and supported by active sales promotion. Our stores are easily accessible, one-stop retail outlets offering a complete range of workwear, casual wear and related apparel including custom uniforms.

Corporate Information

CORPORATE OFFICE

Mark's Work Wearhouse Ltd.
#30, 1035 - 64 Avenue S.E.
Calgary, Alberta T2H 2J7
Telephone: (403) 255-9220
Fax: (403) 255-6005

Toll Free Customer Service Number

1-800-661-1266

Please call if we can assist you with any of your clothing or footwear needs.

BANKERS

National Bank of Canada, Calgary
Canadian Imperial Bank of Commerce, Calgary

LEGAL COUNSEL

Bennett Jones Verchere
Barristers & Solicitors, Calgary

AUDITORS

Price Waterhouse
Chartered Accountants, Calgary

TRANSFER AGENT

Montreal Trust Company of Canada, Calgary
Toronto Stock Exchange
Trading symbol – MWW or Mark Wrk

The cover stock of this year's Annual Report contains 60% post- and pre-consumer waste paper. The text stock contains 50% recycled fiber, 10% post-consumer and 35% post-commercial waste paper. No bleach has been added to the recycled fibers.

SENIOR OFFICERS

Marcus W. Blumes	President and Chief Executive Officer
Garth Mitchell	Chief Operating Officer
Michael Lambert	Senior Vice-President, Chief Financial Officer
Richard S. Harrison	Senior Vice-President, Purchasing
John A. Murphy	Senior Vice-President, Control
Michel St. Jean	Senior Vice-President, Marketing and Store Design
Paul Wilson	General Manager, Western Canada
David Manuel	General Manager, Ontario
Lex Green	General Manager, Quebec/Atlantic
Colin Laker	Vice-President, Systems
Linda Mathieson	Vice-President, Human Resources and Customer Service
Randy Wiebe	Vice-President, Accounting

CUSTOMER SERVICE ENQUIRIES

Kay Ramsey (403) 258-7586

INDUSTRIAL AND CORPORATE WEAR ENQUIRIES

Kelly Webber (403) 258-7501

PROPERTY MANAGEMENT ENQUIRIES

Doreen Busby (403) 258-7571

MARKETING AND STORE DESIGN ENQUIRIES

Michel St. Jean (403) 258-7502

FRANCHISE ENQUIRIES

Tammy Christensen (403) 258-7511