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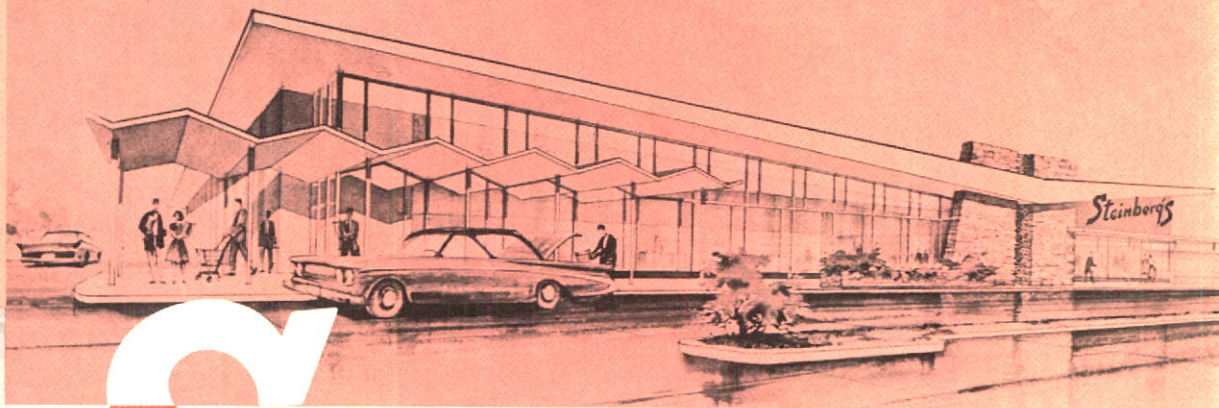
ANNUAL REPORT

TEINBERG'S LIMITED

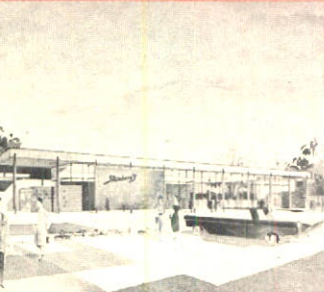
1960



Yonge & Cummer,
Toronto, Ont. ▶



St. Martin, Quebec
▼



S Steinberg's Limited



▶
Rosemere, Quebec



▲
Van Horne & Wilderton, Montreal, Que.



◀ Eastview, (Ottawa) Ont.



Annual Report

FOR THE FISCAL YEAR ENDED JULY 30

1960

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HIGHLIGHTS

Consolidated net sales reached \$238,117,239, an increase of 33.6% over 1959.

* *

Shareholders' equity totalled \$44,285,250—Consolidated net profit \$3,241,838.

* *

21 new supermarkets opened in Ontario and Quebec.

* *

123 supermarkets in operation—50 located in shopping centres.

* *

Steinberg's Shopping Centres Limited formed to specialize in shopping centre development.

* *

"Allied Food Markets" voluntary group formed by subsidiary company Ottawa Fruit Supply Limited.



Report to the Shareholders

Your Directors take pleasure in presenting to the shareholders this Annual Report of the operations of the Company and its subsidiaries for the 53-week fiscal year ended July 30th, 1960.

In comparison with the accelerated growth of your Company during 1959, the year 1960 has been one of more conservative achievements, with major emphasis placed on the consolidation of the Company's activities and the improvement of its facilities in Quebec and Ontario.

Particular attention has been directed to the proper integration of our substantial new interests in Ontario, and to some extent this

has had a modifying effect on the Company's overall planned growth.

SALES

Consolidated sales for the year under review reached \$238,117,239, an increase of 33.6% over the 1959 figure of \$178,261,413. This increase reflects the added volume of the operating chain acquired in June 1959, and the sales of new supermarkets opened by Steinberg's during the current year.

EARNINGS

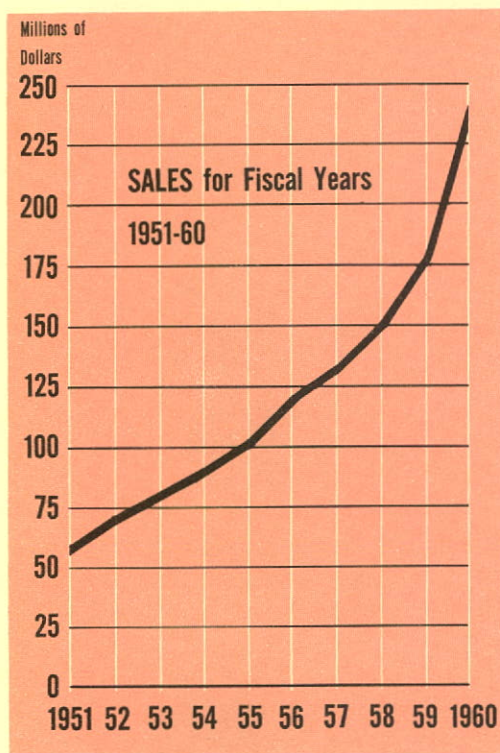
In contrast to the substantial sales gains, profit margins were not maintained at the previous year's level. To a considerable extent, this is attributable to problems normally associated with the integration of major new components in an existing organization.

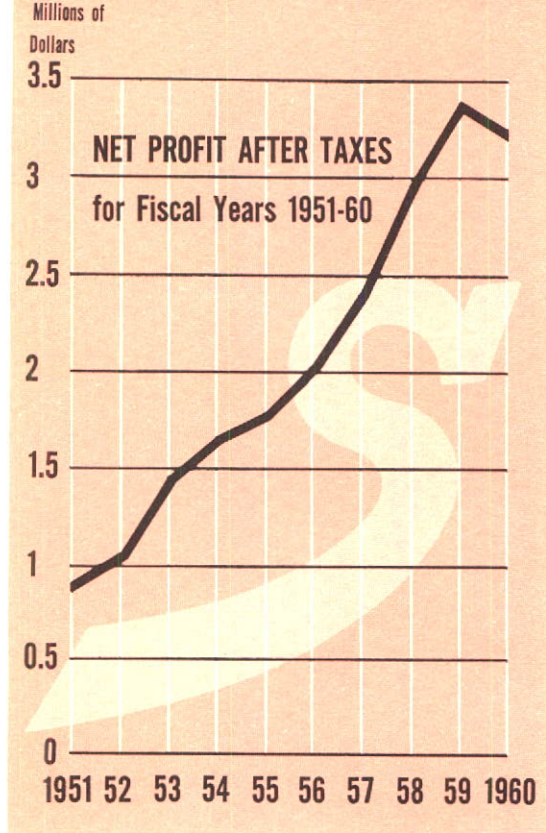
The consolidated net profit after taxes amounted to \$3,241,838, a decrease of 4.4% from the \$3,392,785 earned in 1959. This was equivalent to 1.36 cents on each dollar of sales against 1.90 cents earned in the previous year. The net profit per Common and Class "A" share outstanding, after payment of preferred dividends of \$255,402, was \$1.07. This compares with earnings of \$1.13 per share in 1959, calculated on the slightly lesser number of Common and Class "A" shares then outstanding.

ASSETS AND LIABILITIES

Total consolidated assets increased \$1,011,049 to \$68,555,990 at the year-end. Current and other liabilities were reduced by \$4,079,229. Funded debt was reduced by \$572,500.

Consolidated working capital at the year-end amounted to \$8,628,187. The ratio





of current assets to current liabilities declined to 1.59 to 1 from 1.74 to 1 at the previous year-end. A consolidated statement of source and use of funds is presented on page 13 of this report.

SHAREHOLDERS' EQUITY

Total dividends paid to shareholders during the year amounted to \$1,366,221. Preferred dividends aggregating \$5.25 per share were paid on a quarterly basis. Dividends on the Common and Class "A" shares were maintained at the quarterly rate of 10¢ per share. Shareholders of record as of July 30th, 1960 numbered 5,412 of whom 687 were owners of Preferred shares.

The number of Class "A" shares issued and outstanding increased by 4,250 during the year as the result of the exercise of stock options held by certain senior personnel of the Company.

At the year-end, shareholders' equity had increased to \$44,285,250 from \$38,622,472 last year. Apart from the profit realized on the year's operations, this substantial increase, for the most part, resulted from profit on the sale of lands and buildings under lease-back agreements.

STORE GROWTH

In keeping with the continuing uptrend in sales, the year 1960 was marked by con-

siderable further growth in the number of Steinberg's supermarkets. A total of 123 stores were in operation at the year-end—a net increase of 15 after closing and disposal of 6 smaller, less efficient units.

The Company also followed a vigorous program of remodelling and improving its existing store facilities in order to maintain a high standard of service to the public, geared to steadily-changing consumer demands.

THE SHOPPING CENTRE

Over the past decade, modern living conditions exemplified by younger, larger families, rapid and extensive development of urban residential areas, and swiftly-increasing per capita ownership of automobiles, have contributed to bring about a revolution in consumer shopping habits. During this period, the fully-integrated shopping centre, providing a wide range of attractive shopping facilities in one convenient location, has evolved to meet the public's basic needs.

Today, the shopping centre is a unique motivating force in the development of a steadily-increasing number of Canadian communities; and by its very nature, it generates a volume of shopping traffic which greatly benefits each participating merchant.

This trend has been the subject of a great deal of study and research on the part of your Company. It is significant that the proportion of Steinberg's supermarkets located in shopping centres has grown from 8.8% in 1954 to 40.6% in 1960. As of the current fiscal year-end, 50 out of 123 of our stores were located in shopping centres throughout Quebec and Ontario.

STEINBERG'S SHOPPING CENTRES LIMITED

As early as 1953, Ivanhoe Corp., an associated company, had been engaged in the acquisition, development and management of properties selected and planned in relation to your Company's expansion program.

More recently, it had become apparent that implementation of planned expansion would be greatly facilitated by a practical working arrangement with an organization

devoted solely to shopping centre development. Accordingly, in January 1960, Steinberg's Shopping Centres Limited was formed to construct, acquire and operate shopping centres. Steinberg's Limited subscribed 49% of the share capital of this new company. By agreement with Steinberg's Shopping Centres Limited, your Company has obtained the exclusive right to lease any portion allotted for supermarket use in each such shopping centre developed. This arrangement minimizes the amount of your Company's capital which must be committed on a long-term basis for the acquisition of land and buildings.

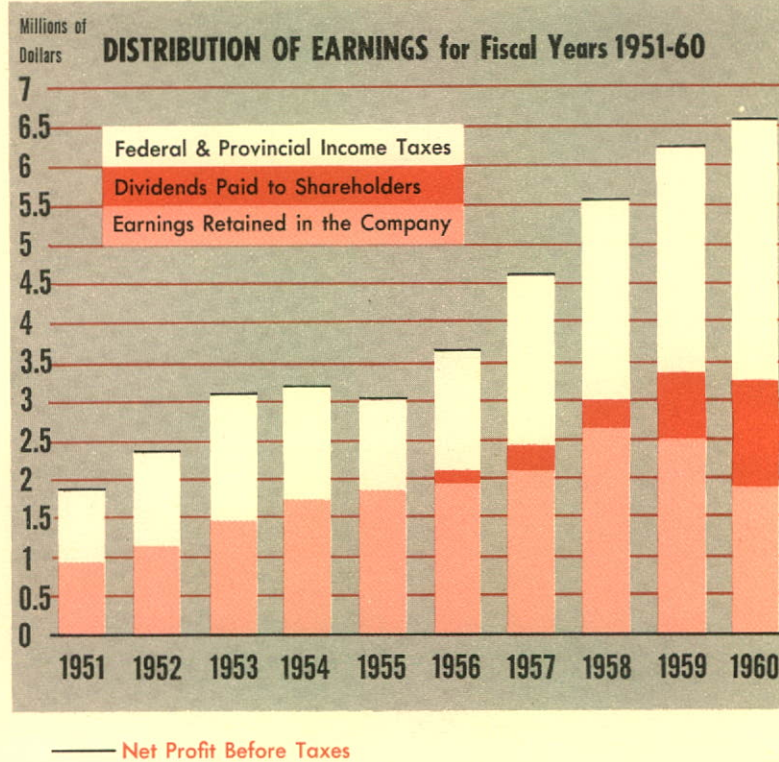
The new company has realized \$8,000,000 from the sale of first mortgage sinking fund bonds, and a substantial portion of those funds has already been utilized to purchase and construct new shopping centres. Your Directors believe that this new financing concept will materially aid in the implementation of your Company's future expansion plans.

OPERATIONS

The Company's expansion into new areas during 1959 led logically to the decentralization of certain marketing and administrative functions. This action, designed to improve customer service and to strengthen the Company's overall organization, has required a number of adjustments which have had temporary limiting effects on the operating results of the Company.

QUEBEC

Quebec operations have been the least affected by decentralization. While, of neces-



sity, several key personnel have been transferred to the newly-formed Ontario Division, Quebec has maintained a satisfactory rate of sales and store growth.

The 15 new supermarkets opened during the year brought the total for this area to 85. Of these, 31 are located in shopping centres. For the most part, the new units have been established to serve the growing needs of smaller communities such as Rosemere, Beloeil and Laval des Rapides.

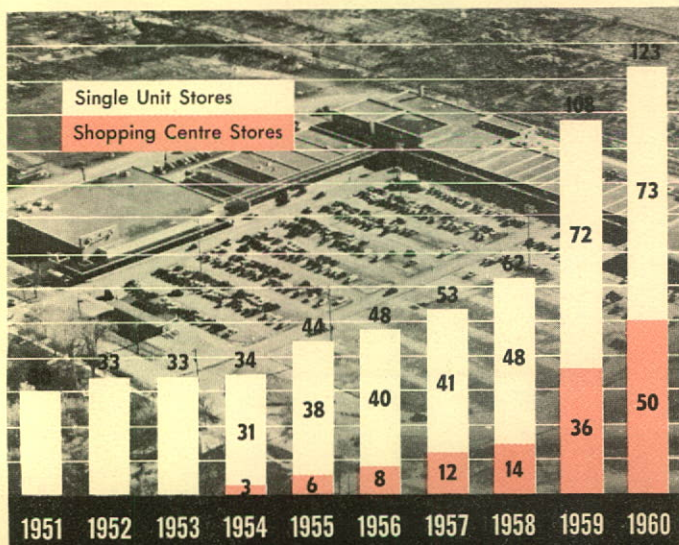
ONTARIO

In spite of numerous problems associated with the integration of its acquired stores and personnel, the Ontario Division has made considerable progress toward achieving a strong competitive position.

A total of 6 new stores were opened during the year, principally located in the metropolitan Toronto area. At the year-end, a total of 38 Steinberg's supermarkets (19 located in shopping centres) were in operation throughout the Province.

While the attainment of sales volume objectives was largely offset by necessarily heavy expenditures related to the up-grading

STORE GROWTH PATTERN for Fiscal Years 1951-60



of stores, the orientation of existing personnel, and the recruitment and training of large numbers of additional staff, your Directors are confident that the new year will show improvement. Additional modernization of facilities, and further staff training and development, are the basic factors which will enable the Division to attain the higher objectives which have been set for 1961.

Your Directors believe that the Ontario market presents extraordinary opportunities for future growth and that the Company's entry into that market will prove to be of major importance to the Company's overall progress.

OTTAWA FRUIT SUPPLY LIMITED

Our subsidiary, Ottawa Fruit Supply Limited, continued to service Steinberg's Ottawa stores during the year as well as supply the grocery and produce requirements of a large number of local independents. Late in the year, it embarked on a new venture, sponsoring formation of a voluntary group

of independent retail merchants who will operate their stores on a franchise basis under the distinctive banner of "Allied Food Markets".

In addition to their normal requirements of merchandise, franchised outlets will be supplied with specialized service such as aid in location, design and layout of premises; advertising and promotion; merchandising; personnel selection and training; and accounting. The new "Allied" program has met with enthusiastic response by merchants, and the prospects for expansion appear promising.

ORGANIZATION AND DEVELOPMENT

In January 1960, five members of senior management were appointed to vice-presidential positions in the important areas of Sales, Personnel, Development & Expansion, Distribution & Processing, and Store Operations.

The Company continued to emphasize

Steinberg's supermarkets attract more than 800,000 Canadian shoppers each week.





More than 5,000 Steinberg's gift food parcels go to community groups and organizations every year.



Performance in customer service and courtesy decide "Store of the Month".

the training and development of personnel at all levels in order to provide skilled management in sufficient depth to meet its steadily-growing needs. A total of 781 employees successfully completed organized training programs.

Continuing effort was directed towards the improvement of all phases of the Company's operations, with increased emphasis on advanced methods of accounting, quality control and research.

EMPLOYEES

Your Directors wish to record their appreciation of the loyalty and efficiency of the full and part-time employees throughout the Company's entire organization.

THE OUTLOOK

Our organization is aggressive, closely-knit and productive. Stores, warehouses and other physical facilities are more up-to-date than ever before.

The coming year will present challenges and opportunities. Your Directors are confident that the Company's ability to meet these challenges will be reflected in improved service to the public and further steady growth.

On Behalf of the Board of Directors,

President.


MONTREAL, OCTOBER 31, 1960.



Health and welfare agencies receive enthusiastic support from Company personnel.

Consumer interest programs involve prominent personalities such as Madame Jehane Benoit, distinguished Canadian food consultant.





Limited and Subsidiary Companies

ASSETS

	<u>July 30, 1960</u>	<u>July 25, 1959</u>
CURRENT ASSETS		
Cash.....	\$ 720,696	\$ 337,631
Short term investments—at cost.....	6,425,322	8,931,485
Properties to be sold under lease-back agreements.....	—	1,544,678
Amounts recoverable—projects under construction.....	—	1,930,196
Accounts receivable—trade.....	1,295,253	1,019,604
—other.....	352,692	408,405
Inventories—valued at the lower of cost or market.....	13,975,507	12,037,282
Prepaid expenses.....	534,722	423,143
	<u>23,304,192</u>	<u>26,632,424</u>
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to associated companies—		
Investments—at cost.....	13,542,300	10,692,400
Advances.....	11,204,149	10,243,592
Loans receivable.....	219,066	276,553
Mortgages receivable.....	1,105,765	781,316
Deposits and sundry investments.....	109,631	118,692
	<u>26,180,911</u>	<u>22,112,553</u>
FIXED ASSETS— at cost		
Land.....	2,962,638	3,677,116
Buildings.....	1,679,791	2,268,817
Equipment and fixtures.....	22,538,309	18,385,489
Automotive equipment.....	1,542,486	1,384,591
	<u>28,723,224</u>	<u>25,716,013</u>
Accumulated depreciation.....	12,684,709	10,013,130
	<u>16,038,515</u>	<u>15,702,883</u>
Leaseholds and leasehold improvements—at cost		
less amounts written off.....	2,929,044	2,979,746
	<u>18,967,559</u>	<u>18,682,629</u>
DEFERRED CHARGE		
Unamortized discount on debentures.....	103,328	117,335
	<u>103,328</u>	<u>117,335</u>
	<u>\$68,555,990</u>	<u>\$67,544,941</u>

Approved on behalf of the board:

SAM STEINBERG, Director

MAX STEINBERG, Director

Consolidated Balance Sheet

AS AT JULY 30, 1960 (with comparative figures as at July 25, 1959)

LIABILITIES

	July 30, 1960	July 25, 1959
CURRENT LIABILITIES		
Bank loan—secured.....	\$ 956,000	\$ 1,102,000
Accounts payable and accrued liabilities.....	11,543,496	12,532,509
Dividend payable on preferred shares.....	63,567	65,630
Income taxes payable.....	2,112,942	1,638,942
	<u>14,676,005</u>	<u>15,339,081</u>
OTHER LIABILITIES		
Note payable—due June 13, 1961.....	3,115,000	6,230,000
Loans from shareholders.....	744,235	756,908
Mortgage loans—6-7% due on varying dates to 1968.....	541,000	829,480
	<u>4,400,235</u>	<u>7,816,388</u>
FUNDED DEBT		
5¼% sinking fund debentures (annual sinking fund \$300,000)— due December 1, 1972.....	5,000,000	5,000,000
due October 1, 1973.....	2,500,000	2,500,000
	<u>7,500,000</u>	<u>7,500,000</u>
Less: Redeemed.....	2,305,500	1,733,000
	<u>5,194,500</u>	<u>5,767,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 1)		
Authorized—		
100,000 cumulative redeemable preferred shares of the par value of \$100 each		
2,250,000 Class "A" shares of the par value of \$1 each—non-voting		
1,750,000 common shares of the par value of \$1 each		
68,000 2½% deferred shares of the par value of \$100 each—non-voting		
Issued and fully paid—		
48,157 5¼% cumulative redeemable preferred shares—Series "A" . . .	4,815,700	4,972,000
1,279,721 Class "A" shares.....	1,279,721	1,275,471
1,500,000 common shares.....	1,500,000	1,500,000
68,000 2½% deferred shares.....	6,800,000	6,800,000
	<u>14,395,421</u>	<u>14,547,471</u>
CONTRIBUTED SURPLUS		
Representing amount received as subscription price of shares over the par value thereof.....	1,954,336	1,899,086
RETAINED EARNINGS.....		
	<u>27,935,493</u>	<u>22,175,915</u>
	<u>44,285,250</u>	<u>38,622,472</u>
	<u>\$68,555,990</u>	<u>\$67,544,941</u>



Limited and Subsidiary Companies

Consolidated Statement of Earnings

YEAR ENDED JULY 30, 1960 (with comparative figures for the year ended July 25, 1959)

	July 30, 1960 <u>(53 weeks)</u>	July 25, 1959 <u>(52 weeks)</u>
SALES	\$238,117,239	\$178,261,413
PROFIT FROM OPERATIONS		
before the undermentioned items	9,669,292	8,605,603
Add:		
Income from investments and loans	1,437,737	795,697
Miscellaneous income	93,029	52,273
	<u>11,200,058</u>	<u>9,453,573</u>
Deduct:		
Provision for depreciation	2,924,423	1,955,924
Payments under lease-purchase agreements	425,236	418,630
Interest on debentures and amortization of discount	271,806	322,123
Interest on mortgage and other loans	558,078	151,177
Contribution to employees' profit sharing pension fund	456,457	457,235
	<u>4,636,000</u>	<u>3,305,089</u>
PROFIT BEFORE PROVISION FOR TAXES ON INCOME	6,564,058	6,148,484
PROVISION FOR TAXES ON INCOME (Note 2)	3,322,220	2,755,699
NET PROFIT FOR THE YEAR	<u>\$ 3,241,838</u>	<u>\$ 3,392,785</u>

Consolidated Statement of Retained Earnings

YEAR ENDED JULY 30, 1960

BALANCE AT BEGINNING OF YEAR	<u>\$22,175,915</u>
Add:	
Net profit for the year	3,241,838
Profit on disposal of land and buildings	<u>3,883,961</u>
	<u>7,125,799</u>
	<u>29,301,714</u>
Deduct:	
Dividends on preferred shares	255,402
Dividends on Class "A" and common shares	<u>1,110,819</u>
	<u>1,366,221</u>
BALANCE AT END OF YEAR	<u><u>\$27,935,493</u></u>

Notes to Consolidated Financial Statements

1. (a) During the year, 4,250 Class "A" shares were issued for cash and 1,563 preferred shares were redeemed.
 (b) The company has reserved 511,850 unissued Class "A" shares as follows: a maximum of 408,000 shares to satisfy the conversion privilege, exercisable after December 1, 1963, attaching to the 2½% deferred shares; 23,850 shares to satisfy options granted to certain employees; and a maximum of 80,000 shares to satisfy subscription rights of eligible persons to purchase shares under the Employees' Stock Purchase Plan 1958.
2. The capital cost allowances of \$3,054,823 which it is intended to claim for income tax purposes are \$130,400 in excess of depreciation recorded in the companies' accounts and this has decreased the companies' current income tax provision for the year by approximately \$55,000. Accumulated depreciation claimed for income tax purposes to July 30, 1960 but not provided in the accounts amounts to \$1,308,440.
3. The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges, under long-term leases (extending beyond five years from the balance sheet date) in effect at July 30, 1960 for each of the periods shown, are as follows:

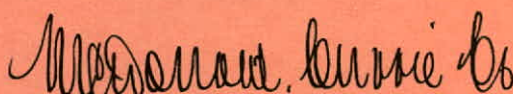
1961-65.....	\$20,793,926
1966-70.....	19,876,289
1971-75.....	17,611,956
1976-80.....	13,181,693
1981-85.....	5,026,106
After 1985.....	843,700
Total minimum rental liability.....	<u>\$77,333,670</u>

4. In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Steinberg's Shopping Centres Limited (a newly-formed associated company), Steinberg's Limited has undertaken to provide cash to meet any obligations which the new company is unable or fails to meet, including payments of principal and interest on its funded indebtedness which, at July 30, 1960, amounted to \$8,000,000. It is not anticipated that there will be any necessity for Steinberg's Limited to make any such payments. Any deficiency payment actually made by Steinberg's Limited will be in consideration of the issue to it of an appropriate number of \$100 par value preferred shares of Steinberg's Shopping Centres Limited.
5. The company has a contingent liability to another corporation, in connection with the purchase of certain assets, which liability cannot exceed \$562,500.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Steinberg's Limited and its wholly owned subsidiary companies as at July 30, 1960 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at July 30, 1960 and the combined 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.



CHARTERED ACCOUNTANTS



Limited and Subsidiary Companies

Consolidated Statement of Source and Use of Funds

For the Fiscal Year Ended July 30, 1960

We received cash from

net profit from operations for the year	\$ 3,241,838
depreciation and other charges to operations not requiring an outlay of cash	3,088,275
the issue of Class "A" shares to employees under stock option agreements	59,500
the profit on disposal of land and buildings which were sold in excess of book values	2,700,861
our working capital funds	2,665,156
	<hr/>
Yielding a total of	<u>\$11,755,630</u>

This cash was used to

357→ purchase equipment for the warehousing, distribution and selling of merchandise	\$ 3,359,198
advance funds to associated companies for the acquisition of properties related to our continuing expansion program	960,557
invest in associated property holding companies	1,666,800
invest in mortgages receivable	324,449
reduce our liability for mortgage and other loans	234,605
redeem debentures in accordance with trust deeds	572,500
retire preferred shares in accordance with the terms of issue	156,300
discharge note due in 1960	3,115,000
pay dividends to our shareholders	1,366,221
	<hr/>
	<u>\$11,755,630</u>



Five-Year Comparison of Financial and Operating Statistics

	1960	1959	1958	1957	1956
Sales	\$238,117,239	\$178,261,413	\$150,925,637	\$132,431,428	\$120,019,663
Net Profit for the Year	\$ 3,241,838	\$ 3,392,785	\$ 2,995,210	\$ 2,397,023	\$ 2,009,252
Net Profit per Dollar of Sales (in cents) . . .	1.36¢	1.90¢	1.98¢	1.81¢	1.67¢
Number of Stores . . .	123	108	62	53	48
Inventories	\$ 13,975,507	\$ 12,037,282	\$ 7,500,118	\$ 6,675,454	\$ 5,547,019
Salaries & Wages . . .	\$ 21,946,744	\$ 16,606,877	\$ 14,424,935	\$ 12,289,836	\$ 10,419,808
Working Capital	\$ 8,628,187	\$ 11,293,343	\$ 8,991,276	\$ 5,808,002	\$ 8,278,011
Total Assets	\$ 68,555,990	\$ 67,544,941	\$ 41,010,273	\$ 37,228,425	\$ 33,028,682
Shareholders' Equity .	\$ 44,285,250	\$ 38,622,472	\$ 24,856,964	\$ 20,932,338	\$ 17,929,540

5 5

TAKE HOME
A
CARTON
OF

Cigarettes

TODAY

\$3⁴⁹





Directors and Officers

DIRECTORS SAM STEINBERG
NATHAN STEINBERG
MAX STEINBERG
MORRIS STEINBERG
JACK STEINBERG
SAM COHEN
JACK GENSER
LAZARUS PHILLIPS, O.B.E., Q.C.

OFFICERS SAM STEINBERG—President
NATHAN STEINBERG—Executive Vice-President
MAX STEINBERG—Vice-President & Treasurer
JACK GENSER—Vice-President & General Manager,
Ontario Division
WILLIAM SHERMAN—Vice-President, Operations
JACK LEVINE—Vice-President, Sales
SYDNEY CAPLAN—Vice-President, Personnel
SYDNEY KOM—Vice-President, Distribution & Processing
MEL DOBRIN—Vice-President, Store Operations
LEO GOLDFARB—Vice-President, Development & Expansion
JAMES N. DOYLE—General Counsel & Secretary
G. FINLAY DAVIS—Comptroller

SUBSIDIARY COMPANIES OTTAWA FRUIT SUPPLY LIMITED
ALLIED FOOD MARKETS LIMITED
T.N.T. PREMIUMS LIMITED

TRANSFER AGENT MONTREAL TRUST COMPANY
MONTREAL AND TORONTO

REGISTRAR THE ROYAL TRUST COMPANY
MONTREAL AND TORONTO

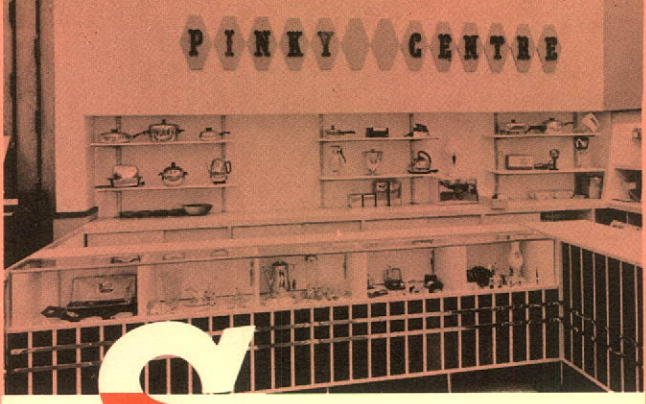
AUDITORS McDONALD, CURRIE & CO.
MONTREAL

HEAD OFFICE 5400 HOCHELAGA STREET
MONTREAL, P.Q.

1960



At your Service at **S**teinberg's





STEINBERG'S LIMITED • MONTREAL, CANADA