



METROPOLITAN STORES

OF CANADA LIMITED

ANNUAL *Report*
FISCAL YEAR ENDED JANUARY 31, 1966



METROPOLITAN STORES OF CANADA LIMITED



METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

Directors

| | |
|--------------------|----------------|
| R. L. BAILEY | Winnipeg, Man. |
| ALBERT D. COHEN | Winnipeg, Man. |
| MORLEY M. COHEN | Montreal, Que. |
| SAMUEL N. COHEN | Winnipeg, Man. |
| F. N. HUGHES | Winnipeg, Man. |
| G. R. HUNTER, Q.C. | Winnipeg, Man. |
| J. H. UNGER | London, Ont. |

Officers

| | |
|--------------------|---------------------------------|
| ALBERT D. COHEN | <i>Chairman</i> |
| SAMUEL N. COHEN | <i>President</i> |
| MORLEY M. COHEN | <i>Executive Vice-President</i> |
| GEORGE W. HOLT | <i>Vice-President</i> |
| RALPH C. DUCKWORTH | <i>Comptroller</i> |
| G. R. HUNTER, Q.C. | <i>Secretary</i> |
| GLEN SHEPHERD | <i>Assistant Secretary</i> |

Registrar and Transfer Agent

NATIONAL TRUST COMPANY, LIMITED

Auditors

McDONALD, CURRIE & CO.

REPORT OF DIRECTORS

To the Shareholders of
Metropolitan Stores of Canada Limited:

It is with much pleasure that we present to shareholders the fifth annual report of your Company.

This is the concluding year of our first five-year plan for the improvement of the corporation. During the fiscal year ended January 31st, 1966, both sales and earnings continued to show a most satisfactory improvement — the fifth successive year of increases. The Comparative Financial Statistics tabulation shows the steady growth of your Company.

Our second five-year plan is now in operation. During this period, our programme of renovating our stores will be completed. The opening of new Metropolitan and Saan Stores to continue the further growth of your Company is planned.

In the five years ended since Metropolitan Stores of Canada Ltd. has been operating under Canadian ownership, sales have risen from \$20,492,362 for the fiscal year ended January 31st, 1962, to \$32,667,338 in the year ended January 31st, 1966. Profits have kept pace with the increase in sales.

Five years ago the Company operated 87 stores. With the acquisition of Saan Stores and the new stores opened in the past five years, the Company now operates 126 stores.

EARNINGS

Net earnings for the year ended January 31st, 1966, were \$1,041,083, an increase of 30.2% over profits of the previous fiscal year. After dividend payments of \$195,000 on the \$1.30 Cumulative Redeemable Preferred shares, net earnings are equal to 99.1¢ per common share which compares with 70.8¢ per share in the previous year.

SALES

Sales of the Company in the year under review increased 13.5% to \$32,667,338, which compares with \$28,767,320 in the previous fiscal period.

STORE EXPANSION AND MODERNIZATION

At the end of the fiscal year your Company had a total of 126 stores. This is an increase of twelve stores over the previous year. Of the total, 93 were Metropolitan and 33 Saan Stores.

Net additions to fixed assets in 1965 totalled \$1,234,630.

Metropolitan

During the year three new Metropolitan stores were opened. These stores are located in:

Antigonish
Nova Scotia— Liverpool
Lunenburg

The three stores have been well accepted in their areas.

Stores in New Westminster and Nanaimo, British Columbia, have been enlarged and completely rebuilt.

Four additional stores located in London, Ontario – Toronto Bloor Street – Toronto Danforth Ave. and Vancouver, British Columbia, have been completely modernized and re-fixtured.

Our store in Digby, Nova Scotia, was increased in size.

The Metropolitan store in Swift Current moved to a larger new location.

The Metropolitan store in Amherst, Nova Scotia, was damaged by fire in December necessitating the closing of this unit. At the present time an enlarged store is being constructed due to open in April.

Saan

Saan stores opened nine new stores in 1965. The new Saan stores are larger modern stores located in British Columbia and Saskatchewan, geared to participate in the phenomenal growth of these provinces.

The new Saan stores are located in:

| | | |
|-------------------|--------------|------------|
| Saskatchewan— | Humboldt | Melfort |
| British Columbia— | Abbotsford | Chilliwack |
| | Cranbrook | Kamloops |
| | Port Alberni | Revelstoke |
| | Vernon | |

The Saan store in Swift Current was enlarged – renovated and re-located.

1966 PLANS

It is planned that three new Metropolitan stores will be opened in 1966.

The store modernization programme is continuing and in all cases the increased sales have warranted the necessary expenditure.

Plans have been made for the opening of three new Saan stores.

DIVIDENDS

Dividends at the fixed rate of \$1.30 per annum were paid on the Company's cumulative redeemable preferred shares.

The expansion and building programme is continuing to be financed by funds generated internally from depreciation and profits.

It is the view of the Directors that at least a portion of the preferred shares be retired before dividends be paid on the common shares. Consequently initiation of dividends on the common shares will be deferred for the time being.



BEFORE

NEW WESTMINSTER, B.C.



AFTER



BEFORE

MONCTON, N.B.



AFTER



BEFORE

QUEBEC CITY, QUE.



AFTER



KAMLOOPS, B.C.



CHILLIWACK, B.C.

DIRECTORS

Mr. S. B. Phipps submitted his resignation as a Director of the Company upon his retirement from active business.

Mr. F. N. Hughes, Assistant General Manager of James Richardson and Sons of Winnipeg, was appointed to the Board replacing Mr. Phipps.

IN APPRECIATION

We wish to again thank our ever growing vast numbers of loyal customers. It is our endeavour at all times to present the best values and lowest prices at Metropolitan and Saan Stores. Our year to year increase in sales would seem to indicate this awareness by the Canadian public.

Again we thank our dependable suppliers of merchandise for their assistance in making possible the growth of your Company.

Your Board of Directors especially expresses its deep appreciation to our growing number of Company employees. In the past five years the progress has been possible only through their co-operation, faith and loyalty.

THE FUTURE

The present year is continuing to extend your Company's upward trend in sales.

Canadian retail sales remain buoyant. Your Directors fully expect your Company to participate in the growth of the economy, and forecast a continuing increase in sales and profits.

Submitted on behalf of the Board of Directors,

 *Albert Cohen* Chairman.

Winnipeg, Canada.

March, 1966.

 *Samuel N. Cohen* President.

METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

AND ITS WHOLLY-OWNED SUBSIDIARY

| | 1966 | 1965 |
|------------------------------------------------------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash | 267,800 | 293,321 |
| Receivables | 169,476 | 115,890 |
| Inventories — at lower of cost or net realizable value | 6,098,564 | 5,949,936 |
| Prepaid expenses | 129,426 | 96,391 |
| | <u>6,665,266</u> | <u>6,455,538</u> |
| | | |
| FIXED ASSETS | | |
| Land — at cost | 5,661,264 | 5,731,976 |
| Buildings, fixtures and equipment — at cost less accumulated depreciation (Note 1) | 6,970,817 | 6,404,582 |
| Leasehold improvements — at cost less amortization | 656,980 | 667,004 |
| | <u>13,289,061</u> | <u>12,803,562</u> |
| | | |
| OTHER ASSETS | | |
| Sundry advances and investments | 78,354 | 163,784 |
| | <u>\$20,032,681</u> | <u>\$19,422,884</u> |

SIGNED ON BEHALF OF THE BOARD

ALBERT D. COHEN

Directors.

SAMUEL N. COHEN

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its wholly-owned subsidiary company as at January 31, 1966 and the consolidated statements of earnings and retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at January 31, 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 10, 1966.

MCDONALD, CURRIE & Co.
Chartered Accountants.

CONSOLIDATED BALANCE SHEET**AS AT JANUARY 31, 1966**

(With comparative figures as at January 31, 1965)

LIABILITIES

| CURRENT LIABILITIES | 1966 \$ | 1965 \$ |
|------------------------------------------------|-------------------|-------------------|
| Bank advances | 1,015,924 | 576,437 |
| Accounts payable and accrued liabilities | 1,571,287 | 2,145,908 |
| Income and other taxes | 608,802 | 512,555 |
| Long-term debt instalments due within one year | 189,003 | 183,203 |
| | <u>3,385,016</u> | <u>3,418,103</u> |
| LONG-TERM DEBT (Note 2) | 6,464,623 | 6,663,222 |
| DEFERRED INCOME TAXES | 198,300 | 202,900 |
| | <u>10,047,939</u> | <u>10,284,225</u> |

SHAREHOLDERS' EQUITY

| CAPITAL STOCK | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Authorized— | | |
| 250,000 preferred shares of the par value of \$20 of which the 1961 series of 150,000 shares are entitled to a fixed cumulative dividend of \$1.30 per annum, and are redeemable at \$21.25 per share | | |
| 1,500,000 common shares without nominal or par value | | |
| Issued and fully paid— | | |
| 150,000 preferred shares 1961 series | 3,000,000 | 3,000,000 |
| 852,921 common shares (Note 3) | 4,751,026 | 4,751,026 |
| | <u>7,751,026</u> | <u>7,751,026</u> |
| RETAINED EARNINGS (Note 4) | 2,233,716 | 1,387,633 |
| | <u>9,984,742</u> | <u>9,138,659</u> |
| | <u>20,032,681</u> | <u>19,422,884</u> |

NOTES:—

1. FIXED ASSETS

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

| | 1966 | | | 1965 |
|------------------------|------------------|--------------------------|------------------|------------------|
| | Cost | Accumulated depreciation | Net | Net |
| | \$ | \$ | \$ | \$ |
| Buildings | 6,004,150 | 1,070,638 | 4,933,512 | 4,730,389 |
| Fixtures and equipment | 3,757,306 | 1,720,001 | 2,037,305 | 1,674,193 |
| | <u>9,761,456</u> | <u>2,790,639</u> | <u>6,970,817</u> | <u>6,404,582</u> |

2. LONG-TERM DEBT

| | Total \$ | Instalments maturing in one year \$ | not maturing in one year \$ |
|--------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------|-----------------------------------|
| 6½% first mortgage sinking fund bonds, Series A, to be retired by annual sinking fund payments to February 1, 1984 | 6,180,000 | 175,000 | 6,005,000 |
| 6¾% 20-year mortgage loan maturing in equal monthly instalments of \$3,759 including principal and interest | 473,626 | 14,003 | 459,623 |
| | <u>6,653,626</u> | <u>189,003</u> | <u>6,464,623</u> |

3. DIVIDEND RESTRICTIONS

Under the terms of the Trust Deed securing the first mortgage sinking fund bonds, Series A, the company may only pay dividends on its capital stock, other than on the outstanding preferred shares, 1961 series, providing the consolidated net tangible assets exceed 200% of the long-term debt plus an amount equal to five years' fixed rental requirements and net current assets are not less than \$1,500,000 after such dividends.

4. RETAINED EARNINGS

Retained earnings include an amount of \$100,000 (\$40,607 in 1965) set aside for the redemption of preferred shares, under the terms thereof.

5. MINIMUM ANNUAL RENTALS

Minimum annual rentals on property leases, in effect at January 31, 1966 and expiring subsequent to January 31, 1971, total approximately \$453,600 (\$367,000 in 1965), exclusive of payments of property taxes and other expenses.

SOURCE AND USE OF FUNDS

| | 1966 \$ | 1965 \$ |
|-------------------------------------------------------------------------|------------------|------------------|
| SOURCE OF FUNDS | | |
| Net earnings for the year | 1,041,083 | 799,365 |
| Add: Charges not requiring cash outlay— | | |
| Depreciation of fixed assets and amortization of leasehold improvements | 749,131 | 682,655 |
| Increase (decrease) in deferred income taxes | (4,600) | 32,300 |
| | <u>1,785,614</u> | <u>1,514,320</u> |
| Proceeds of mortgage loans | --- | 17,390 |
| | <u>1,785,614</u> | <u>1,531,710</u> |
| USE OF FUNDS | | |
| Additions to fixed assets — net | 1,234,630 | 947,305 |
| Increase (decrease) in sundry advances and investments | (85,430) | 134,577 |
| Dividends on preferred shares | 195,000 | 195,000 |
| Instalments on long-term debt maturing in one year | 189,003 | 185,897 |
| Other reduction in long-term debt | 9,596 | --- |
| | <u>1,542,799</u> | <u>1,462,779</u> |
| INCREASE IN WORKING CAPITAL | 242,815 | 68,931 |
| WORKING CAPITAL—BEGINNING OF YEAR | 3,037,435 | 2,968,504 |
| WORKING CAPITAL—END OF YEAR | <u>3,280,250</u> | <u>3,037,435</u> |

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

**CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS**

FOR THE YEAR ENDED JANUARY 31, 1966

(With comparative figures for the year ended January 31, 1965)

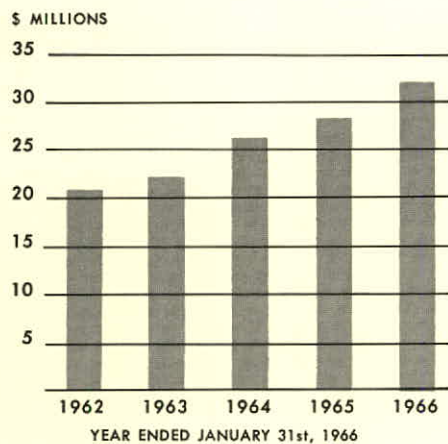
| | 1966 | 1965 |
|-------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| SALES | 32,667,338 | 28,767,320 |
| | | |
| COST OF GOODS SOLD AND OPERATING EXPENSES BEFORE THE FOLLOWING ITEMS | 29,235,575 | 25,892,085 |
| Remuneration of directors | 136,734 | 156,400 |
| Depreciation of fixed assets and amortization of leasehold improvements | 749,131 | 682,655 |
| Interest on long-term debt | 433,634 | 445,205 |
| | <u>30,555,074</u> | <u>27,176,345</u> |
| | 2,112,264 | 1,590,975 |
| | | |
| PROVISION FOR INCOME TAXES | 1,071,181 | 791,610 |
| | | |
| NET EARNINGS FOR THE YEAR | 1,041,083 | 799,365 |
| | | |
| RETAINED EARNINGS—BEGINNING OF YEAR | 1,387,633 | 1,183,892 |
| | <u>2,428,716</u> | <u>1,983,257</u> |
| | | |
| Cash dividends on preferred shares of \$1.30 per share | 195,000 | 195,000 |
| Bond discount written off | --- | 185,783 |
| Excess of purchase price of shares of subsidiary over the net book value at date of acquisition written off | --- | 214,841 |
| | <u>195,000</u> | <u>595,624</u> |
| | | |
| RETAINED EARNINGS—END OF YEAR (Note 4) | <u>2,233,716</u> | <u>1,387,633</u> |

METROPOLITAN STORES OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY

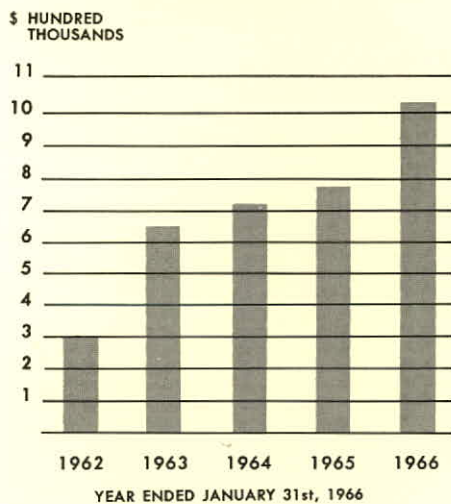
FINANCIAL SUMMARY

| | Years Ended January 31 | | | | |
|----------------------------------|------------------------|------------|------------|------------|------------|
| | 1966 | 1965 | 1964 | 1963 | 1962 |
| Number of stores | 126 | 114 | 111 | 111 | 87 |
| Sales | 32,667,338 | 28,767,320 | 25,939,724 | 23,185,334 | 20,492,362 |
| Earnings after tax | 1,041,083 | 799,365 | 723,393 | 646,367 | 301,632 |
| Preferred dividend | 195,000 | 195,000 | 195,000 | 195,000 | 97,500 |
| Earnings for common shareholders | 846,083 | 604,365 | 528,393 | 451,367 | 204,132 |
| Earnings per common share | 99.1¢ | 70.8¢ | 62¢ | 52.9¢ | 27.8¢ |

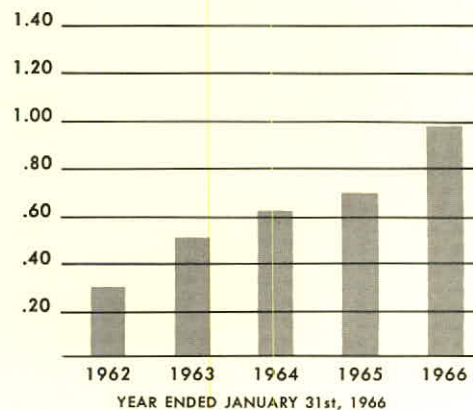
SALES



EARNINGS



EARNINGS PER COMMON SHARE



LOCATIONS OF METROPOLITAN STORES

ONTARIO 43

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

NOVA SCOTIA 19

| | | | |
|---------------|-------------|-------------|--------------|
| Amherst | Digby | Kentville | North Sydney |
| Antigonish | Glace Bay | Liverpool | Sydney (2) |
| Bridgewater | Greenwood | Lunenburg | Truro |
| Dartmouth (2) | Halifax (2) | New Glasgow | Yarmouth |

QUEBEC 7

| | | | |
|----------|--------|------------------|---------------|
| Hull | Quebec | Shawinigan Falls | Victoriaville |
| Joliette | Rouyn | Sherbrooke | |

SASKATCHEWAN 7

Moose Jaw
North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

BRITISH COLUMBIA 5

Kelowna
Nanaimo
New Westminster
Vancouver
Victoria

ALBERTA 3

Calgary
Edmonton
Lethbridge

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

NEW BRUNSWICK 3

Fredericton
Moncton
Saint John

PRINCE EDWARD ISLAND 2

Charlottetown
Summerside

LOCATIONS OF SAAN STORES

MANITOBA 4

Brandon
Dauphin

Portage la Prairie

The Pas

SASKATCHEWAN 11

Estevan
Humboldt
Melfort
Moose Jaw

North Battleford
Prince Albert
Regina

Saskatoon (2)
Swift Current
Yorkton

ALBERTA 7

Calgary
Camrose
Drumheller

Grande Prairie
Lethbridge

Red Deer
Stettler

BRITISH COLUMBIA 11

Abbotsford
Chilliwack
Cranbrook
Dawson Creek

Fort St. John
Kamloops
Kelowna
Penticton

Port Alberni
Revelstoke
Vernon

