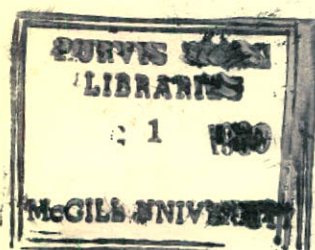


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G. TAMBLYN LIMITED 1969 ANNUAL REPORT



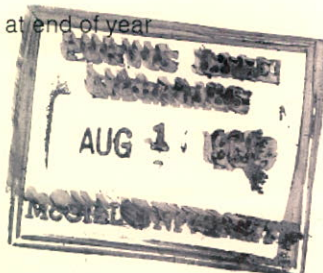


G. Tamblyn, Limited and subsidiary companies

Illustrations throughout this report,
portray modern concepts in
merchandising in new,
larger stores.

HIGHLIGHTS OF THE YEAR

	Year ended March 29 1969	Year ended March 30 1968
Retail Store Sales	\$38,132,056	\$33,563,855
Net Earnings	798,802	712,969
Net Earnings per Common Share	2.75	2.45
Dividends per Common Share	1.05	1.05
Capital Expenditures for New Plant, etc.	1,016,286	462,880
Common Shareholders' Equity	6,307,059	5,825,663
Equity per Common Share	22.27	20.57
Number of stores at end of year	156	154



BOARD OF DIRECTORS

G. J. W. Brydon, Phm.B.

O. L. Christie, Phm.B.

W. B. Downey, Phm.B.

*A. H. Hutchinson, Phm.B.

E. L. Jones, C.A.

R. S. Klegon, R.Ph.

*L. S. Mackersy, M.C.

**George C. Metcalf

W. A. Murray, Phm.B.

*N. S. Robertson, Q.C.

E. N. Thompson, Phm.B.

**Chairman of Executive Committee

*Member of Executive Committee

OFFICERS OF THE COMPANY

Chairman of the Board

George C. Metcalf

President and General Manager

A. H. Hutchinson, Phm.B.

Vice-President

E. N. Thompson, Phm.B.

Secretary-Treasurer

K. G. Allman, C.A.

STOCK TRANSFER AGENTS AND REGISTRARS Canada Permanent Trust Company, Toronto

BANKERS Canadian Imperial Bank of Commerce

AUDITORS Thorne, Gunn, Helliwell & Christenson

ADMINISTRATIVE OFFICES 84 Sheppard Avenue East, Willowdale, Ontario
10575 - 114th Street, Edmonton, Alberta



TO OUR SHAREHOLDERS:

It is with pleasure we present, on behalf of the Board of Directors, the Annual Report of G. Tamblin, Limited for the year ended March 29, 1969.

Your Company increased sales to a record high of \$38,132,000 — an increase of \$4,568,000 or 14% over the sales of \$33,564,000 for the previous year. Net Income for the year under review, including the extraordinary items shown in Note 5 in the Notes to Consolidated Financial Statements that are not considered to be part of the normal operations of the Company, was \$798,802, which after providing for dividends on Preferred Shares, was \$2.75 per Common Share, as compared to \$2.45 for the year ended March 30, 1968. The income from the extraordinary items was equal to 67¢ per Common Share. Dividends were paid at the rate of \$2.00 on each Preferred and \$1.05 on each Common Share and after providing \$317,406 for such dividends, the balance of earnings for the year of \$481,396 was retained in the business for future development. Common shareholders' equity increased to \$6,307,059 or \$22.27 a share.

The results above noted could not have been achieved without the loyalty and dedicated co-operation of all concerned in our business. Again, we extend the Company's sincere appreciation to the Pharmacists and other employees in its 156 stores — from Vancouver to Halifax — as well as in offices and warehouses. We are also appreciative of the co-operation received from our suppliers.

During the period under review, we had to cope with

rising costs, particularly salaries, and a further leveling off of retail prices, due to intense price competition across the country. Additionally, there were increased costs of establishing new facilities and moving and renovating old ones. While sales improved considerably over the previous year, operating income did not keep pace with the sales trend.

NEW DEVELOPMENT

Your Company continued the programme of expansion and modernization of its retail facilities. During the year, fifteen units were opened; seven older stores were remodelled, bringing them to new store standards of efficiency; two were moved to new modern locations and two were remodelled and converted from Owl Discount units to Tamblin Drug Stores; and fourteen low volume, non-productive stores were closed. At March 29, 1969, there were 156 stores in operation.

Continuing studies of growth patterns, to point up where new developments are likely to take place, are being maintained. These studies indicate ample scope for continued expansion, particularly into new areas where the Company is not presently represented. At the end of the fiscal period, over thirty new locations were under negotiation. It is anticipated that about fifteen of these will open during the present fiscal year. Where market potential is readily apparent, new stores will be of the super type. We will continue our policy of modernizing existing stores with above average potential, and of closing small, non-profitable units.

TAMBLYN CONTROL BRAND MERCHANDISE

During the year, the phasing out of a major franchise household line was completed. Plans have been formulated and production has now commenced on a complete line of top quality Tamblyn products, including Health and Beauty Aids, Household Needs, Rubber Sundries and Paper Products. To date we have introduced to the consumer over 150 of these fine Tamblyn products in various categories. This line will be expanded with selected new items which meet the standards of the Company.

In an era of unprecedented progress and in such a competitive field, the inclusion of Tamblyn products in our stores will tend to have a favourable effect on earnings and will encourage customer loyalty. Your Company is continuing to develop new marketing objectives for all categories of merchandise and service.

Our Institutional Advertising programme is being constantly measured, reviewed and updated. An aggressive plan is now in effect on radio and in newspapers in all major centres.

PRESCRIPTIONS

With the increase in the number of prepaid prescription plans available to the general public, dispensing volume continues to expand. The above average growth in this department is also the result of your Company's policy to provide the highest standard of professional service. It is reasonable to assume that as Governments become more involved in Health Plans, prescription volume will increase at an accelerated rate.

BOARD OF DIRECTORS

It is with deep regret that we record the death in

December of 1968 of Mr. J. William Horsey, former Chairman of the Board of Directors. As Chairman, Mr. Horsey was a distinguished and valued member of the Executive Committee of the Company, greatly respected by all who knew him. His experience and counsel will be greatly missed. Following his sudden passing, the Board of Directors elected Mr. George C. Metcalf Chairman of the Board.


In January 1969, the resignation from the Board of Directors of Mr. H. E. Roy was regretfully accepted by the Board. Mr. Roy, who contributed substantially to our progress, is still a valued member of the Company.

PROSPECTS FOR FUTURE

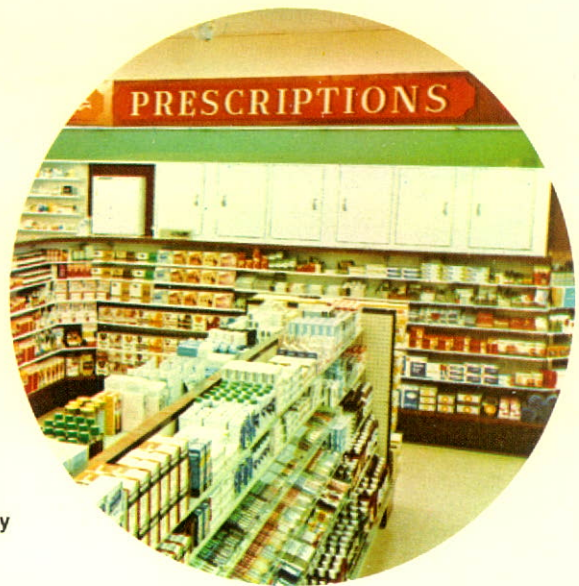
The current year has started on an optimistic note, with sales volume continuing to show a satisfactory increase. We look forward with confidence to continued growth in sales and earnings in this fiscal period.



Chairman of the Board

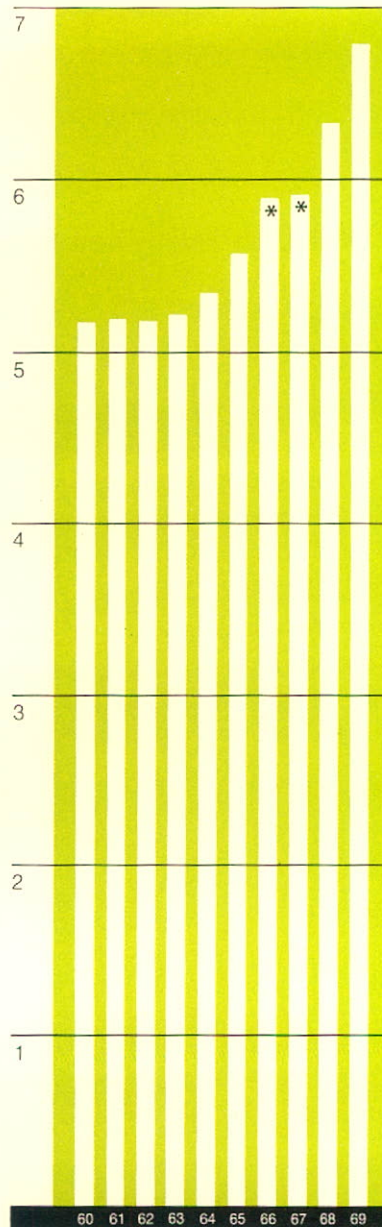
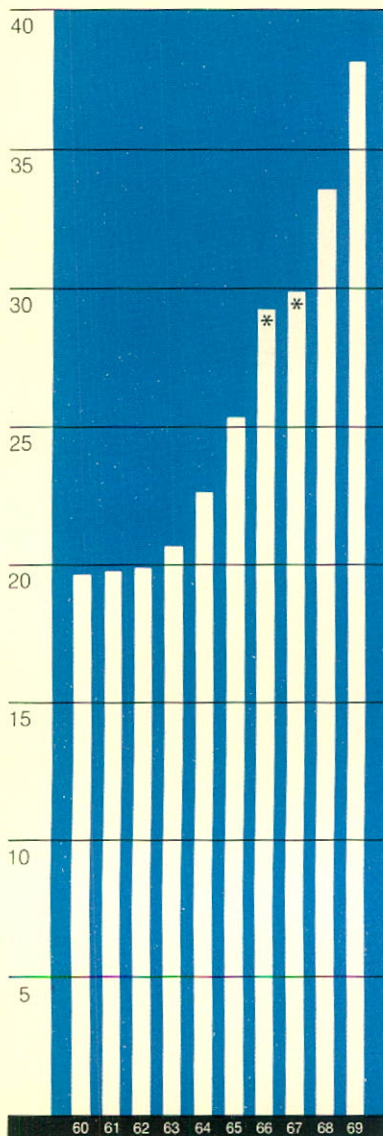


President and General Manager

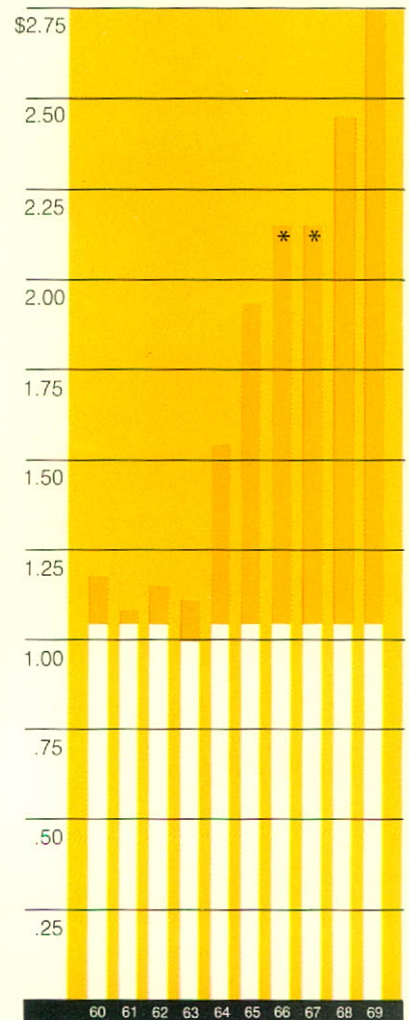


Shareholders' equity
in millions of dollars

Retail store sales
in millions of dollars



Net profit per common share
Dividends per common share



*In 1968 the year end was changed to the Saturday nearest to March 31. To permit comparison on a twelve month basis, the statistics shown are for twelve month periods ended March 30, 1968 and March 31, 1967. It should be noted that the twelve month period to March 31, 1967 includes the last nine months of the year ended December 31, 1966.

G. Tamblyn, Limited and subsidiary companies

CONSOLIDATED BALANCE SHEET

	March 29 1969	March 30 1968
ASSETS		
CURRENT ASSETS		
Cash	\$ 290,026	\$ 256,470
Accounts receivable	1,117,452	553,649
Inventories, valued on the basis of approximate cost which is not in excess of net realizable value	8,846,811	7,538,869
Prepaid expenses	93,486	86,661
	<u>10,347,775</u>	<u>8,435,649</u>
FIXED ASSETS, at cost		
Buildings	1,553,129	1,640,795
Furniture and fixtures	4,891,010	4,503,189
Automobiles	102,126	97,664
Leasehold improvements	1,252,265	1,077,039
	<u>7,798,530</u>	<u>7,318,687</u>
Less accumulated depreciation and amortization	3,829,444	3,753,075
	<u>3,969,086</u>	<u>3,565,612</u>
Land	428,386	695,289
	<u>4,397,472</u>	<u>4,260,901</u>
OTHER ASSETS		
Special refundable tax		34,537
Miscellaneous advances	22,430	65,262
	<u>22,430</u>	<u>99,799</u>
GOODWILL	1	1
	<u>\$14,767,678</u>	<u>\$12,796,350</u>

Approved by the Board

A. H. Hutchinson, Director

N. S. Robertson, Director



LIABILITIES

CURRENT LIABILITIES

Bank advances
Accounts payable and accrued liabilities
Income taxes payable
Dividends payable

	March 29 1969	March 30 1968
	\$ 3,772,554	\$ 2,055,312
	2,401,455	1,854,817
	92,762	589,310
	61,648	61,648
	<u>6,328,419</u>	<u>4,561,087</u>

DEBENTURE DEBT (note 2)

	1,305,000	1,570,000
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DEFERRED INCOME TAXES

	327,200	339,600
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SHAREHOLDERS' EQUITY

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

283,244 Common shares

	500,000	500,000
	1,064,190	1,064,190
	<u>1,564,190</u>	<u>1,564,190</u>

Excess of book value of net assets over the cost of
the shares of a subsidiary company

	138,733	138,733
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Retained earnings

	5,104,136	4,622,740
	<u>6,807,059</u>	<u>6,325,663</u>

	<u>\$14,767,678</u>	<u>\$12,796,350</u>
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AUDITORS' REPORT

To the Shareholders of G. Tambllyn, Limited

We have examined the consolidated balance sheet of G. Tambllyn, Limited as at March 29, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year 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.

In our opinion these consolidated financial statements present fairly the financial position of the

companies as at March 29, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Toronto, Canada, May 26, 1969

Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

	Year ended	
	March 29, 1969	March 30, 1968 (note 1)
Store sales	\$38,132,056	\$33,563,855
Costs and operating expenses		
Cost of goods sold	25,000,314	21,766,572
Expenses other than the undernoted	11,149,518	9,729,834
Depreciation of buildings and equipment	387,816	355,091
Amortization of leasehold improvements	92,705	76,256
Interest on long term indebtedness	77,115	85,756
Bank and other interest	159,482	94,027
	<u>36,866,950</u>	<u>32,107,536</u>
Income before income taxes and extraordinary items	1,265,106	1,456,319
Income taxes (including amounts applicable to future years 1969, \$34,514; 1968, \$900)	<u>655,500</u>	<u>743,350</u>
Income before extraordinary items	609,606	712,969
Extraordinary items (note 5)	189,196	
Net income for the year	<u>\$ 798,802</u>	<u>\$ 712,969</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 29, 1969

Balance at beginning of year		\$4,622,740
Net income for the year		<u>798,802</u>
		5,421,542
Dividends on		
Preferred shares	\$ 20,000	
Common shares (\$1.05 per share)	<u>297,406</u>	<u>317,406</u>
Balance at end of year		<u>\$5,104,136</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED MARCH 29, 1969

Source of funds		
Operations		
Income before extraordinary items		\$ 609,606
Add items not involving current funds		
Depreciation of buildings and equipment		387,816
Amortization of leasehold improvements		92,705
Deferred income taxes		34,514
Other		<u>9,919</u>
		1,134,560
Funds from disposal of fixed assets		545,412
Net reduction in other assets		<u>77,369</u>
		1,757,341
Application of funds		
Additions to fixed assets	\$1,016,286	
Reduction in debenture debt	265,000	
Dividends	317,406	
Payment for surrender of lease, less applicable income tax reduction	<u>13,855</u>	<u>1,612,547</u>
Increase in working capital		144,794
Working capital at beginning of year		<u>3,874,562</u>
Working capital at end of year		<u>\$4,019,356</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 29, 1969

1. COMPARATIVE STATEMENTS

Due to a change in the year end of the company, the previous fiscal period ended March 30, 1968 was a ten month period. For comparative purposes, a consolidated statement of income is presented for the full year ended March 30, 1968. No comparative statement is available for retained earnings or source and application of funds.

2. DEBENTURE DEBT

	March 29, 1969	March 30, 1968
Sinking fund debentures		
Series A — 4%, maturing April 1, 1975, entitled to annual sinking fund deposits of \$50,000	\$ 175,000	\$ 300,000
Series B — 5¼ %, maturing April 1, 1978, entitled to annual sinking fund deposits of \$65,000	545,000	645,000
Series C — 5½ %, maturing April 1, 1982, entitled to annual sinking fund deposits of \$45,000	585,000	625,000
	<u>\$1,305,000</u>	<u>\$1,570,000</u>

Sinking fund requirements are being met by the purchase and cancellation of Sinking Fund Debentures. During the year ended March 29, 1969, the company purchased \$165,000 of debentures in excess of the requirement for April 1, 1969, which excess will be applied to reduce required payments of future years.

3. LONG TERM LEASES

There were 74 real estate leases in effect at March 29, 1969, which extend for periods longer than five years from that date. The aggregate minimum rentals to be paid under these leases are as follows for each of the periods shown:

1970-1974	\$ 4,702,000
1975-1979	3,577,000
1980-1984	1,622,000
1985-1989	759,000
	<u>\$10,660,000</u>

Rental expense for the year ended March 29, 1969, in respect of long term leases amounted to \$1,110,498 including rentals based on a percentage of sales (exclusive of taxes, insurance and other occupancy charges).

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (including \$160,963 paid to directors) amounted to \$181,855 for the year ended March 29, 1969.

5. EXTRAORDINARY ITEMS

The extraordinary items consist of:

Net gain resulting from expropriation of real estate (including reduction of deferred income taxes — \$46,914)	\$203,051
Less payment to Lessor in respect of lease cancellation (after reduction of current income taxes — \$15,883)	13,855
	<u>\$189,196</u>

DISTRIBUTION OF INCOME (before extraordinary items) for the year ended March 29, 1969

	\$	%
Paid to suppliers for merchandise and supplies, including shipping and handling charges	25,000,314	65.56
Paid to employees: Salaries and employee benefits	6,692,559	17.55
Operating and maintenance	4,741,057	12.43
Advertising	366,277	0.96
Promotion and business relations	66,743	0.18
Taxes on income, payable to Federal and Provincial Governments	655,500	1.72
Paid to shareholders: Dividends on Preferred and Common Shares	317,406	0.83
Retained in the business (excluding extraordinary items)	292,200	0.77
Total Sales	<u>\$38,132,056</u>	<u>100.00</u>

TEN YEAR STATISTICAL REVIEW

	Mar. 29 1969	Mar. 30 1968	Mar. 31 1967
Number of stores at end of year	156	154	145
New stores added during year	14	11	12
Retail store sales	\$38,132,056	\$33,563,855	\$29,955,825
Net earnings	798,802	712,969	628,430
Dividends on preferred shares	20,000	20,000	20,000
Net earnings per common share	2.75	2.45	2.15
Dividends per common share	1.05	1.05	1.05
Total dividends	317,406	317,406	317,406
Working capital	4,019,356	3,874,562	3,697,376
Net book value of real estate, store equipment and improvements	4,397,472	4,260,901	4,255,303
Capital expenditures for new plant, store equipment and improvements	1,016,286	462,880	451,934
Long term mortgage and debenture debt	1,305,000	1,570,000	1,790,000
Common shareholders' equity	6,307,059	5,825,663	5,430,100
Equity per common share	22.27	20.57	19.17

In 1968 the year end was changed to the Saturday nearest to March 31. To permit comparison on a twelve month basis, the statistics shown are for twelve month periods ended March 30, 1968 and March 31, 1967. It should be noted that the twelve month period to March 31, 1967 includes the last nine months of the year ended December 31, 1966. The figures shown above for the years 1960 to 1963 have been adjusted to reflect the provision for income taxes which were deferred in those years. The provision for these deferred income taxes, formerly disclosed in a note to the Balance Sheet, was made in the year 1964.



Dec. 31 1966	Dec. 31 1965	Dec. 31 1964	Dec. 31 1963	Dec. 31 1962	Dec. 31 1961	Dec. 31 1960
145	140	137	133	134	134	133
12	6	7	5	5	4	5
\$29,175,949	\$25,460,478	\$22,599,018	\$20,735,641	\$19,879,310	\$19,830,260	\$19,742,489
627,891	567,633	459,565	334,602	346,180	324,685	355,319
20,000	20,000	20,000	20,000	20,000	20,000	20,000
2.15	1.93	1.55	1.11	1.15	1.08	1.18
1.05	1.05	1.05	1.00	1.05	1.05	1.05
317,406	317,406	317,406	303,244	317,406	317,406	317,406
3,617,785	3,631,597	3,336,523	3,748,369	3,730,232	2,929,887	3,191,378
4,305,534	4,151,893	4,152,209	3,922,729	4,059,625	4,062,557	3,887,344
621,112	529,592	751,236	288,254	422,921	626,025	335,883
1,790,000	1,950,000	2,114,599	2,310,275	2,480,462	1,725,181	1,849,455
5,401,480	5,090,995	4,840,768	4,723,558	4,692,200	4,692,676	4,685,397
19.07	17.97	17.09	16.68	16.57	16.57	16.54

CANADA'S LARGEST RETAIL DRUG ORGANIZATION • 156 STORES THROUGHOUT CANADA

115 Tamblyn Stores in Ontario

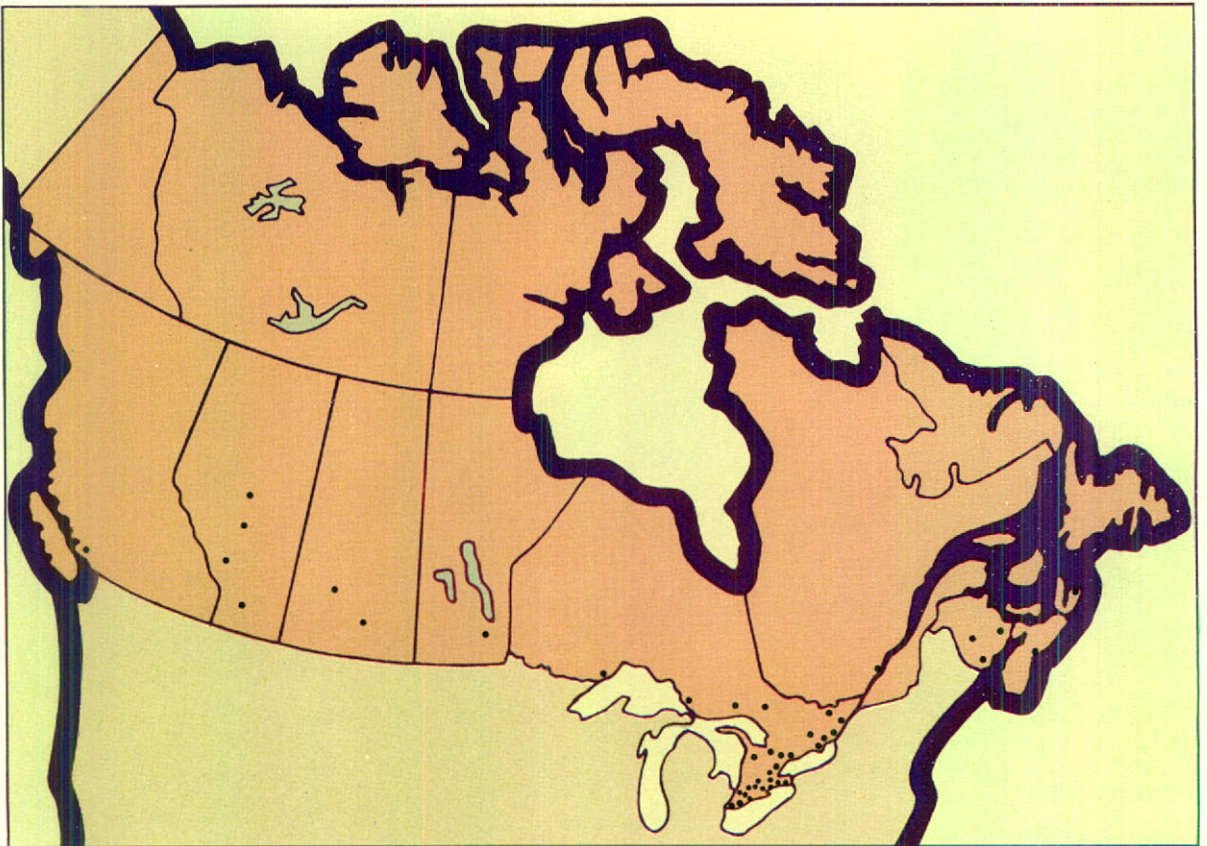
Barrie, Belleville, Brampton, Brantford, Brockville, Chatham, Cornwall, Guelph, Hamilton, Kingston, Kitchener, London, Niagara Falls, North Bay, Oshawa, Ottawa, Owen Sound, Peterborough, Port Arthur, Richmond Hill, St. Catharines, Sarnia, Sault Ste. Marie, Stoney Creek, Stratford, Sudbury, Toronto, Waterloo, Welland, Windsor.

35 Tamblyn Stores in Western Canada

Alberta: Calgary, Edmonton, Lethbridge, Red Deer, St. Albert.
Saskatchewan: Regina, Saskatoon.
British Columbia: Vancouver.
Manitoba: Winnipeg.

6 Tamblyn Stores in Eastern Canada

New Brunswick: Fredericton, Moncton, Saint John.
Nova Scotia: Dartmouth, Sydney.
Quebec: Quebec City.





What's he got that every pretty face is after?

Everything, because in his Tamblyn drug store you'll find all your favourite cosmetics. Exciting, up-to-date lines from London, New York, Paris, and Rome. He's probably even got a few things you haven't tried yet. And then, there's the Tamblyn cosmetician. She's specially trained to help you choose the colours, make-up, skin and hair care products that make the most of your pretty face.

So with Tamblyn's on your side, being pretty and keeping pretty is that much easier. We've even got hair dryers,

electric curler sets, facial sunnys, and sun tan lamps. And Tamblyn's is the place to go for all your health and prescription needs, too. With over 150 locations, there's a Tamblyn's near you. With people whose first concern is taking care of you best. With low prices day in and day out to keep your wallet healthy, too. And with a reputation providing complete satisfaction with every purchase, or we'll gladly replace it or refund your money. Like we said earlier, we've got everything you're after, pretty face.

TAMBLYN

Your family's health is our first concern.



This is when Tamblyn's makes your prescriptions easier to take.

Can you think of a better time? There are over 150 Tamblyn's stores. So we buy in volume, for less, then make sure our savings are passed along to you. And that makes our prescription prices next to painless. But low prices aren't the only reason you should bring your prescriptions to us, or have your doctor phone Tamblyn's when he writes a prescription. Consider the fact that your family's health is the first concern of everyone at the Tamblyn's drug store near you. From the graduate pharmacist to the driver who

delivers your prescription to your door. We know what you're going through when someone's sick at your house. So we dispense the required medication, using the freshest, finest pharmaceuticals available, as soon as we receive your prescriptions. And if you can't come to us, our free pick-up and delivery service will come to you. So the next time you need a prescription filled, or anything else from the drug store, get as much for your hard-earned money as you can. Let Tamblyn's take care of you. And your wallet.

TAMBLYN

Your family's health is our first concern.

Two of several institutional advertisements presently being used. Tamblyn Drug Stores continue to lead the retail drug industry with institutional advertising campaigns in newspapers and on radio.

OUR CREDO

For the buying public

We believe that we should provide the widest selection of reputable merchandise at the most reasonable prices commensurate with quality, in attractive, convenient surroundings and that we should maintain the highest standards of the profession of pharmacy for the public health and welfare.

For our employees

We believe we should provide our employees with the training, security, opportunities and working conditions which enlist their loyalty and promote efficiency in the interests of our customers and the Company.

For our shareholders

We believe it is our responsibility to plan our many-sided operations for maximum efficiency and the fullest development of the business opportunities afforded by Canada's expanding population and economy . . . to ensure a fair return to our shareholders and a steady appreciation in the value of their investment which makes this Company possible.

McGill University,
Purvis Hall,
1020 Pine Avenue West,
MONTREAL, P.Q.

TAMBLYN

YOUR FAMILY'S HEALTH
IS OUR FIRST CONCERN