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STEDMAN BROS., LIMITED

136-152 PORTLAND STREET - TORONTO, CANADA

March 24, 1964.

To the Shareholders of Stedman Bros., Limited:

The directors of the Company have pleasure in submitting for your approval the Annual Report of the Company, together with the Balance Sheet, the Statement of Profit and Loss and the Auditors' Report covering the operations of the Company for the year ending December 31, 1963.

The results for the year show an increase in volume and in net profit. During the year \$871,000 was spent on improvements and new construction. On December 31, 1963, there were 139 Company operated stores and 201 Associate stores individually owned and operated.

Merchandising trends are changing very rapidly; Food Stores, Discount Stores, Shopping Plazas are all striving for the consumer dollar. The year 1963 has been one of keen competition.

Earnings per share after taxes of \$1.52 compares favorably with the earnings of \$1.45 per share in 1962.

On behalf of the directors, I wish to express their thanks for the loyal support of the staff during 1963.

G. H. STEDMAN,
Chairman of the Board.



STEDMAN BROS., LIMITED

INCORPORATED UNDER THE LAWS OF CANADA

BALANCE SHEET

December 31, 1963

(with comparative figures as at December 31, 1962)

(Cents omitted)

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ASSETS

	1963	1962
<u>Current assets:</u>		
Cash	\$ 3,577,742	\$ 3,648,953
Receivable from MacLeod's Limited	92,321	
Accounts receivable, less allowance for doubtful accounts	1,260,033	1,048,935
Merchandise inventories, at not more than the lower of cost or market	7,357,857	6,595,883
Advance payments on merchandise	57,317	124,257
Life insurance, cash surrender value	10,055	9,840
Prepaid insurance and expenses	113,572	45,981
	<u>\$12,468,897</u>	<u>\$11,473,849</u>
<u>Fixed assets, at cost:</u>		
Land and buildings	\$ 4,728,397	\$ 4,281,325
Furniture, fixtures and leasehold improvements	5,199,749	4,775,819
	<u>\$ 9,928,146</u>	<u>\$ 9,057,144</u>
<u>Less: Accumulated depreciation</u>	4,712,798	4,180,338
	<u>\$ 5,215,348</u>	<u>\$ 4,876,806</u>
	<u>\$17,684,245</u>	<u>\$16,350,655</u>

LIABILITIES

	1963	1962
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 977,872	\$ 993,862
Income taxes payable	969,567	1,019,086
Dividend payable	152,688	152,688
	<u>\$ 2,100,127</u>	<u>\$ 2,165,636</u>
<u>6% Mortgage</u> , payable \$2,000 annually until fully paid	\$ 12,000	\$ 14,000
	<u>\$ 2,112,127</u>	<u>\$ 2,179,636</u>
<u>Shareholders' equity:</u>		
<u>Capital stock:</u>		
Authorized:		
1,500,000 common shares without nominal or par value		
Issued:		
1,221,504 shares	\$ 294,801	\$ 294,801
Retained earnings	15,277,317	13,876,218
	<u>\$15,572,118</u>	<u>\$14,171,019</u>
	<u>\$17,684,245</u>	<u>\$16,350,655</u>

Contingent liability:

Customer's notes sold to an associated company, \$219,452.

Approved on behalf of the Board.

S. W. STEDMAN, *Director*

GEO. H. STEDMAN, *Director*

STEDMAN BROS., LIMITED

STATEMENT OF INCOME

Year ended December 31, 1963

(with comparative figures for the year ended December 31, 1962)

(Cents omitted)

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	1963	1962
Profit on operations before the undernoted items.....	\$ 4,474,707	\$ 4,254,438
<u>Deduct:</u>		
Allowance for depreciation.....	538,862	518,838
Employees' pension fund, net.....	55,182	52,340
Remuneration of directors:		
Salaried.....	62,496	46,090
Non-salaried.....	2,200	1,200
Taxes on income.....	1,957,000	1,865,000
	<u>\$ 2,615,740</u>	<u>\$ 2,483,468</u>
<u>Net income for year.....</u>	<u>\$ 1,858,967</u>	<u>\$ 1,770,970</u>

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1963

(with comparative figures for the year ended December 31, 1962)

(Cents omitted)

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	1963	1962
Retained earnings at beginning of year.....	\$13,876,218	\$12,716,154
<u>Add:</u>		
Net income for year.....	1,858,967	1,770,970
Profit (loss) on disposal of fixed assets.....	381	(16)
	<u>\$15,735,566</u>	<u>\$14,487,108</u>
<u>Deduct:</u>		
Dividends.....	\$ 458,064	\$ 610,752
Life insurance adjustment.....	185	138
	<u>458,249</u>	<u>610,890</u>
<u>Retained earnings at end of year.....</u>	<u>\$15,277,317</u>	<u>\$13,876,218</u>

AUDITORS' REPORT

To the Shareholders of
Stedman Bros., Limited:

We have examined the balance sheet of Stedman Bros., Limited, as at December 31, 1963 and the statements of income 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 company, the accompanying balance sheet and related statements of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1963 and the results of its 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.

Toronto, Canada.
January 30, 1964.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

STEDMAN BROS., LIMITED

ANNUAL REPORT

FOR THE

Year Ending 31st December, 1963

OFFICERS:

GEORGE H. STEDMAN.....	Chairman of the Board
S. P. WOOLEVER.....	President
E. J. EASON.....	Secretary-Treasurer & Vice-President
SAMUEL W. STEDMAN.....	Director
G. T. HUMBLE.....	Director
A. ROSS POYNTZ.....	Director
F. W. DAVIDSON.....	Director
C. RACHIE.....	Director
B. ROBBINS.....	Director
D. MAY.....	Director
A. G. KIRKNESS.....	Director
P. C. FIKKAN.....	Director
G. W. FLETCHER.....	Asst. Secretary-Treasurer

STOCK TRANSFER AGENTS:

GUARANTY TRUST COMPANY OF CANADA
366 Bay Street
Toronto.

BANKERS:

THE BANK OF NOVA SCOTIA
Toronto