

# **G. TAMBLYN, LIMITED**

## **DECEMBER 1973 ANNUAL REPORT**



## Comments To the Year End Statements

Sales for the 39 weeks ended December 29, 1973 were \$49.1 million, an increase over the prior year for the same period of \$2.6 million, 5.5%. Due to a change in year end a direct comparison to the full fiscal year 1972 is not applicable.

For the 39 weeks ended December 29, 1973 the net loss after extraordinary items was \$406,000, a per share loss of \$1.49. This compares to a net loss of \$139,000, \$.56 per share in the March 1973 fiscal year.

Significant changes took place in your Company during the year. The Company terminated its license agreement to operate pharmacy, health and beauty aids and cosmetic departments within the K-Mart division of S.S. Kresge Limited. This meant a reduction of 52 stores, and the resultant sale of inventories, fixed assets and the license agreement to S.S. Kresge. However, your Company agreed to supply, on a wholesale basis, the pharmaceutical departments of the K-Mart division.

During the year, your Company established a Wholesale Division to supply other drug retailers. This division is attracting valuable customers.

The license agreement for 6 stores has been acquired from Koffler Stores Ltd., to operate pharmacy, health and beauty aids and cosmetic departments within Sayvettes Limited.

Your Company continued to grow as it opened 18 new stores, converted 3 Tamblyn stores to Tamblyn Super Save, relocated 1 store and closed 9 obsolete and outmoded stores. There were 129 stores in operation at the close of the year.

The problems of financial and managerial control encountered in the prior year were resolved in 1973. Your Company now has a good system for supplying merchandise to its stores and accounting for same, that will enable it to grow and prosper.

The outlook for 1974 is encouraging. Your Company plans to open 7 new stores and close 4 older Tamblyn stores. The new store model and design, implemented during 1973, has been successful and this basic pattern will be carried forward into the 1974 expansion programme.

The retail drug industry is undergoing intense competition in all areas of Canada but your management is confident that the many positive changes effected in 1973 will result in much improved results in 1974.

I wish to thank the employees of the Company for their dedication over the past year. I also wish to note the retirement of Mr. A. H. Hutchinson, your President since 1969, and to thank him for his many years of dedicated service. Mr. A. H. Hutchinson remains as a Director of the Company.

ON BEHALF OF THE BOARD

W. Galen Weston  
President

Toronto, June 3, 1974

**DIRECTORS**

W. Galen Weston  
W. J. Houston  
A. H. Hutchinson  
G. C. Metcalf  
R. R. Huebel  
W. A. Murray  
J. A. Stout  
R. J. Currie  
D. A. Nichol

**OFFICERS**

*President and Chief Executive Officer*  
W. Galen Weston  
*Vice-President, Real Estate Operations*  
J. H. Farrell  
*Vice-President, Merchandising*  
B. Ferguson  
*Secretary*  
R. A. Lindsay  
*Controller*  
G. A. Gourlay

**STOCK TRANSFER AGENT AND REGISTRAR**

Canada Permanent Trust  
Company, Toronto

**AUDITORS**

Thorne Gunn & Co.

**HEAD OFFICE**

84 Sheppard Avenue East,  
Willowdale, Ontario

**OPERATING DIVISIONS:**

Tamblyn Drug Stores  
Super Save Drug Marts  
Super City Drug Marts  
Super Thrift Drugs  
Liggett Stores

**Highlights of the Year**

	Year ended Dec. 31 1973	Year ended March 31 1973
Store Sales	\$49,119,745	\$62,083,187
Net Earnings (Loss)	(406,151)	(138,788)
Earnings (Loss) per Common Share	(1.49)	(.56)
Dividends per Common Share	.60	1.05
Capital Expenditures	1,954,904	1,106,212
Common Shareholders' Equity	5,557,115	6,148,213
Equity per Common Share	19.62	21.71
Number of stores at end of year	129	172

**G. TAMBLYN, LIMITED**(Incorporated under the laws of Canada)  
and subsidiary companies**Consolidated Balance Sheet**

	December 29, 1973	March 31, 1973
<b>ASSETS</b>		
Current Assets		
Cash		\$ 65,302
Accounts receivable	\$ 1,038,285	1,335,588
Receivable from affiliated company	558,455	
Income taxes recoverable	315,867	269,650
Inventories, valued on the basis of approximate cost, which is not in excess of net realizable value	15,996,456	16,217,360
Properties for resale, at cost less accumulated depreciation (note 1)	1,401,336	
Prepaid expenses	227,055	180,185
	<u>19,537,454</u>	<u>18,068,085</u>
Licence Fees at cost less amortization (note 2)	114,500	
Fixed Assets (note 3)		
Land, buildings, equipment and leasehold improvements, at cost	10,965,451	12,058,231
Less accumulated depreciation and amortization	4,842,700	5,410,260
	<u>6,122,751</u>	<u>6,647,971</u>
	<u>\$25,774,705</u>	<u>\$24,716,056</u>
<b>LIABILITIES</b>		
Current Liabilities		
Bank advances	\$10,896,150	\$10,670,000
Accounts payable and accrued liabilities	7,086,783	5,761,701
Income and other taxes payable	436,657	366,942
Long-term debt due within one year	78,000	80,000
	<u>18,497,590</u>	<u>16,878,643</u>
Advance from Affiliated Company, not payable within one year	575,000	
Long-Term Debt (note 4)	645,000	645,000
Deferred Income Taxes		544,200
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock		
Authorized		
15,000 4% Cumulative voting preferred shares, par value \$50, redeemable at \$51.50 per share		
400,000 Common shares without par value		
Issued		
10,000 Preferred shares	500,000	500,000
283,244 Common shares	1,064,190	1,064,190
	<u>1,564,190</u>	<u>1,564,190</u>
Retained Earnings	4,492,925	5,084,023
	<u>6,057,115</u>	<u>6,648,213</u>
	<u>\$25,774,705</u>	<u>\$24,716,056</u>

Approved by the Board  
W. GALEN WESTON, Director  
G. C. METCALF, Director



## G. TAMBLYN, LIMITED

(Incorporated under the laws of Canada)  
and subsidiary companies

### Consolidated Statement of Income

	39 Weeks ended December 29, 1973	52 Weeks ended March 31, 1973
Sales	\$49,119,745	\$62,083,187
Operating profit (loss) before undernoted items	\$(1,067,754)	\$ 541,178
Depreciation and amortization of fixed assets	656,223	762,664
Interest on long term debt	28,422	47,302
Amortization of licence fees	10,500	
	695,145	809,966
Loss before income taxes and extraordinary items	1,762,899	268,788
Income tax reduction	364,200	130,000
Loss before extraordinary items	1,398,699	138,788
Extraordinary items		
Gain and proceeds on cancellation of licences in K-Mart department stores	1,175,000	
Loss on disposal of fixed assets less deferred income tax reduction of \$180,000	(182,452)	
	992,548	
Loss for the period	\$ 406,151	\$ 138,788
Loss per common share		
Before extraordinary items	\$ 4.99	\$ .56
Loss for the period	\$ 1.49	\$ .56

### Consolidated Statement of Retained Earnings

	39 Weeks ended December 29, 1973	52 Weeks ended March 31, 1973
Balance at beginning of period	\$ 5,084,023	\$ 5,540,217
Loss for the period	406,151	138,788
	4,677,872	5,401,429
Dividends on		
Preferred shares	15,000	20,000
Common shares (\$.60 per share; March 1973, \$1.05 per share)	169,947	297,406
	184,947	317,406
Balance at end of period	\$ 4,492,925	\$ 5,084,023

## G. TAMBLYN, LIMITED

(Incorporated under the laws of Canada)  
and subsidiary companies

### Consolidated Statement of Changes in Financial Position

	39 Weeks ended December 29, 1973	52 Weeks ended March 31, 1973
Source of working capital		
Loss for the period		\$ 138,788
Add items not involving current funds		
Depreciation and amortization of fixed assets		762,664
Deferred income tax reduction		(67,000)
		<u>695,664</u>
Funds from operations		556,876
Disposal of fixed assets	\$ 60,113	66,673
Proceeds from cancellation of licences in K-Mart department stores	1,175,000	
Properties for resale	1,401,336	
Advance from affiliated company	575,000	
	<u>3,211,449</u>	<u>623,549</u>
Application of working capital		
Loss before extraordinary items	1,398,699	
Less items not involving current funds		
Depreciation and amortization of fixed assets	656,223	
Deferred income tax reduction	(364,200)	
Amortization of licence fees	10,500	
	<u>302,523</u>	
Funds applied to operations	1,096,176	
Additions to fixed assets	1,954,904	1,106,212
Reduction in long-term debt		185,000
Dividends	184,947	317,406
Purchase of licences	125,000	
	<u>3,361,027</u>	<u>1,608,618</u>
Decrease in working capital	149,578	985,069
Working capital at beginning of period	1,189,442	2,174,511
Working capital at end of period	<u>\$1,039,864</u>	<u>\$1,189,442</u>

### Notes to Consolidated Financial Statements

DECEMBER 29, 1973

**1. Properties held for resale**

Subsequent to the year end the company entered into an agreement to sell certain of its lands and buildings. For that reason the net book value of these lands and buildings has been reflected as a current asset. Proceeds from these sales are expected to be approximately \$5,700,000. The sale has been made on a sale and leaseback basis and accordingly the profit earned on the sale will be recognized over the term of the lease.

**2. Licence fees, at cost**

During the year the company acquired licences to operate drug departments in six retail stores. The cost of these licences is being amortized on a straight line basis to the date of their expiry in 1978.

**3. Fixed Assets**

	December 29, 1973			March 31, 1973
	Cost	Accumulated depreciation and amortization	Net	Net
Land	\$ 36,600		\$ 36,600	\$ 420,983
Buildings	112,998	\$ 77,165	35,833	1,086,080
Furniture and fixtures	7,881,999	3,969,345	3,912,654	3,434,841
Automobiles	96,581	53,392	43,189	70,976
Leasehold improvements	2,837,273	742,798	2,094,475	1,635,091
	<u>\$10,965,451</u>	<u>\$4,842,700</u>	<u>\$6,122,751</u>	<u>\$6,647,971</u>

4. Long-Term Debt	December 29, 1973	March 31, 1973
Sinking fund debentures		
Series A—4%, maturing April 1, 1975, entitled to annual sinking fund deposits of \$50,000	\$ 75,000	\$ 75,000
Series B—5¼%, maturing April 1, 1978, entitled to annual sinking fund deposits of \$65,000	313,000	315,000
Series C—5½%, maturing April 1, 1982, entitled to annual sinking fund deposits of \$45,000	335,000	335,000
Less payments due within one year	723,000	725,000
	78,000	80,000
	<u>\$645,000</u>	<u>\$645,000</u>

Sinking fund requirements are being met by the purchase and cancellation of sinking fund debentures. As at December 29, 1973 debentures purchased in excess of the requirement for December 29, 1973 amounted to \$82,000. This excess has been applied to reduce the required payments due within one year. The trust indenture under which the sinking fund debentures were issued stipulates that the company may not pay dividends if, after their payment, working capital is less than \$1,000,000. At December 29, 1973, working capital was \$1,039,864.

#### 5. Long-Term Leases

Real estate leases in effect at December 29, 1973 which extend for periods longer than five years from that date have aggregate minimum rentals exclusive of taxes, insurance and other occupancy charges as follows:

Years ending	
1974 — 1978	\$14,000,000
1979 — 1983	10,300,000
1984 — 1988	5,375,000
1989 — 1993	2,425,000
After 1993	400,000
	<u>\$32,500,000</u>

It is the company's intention to enter into a long term lease on the sale of property set out in note 1 at an estimated annual rental of \$600,000.

#### 6. Other Information

	Thirty-Nine Weeks Ended December 29, 1973	Fifty-Two Weeks Ended March 31, 1973
Canada Corporations Act		
Number of directors (including five retired during the year)	14	9
Remuneration of directors as directors	Nil	\$ 9,901
Number of officers (including three retired during the year)	10	4
Remuneration of officers as officers	\$151,562	\$ 97,703
Number of officers who are directors (including two retired during the year)	3	3
Ontario Securities Act		
Remuneration of directors and senior officers	\$168,952	\$164,685

#### 7. Income taxes

The company has the following amounts available to be claimed against taxable income in future years, the tax effect of which has not been reflected in the accounts:

Tax loss-carry-forward expiring 1974-1978	\$2,038,000
Less excess of net book value of depreciable fixed assets over undepreciated capital cost	<u>1,256,000</u>
	<u>\$ 782,000</u>

#### 8. Change of year end

The company has changed its fiscal year end to the Saturday closest to December 31, effective December 29, 1973.



## Auditors' Report

To the Shareholders of G. Tamblyn, Limited

We have examined the consolidated balance sheet of G. Tamblyn, Limited as at December 29, 1973 and the consolidated statements of income, retained earnings and changes in financial position for the 39 weeks then ended. 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.

Our report on the consolidated financial statements for the year ended March 31, 1973 was qualified with respect to the possible effect of certain expenditures relating primarily to inventories and cost of sales not being capable of complete substantiation. This situation continued during the early part of the current period but was rectified prior to December 29, 1973.

In our opinion, the consolidated balance sheet presents fairly the financial position of the company as at December 29, 1973 and, except for the possible effect of any adjustment that might have been required had we been able to substantiate the inventory at March 31, 1973 and certain transactions during the period, both referred to above, the consolidated statements of income, retained earnings and changes in financial position present fairly the results of their operations and the changes in their financial position for the period ended December 29, 1973, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
April 21, 1974

*Shorne Gurn & Co.*  
Chartered Accountants